ROY CERAMICS SE

Half-year Financial Report 2017

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

The successful capital increase with the cash contribution for the authorised capital in the amount of EUR 4.99 million in June is another successful step in the current transformation of the Group.

White Horse had paid us an amount of EUR 19.3 million by the end of June. Another EUR 15.2 million was paid between July and the closing date for the publication of the half-year report. White Horse needs more time than originally planned in order to transfer the remaining purchase amount from China in a foreign currency. We expect to continue receiving the remaining difference in partial amounts, including interest and less the fees and property taxes paid by White Horse. When the purchase amount has been received, we will be ready for the next step in the restructuring of the Group. This will consist of building a highly modern ceramic production facility in Houston, Texas, USA. As soon as a suitable property has been picked out and closed on in Houston, the decision will be made on the new production facility.

In the meantime, the funds already received will be invested in a way that generates profits. For this purpose, ROY has invested in an existing flex space building in Houston, Texas. The goal is to generate rental income and gain office space for the management of the planned factory. In future, ROY plans additional activities in the real estate area and will therefore propose to the shareholders at the forthcoming general meeting that the company's purpose be expanded accordingly.

Furthermore, we shall concentrate on increasing familiarity with the brand ROY in international markets. In addition to reactivating the distribution channels in the ASEAN countries, Europe and the United States will also be a focal point of activity in future. Besides the building of the new production facility in the United States, the outsourcing of production to an OEM production facility in Thailand has been moving ahead. We expect that we will be able to begin with the sale of high-quality ROY ceramic products manufactured in accordance with our requirements in Q4 2017 or Q1 2018.

The dismantling of the plant and the transport of movable fixed assets to the United States, Thailand and Germany was carried out. The preparation of the machines in Germany is being handled by a specialist company before the machines are then transported to the United States.

I would like to thank all the shareholders of the Group for supporting the company and our business partners, employees and customers for their trust, diligence and loyalty.

Kind regards,

Siu Fung Siegfried Lee
CEO of Roy Ceramics SE

HALF-YEAR FINANCIAL REPORT AS OF 30 JUNE 2017

1 GROUP PROFILE

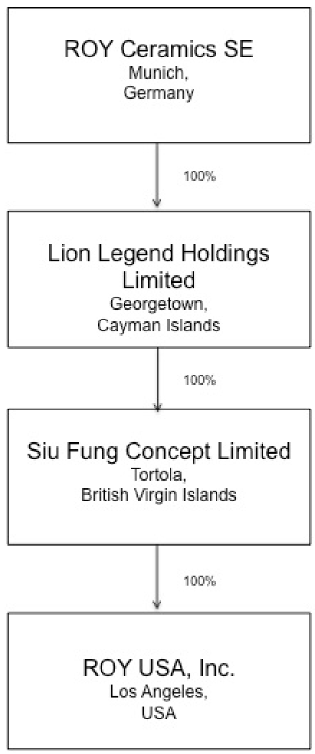
1.1 General information

ROY Ceramics 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.

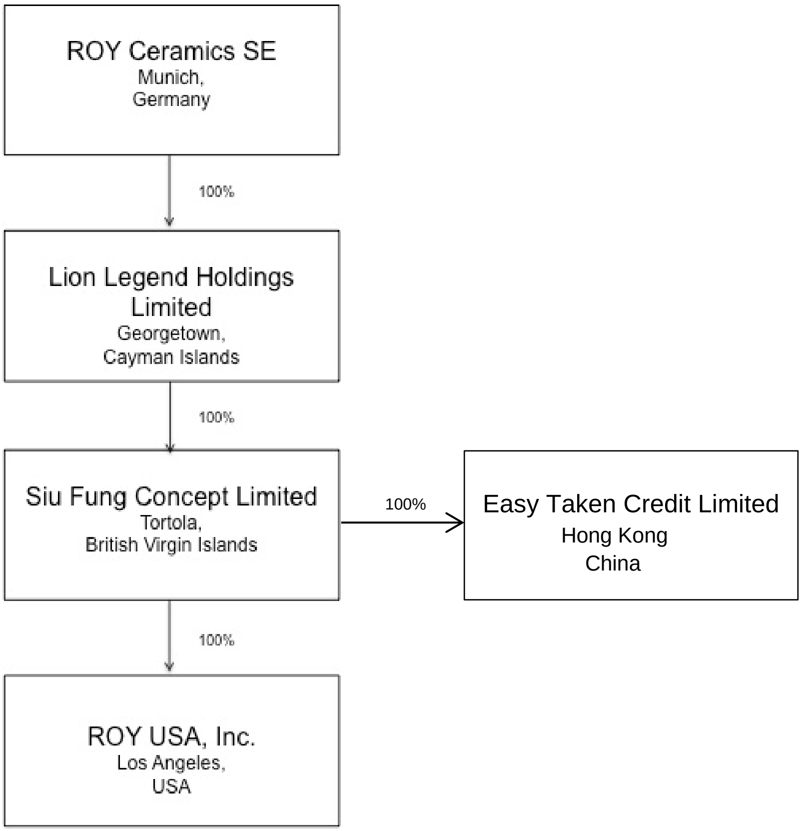
On 30 April 2015, the shares of ROY Ceramics SE were listed on the Prime Standard of the Frankfurt exchange (Germany) for the first time and simultaneously on the unregulated market (third segment) of the Vienna exchange (Austria). The shares are traded under the Security Identification Number RYSE88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

In the first half of 2017 there was a change in regard to the organisational structure and the business activity of the Company. In January 2017, Easy Taken Credit Limited in Hong Kong, an operationally inactive company beforehand, was acquired by Siu Fung Concept Limited in British Virgin Islands. The acquired company has a valid money lending license in Hong Kong. In June 2017, Easy Taken Credit was equipped with HKD 10,000,000 in capital, which was loaned to a single customer in the form of an annuity loan at an interest rate of 12%. The last repayment instalment is expected in June 2032. The previous activity of this subsidiary is of minor importance for ROY and there is no plan to expand the business activity at the present time.

Effective September 2015, ROY has the following structure:



Effective January 2017, ROY has the following structure:



2 BUSINESS AND FRAMEWORK CONDITIONS

2.1 General economic development

Global economic growth in 2017 is expected to be 3.1% according to the global economic outlook of the International Monetary Fund. The economy in growth markets and developing countries is anticipated to expand from 3.4% to 3.6%. After Brexit, major uncertainties remain in the European Union, while developing markets in Asia continue to grow strongly.

According to "tradingeconomics.com", the Chinese government expects that the Chinese economy will grow by 6.5% in 2017, compared with 6.7% in 2016, making it the slowest economic growth in 26 years. This reflects weakening momentum, but no massive downturn or a recession is expected.

It is becoming clear that the construction boom in past years should increasingly slow in China. Signs of this are a decline in finished buildings, premium hotels and large construction projects. Accordingly, the need for high-quality sanitary ceramics in China is also decreasing, while new competitors are trying to enter the market. These changes were expected and had a major influence on the decisions by the Company's Board of Administration to sell the operating subsidiaries to White Horse in 2015 and to make the Group accessible to other international markets.

The new markets in which ROY will do business in future, including the United States, Europe and the ASEAN countries, were characterised by stable growth in the first half of 2017 and promise future sales growth for ROY after a successful relocation of production. Particularly the election of Donald Trump as President of the United States will have a positive impact on the planned establishment of the production facility for ROY in Houston, according to the opinion of the ROY Group.

2.2 Summary of company's development and course of business

The operating business was discontinued temporarily with the sale of the operating subsidiaries in China to White Horse in 2015, and no or very little sales revenue has been generated since then. Accordingly, it does not make sense to compare the course of business in the first half of 2017 with the first half of 2016.

During this transition phase, the costs are at a low level and will be covered by ongoing partial payments by White Horse. Furthermore, a capital increase for the conditional capital 2015/II was carried out successfully at ROY Ceramics SE in the amount of EUR 4,999,000. The total number of shares increased by 4,999,000, from 13,110,000 to a total of 18,109,000. The new shares were issued at an issue price of EUR 1.00 per new share; furthermore, the new shares are entitled to profits as of the beginning of financial year 2016.

2.2.1 Sales revenue

The very low to non-existent sales revenue of the ROY Group in the first half of 2017 and the first half of 2016 is largely due to the sale of the operating subsidiaries to White Horse and the closure of the operating plants in China.

Only after the completion of the new plant in Houston, Texas and the beginning of production of ROY sanitary ceramics by the OEM manufacturer in Thailand will there be prospects of new sales revenue from the sale of sanitary ceramic products.

ROY Ceramics SE did not have any notable sales revenue in the first two half-years of 2016 and 2017.

2.2.2 Cost of sales revenue

The main components of the cost of sales revenue for the ROY Group until the sale of the plant in Beijing were raw materials, labour costs, production overheads (e.g. energy, depreciation of fixed assets in production operations, consumable materials and packaging) as well as the costs for non-ceramic goods and accessories that are purchased from external suppliers. Due to the lack of operating business activity, there were no major costs of sales revenue in the first half of 2016 and the first half of 2017.

2.2.3 Results of operations

The following table shows the condensed consolidated income statement for the reporting period as of 30 June 2017 in comparison to the reporting period as of 30 June 2016.

kEUR	Q2 2017	Q2 2016	Change in %	H1 2017	H1 2016	Change in %
Sales revenue	**8**	**4**	**100**	**8**	**7**	**14**
Cost of sales revenue	0	3	(100)	**0**	6	(100)
Gross profit	**8**	**1**	**700**	**8**	**1**	**700**
Other operating income	35	0	n/a	**44**	0	n/a
Other operating expenses	0	0	n/a	**0**	0	n/a
Distribution costs	0	1	(100)	**0**	2	(100)
Administrative costs	4,759	380	1,152	**7,604**	1,055	621
Operating earnings/EBIT	**(4,716)**	**(380)**	**(1,141)**	**(7,552)**	**(1,056)**	**615**
Financial income	0	1,080	(100)	**0**	2,158	(100)
Financial expenses	10	10	0	**19**	19	0
Earnings before taxes	**(4,726)**	**690**	**(785)**	**(7,571)**	**1,083**	**(799)**
Income taxes	0	(25)	(100)	**0**	(25)	(100)
Net earnings in the reporting period	**(4,726)**	**715**	**(761)**	**(7,571)**	**1,108**	**(783)**
Gross profit margin in %	**n/a**	*n/a*	*n/a*	**n/a**	*n/a*	*n/a*
EBIT margin in %	**n/a**	*n/a*	*n/a*	**n/a**	*n/a*	*n/a*
Net profit margin in %	**n/a**	*n/a*	*n/a*	**n/a**	*n/a*	*n/a*

pp = percentage points

n/a= Since the Group did not have any operating business in the first half of 2016 and 2017, the key performance indicators of gross margin, EBIT margin and net profit margin do not have any explanatory value or any meaningfulness. Therefore, we have not reported them.

2.2.4 Gross profit and gross profit margin

The following table shows a breakdown of the gross profit and the gross profit margin for the first half of 2017 and the first half of 2016.

kEUR	30 June 2017	30 June 2016
Gross profit	8	1
Gross profit margin	n/a	n/a

Since the Group did not have any operating business in the first half of 2016 or in the first half of 2017, the key performance indicator "gross profit margin" does not have any meaning. Therefore, this is reported as n/a.

2.2.5 EBIT

In the first half of 2017, the EBIT fell from kEUR (-)1,056 for H1 2016 to kEUR (-)7,552 for H1 2017, particularly due to depreciation in the amount of kEUR 5,746 and the expenses for the dismantling and transport of machines from China to the United States, Thailand and Germany.

2.2.6 Financial income

In the first half of 2017, no financial income was generated. The Group's financial income totalled kEUR 2,158 in the first half of 2016. This resulted primarily from the interested owed by White Horse in the amount of 6% on the due purchase price for the operating subsidiaries calculated until 30 June 2016.

2.2.7 Distribution expenses

The Group's distribution expenses in the past consisted primarily of expenses for advertising and sales promotion, travel and entertainment expenses, transport costs for the delivery of products to customers and sales partners as well as salaries and commissions that were paid to the sales and marketing staff. Due to the discontinued distribution, no distribution expenses were incurred in the first half of 2016 and 2017.

2.2.8 Administrative costs

The administrative costs of the Group include primarily 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 except for losses from the disposal of fixed 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 first half of 2017 totalled kEUR 7,604 as compared to kEUR 1,055 in the first half of 2016. The increase in the first half of 2017 was mainly due to the regular depreciation of the carrying value of the machines in the amount of kEUR 5,746 and the costs in the amount of kEUR 697 for the dismantling of the machines in China by a specialized company.

2.2.9 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. According to the law in the People's Republic of China (the "PRC") on corporate taxes (hereinafter referred to as the "Chinese Corporate Tax Act") and the Execution Ordinance for the Chinese Corporate Tax Act, the tax rate in the PRC is 25%.

The losses in the first half of 2017 did not lead to any income tax expenses in the first 6 months of 2017. The income tax charge in the first half of 2016 resulted in a credit of kEUR 25.

ROY Ceramics SE does not pay any taxes in Germany on account of the previously achieved losses.

2.2.10 Net earnings

The net earnings fell from kEUR 1,108 in the first half of 2016 to a loss of kEUR 7,571 in the first half of 2017. The loss is completely covered by equity.

2.3 Net assets

2.3.1 Balance Sheet of ROY (Group)

The following table shows the concise consolidated balance sheet as of 30 June 2017 in comparison to the concise consolidated balance sheet as of 30 June 2016.

kEUR	30 June 2017	30 June 2016
Assets		
Total non-current assets	63,264	82,312
Total current assets	61,748	76,226
Total assets	**125,012**	**158,538**
Equity and liabilities		
Total equity	122,671	154,963
Total liabilities	2,341	3,575
Total equity and liabilities	**125,012**	**158,538**

2.3.2 Non-current assets

Non-current assets primarily consist of fixed assets. The moveable fixed assets in the amount of kEUR 61,584 were mostly sent by LLH to the United States where they will be used for the planned production plant in Houston, Texas. The remaining portion of the machines are being prepared in Germany and will then be sent to the United States.

There is mainly financing through equity as of the reporting date.

2.3.3 Current assets

Current assets include inventories, bank balances and cash in hand, trade receivables and lease prepayments.

The current assets as of 30 June 2017 mainly include the receivable from White Horse.

The Group's liquidity improved significantly from kEUR 967 as of 31 December 2016 to kEUR

17,762 as of 30 June 2017. The significant improvement in the ROY Group's liquidity position is due to the successfully completed capital increase and the payments received from White Horse.

Bank balances bear interest at adjustable rates based on the respective interest rate for the bank balances that can be terminated on demand. The ROY Group is not currently affected by negative interest rates on bank balances. The bank balances have a low risk of default at banks with good credit ratings.

2.3.4 Trade receivables and other receivables

Trade receivables and other receivables mainly include receivables from White Horse.

The still outstanding consideration from White Horse in the amount as of 30 June 2017 of kEUR 45,874 (30 June 2016: kEUR 74,345) is included in the Group's other receivables.

2.3.5 Inventories

Inventories consist of finished products in stock.

kEUR	30 June 2017	30 June 2016
Finished Products	69	71
Total	**69**	**71**

2.3.6 Current liabilities

2.3.6.1 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, liabilities to a director and other tax liabilities.

Below is a list of trade payables and other liabilties based on the billing date at the end of the reporting period and sorted by due date.

kEUR	30 June 2017	30 June 2016
Within 180 days	1,973	3,191
181 to 365 days	0	0
1 to 2 years	0	0
Total	**1,973**	**3,191**

Debt and liabilities consist mainly of provisions, trade payables and liabilities to a director. All liabilities have a maximum term of up to one year, as in the previous year.

2.4 Financial position

kEUR	30 June 2017	30 June 2016	Change in %
Payments received / (made) in ongoing business activity	16,546	1,177	*1.306*
Payments received / (made) on account of investment activity	(3,493)	19	*(18.484)*
Payments received / (made) on account of financing activity	3,743	0	*N/A*

The Group's liquidity position was negatively impacted by the sale of its operating subsidiaries to White Horse. The Group's liquidity position improved significantly after the capital increase in the amount of EUR 4,999,000 and will continue to significantly improve with the receipt of the still outstanding consideration from White Horse in the amount of USD 52,351,682, including interest in the amount of 6% p.a. until 30 June 2016.

Prior to December 31, 2016, a payment in the amount of USD 2,000,000 was received from White Horse. Additional payments in the amount of USD 10,000,000 were also received as of 31 March 2017. By 30 June 2017, another payment in the amount of USD 10,000,000 was received. We expect payment of the remaining purchase price in further partial payments until the debt has been repaid in full.

As of 31 March 2017, Siu Fung Concept Limited, a one-hundred percent subsidiary of and consolidated in full by the ROY Group, acquired real estate within the framework of the Imperial Cullinan construction project in Hong Kong for a purchase price of HKD 28,691,761 (approx. EUR 3.5 million). The managing directors expect the value of this investment to increase.

2.5 Other factors relevant for results

2.5.1 Marketing and distribution of ROY products

ROY's Chinese business was sold to White Horse on 30 September 2015. After the resumption of production with the help of an OEM manufacturer in Thailand, ROY will reactivate the distribution network previously operated in the People's Republic of China.

2.5.2 Brands and patents

In the agreement with White Horse, the brand ROY and the intellectual know-how inform of patents were transferred. After receipt of payment in full, they shall be transferred back to ROY. The re-transfer of the patents and brand rights to ROY has taken place in the meantime.

2.5.3 Employees

The number of employees in the Group as of 30 June 2017 fell relative to 30 June 2016. Besides the managing directors of the Company, the Group currently has one employee.

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

3 REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

Up to the date of publication of this report, additional payments in the amount of USD 17,351,741 had been received from White Horse, since 30 Juni 2017. The outstanding amount of USD 34,999,941 also includes the interest to be paid by White Horse at 6% p.a. until 30 June 2016. The remaining amount is expected in additional partial payments.

On 17 August 2017, ROY invested an amount of USD 9.3 million in a flexible commercial space in Houston, Texas. The property is primarily intended for the generation of rental income and the establishment of office space for the administration of the planned factory in Houston, Texas. The purchase price of the property is USD 24.8 million in total and will be financed by deployed equity and a loan in the amount of USD 15.5 million.

4 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. The statements made below must be viewed along with the forecasts and risks and opportunities published in the 2016 Annual Report.

4.1 Forecast

The results in the first half of 2017 were in line with our expectations. Due to the sale of the operating subsidiaries in China, the Group generated very small to no sales revenue in full year 2016 and in H1 2017. The relocation of movable fixed assets to Thailand, Germany and the United States has been completed. The OEM manufacturer is expected to begin production in Q4 2017 and the first sales revenue is expected in Q4 2017 or Q1 2018. The modernisation of the machines that were sent to Germany will begin in Q3 2017 and will entail significant costs. According to the current plan, these machines will be prepared within two years for the requirements of the American market. Additionally, we anticipate more significant costs for the establishment of the new production facilities in the United States. The production facility will start operations in 18 to 24 months at the earliest. We plan a loss for ROY Ceramics SE in full year 2017 on the level of full year 2016. Furthermore, we also expect an overall loss for the ROY Group in the coming financial year 2017, which will be defined in particular by the costs as part of the resumption of operating activities and the costs for the aforesaid projects.

As a result of the Company's future development, ROY plans to reactivate the ROY brand. This will take place through planned participation at important trade fairs in Europe and the United States in the second half of 2017 and in full year 2018, as well as through the marketing of the ROY brand to a new group of customers in the United States and the ASEAN markets by means of the products manufactured by the OEM. Furthermore, the plan is to also directly address larger specialist markets.

4.2 Risks and opportunities

In the consolidated management report for the 2016 Annual Report, the Group provided detailed information about the opportunities and risks that result from the business activity and other sources. According to it, there are no notable risks that could have a relevant impact on the results and the financial position of the Group for the rest of 2017.

Additional risks and uncertainties at ROY that the Company is not currently aware of or the degree to which it is judging incorrectly at the moment may also have a negative impact on the business of ROY Ceramics SE and the business activity, the net assets and the financial position and results of operations of the Company. At the same time, the selection and the content of the risk factors is based on assumptions that could with hindsight prove to be incorrect.

RESPONSIBILITY STATEMENT BY THE BOARD OF MANAGEMENT

To the best of our knowledge we hereby certify that the consolidated financial statements provide a true and fair view of the actual circumstances regarding the Group's net assets, financial position and results of operations in accordance with the applicable accounting methods; and the course of business, including the results of business, and the position of the Group are reported in the interim group management report such that they provide a true and fair view of the actual circumstances and describe the major opportunities and risks of the Group's anticipated development.

Munich, 29 September 2017

ROY Ceramics SE

Managing Directors

SIU FUNG SIEGFRIED LEE	MATTHIAS HERRMANN	JIAO WEN	LEI YANG	SURIYA TOARAMRUT
CEO	CFO	COO	DESIGN DIRECTOR	TECHNICAL DIRECTOR

CONCISE CONSOLIDATED HALF-YEAR REPORT

AS OF 30 JUNE 2017

ROY Ceramics SE, Munich

CONSOLIDATED BALANCE SHEET

ASSETS	**30 June 2017 in kEUR**	30 June 2016 in kEUR
I. Current assets		
Cash and cash equivalents	17,762	7
Trade receivables and other receivables	43,917	76,148
Inventories	69	71
Total current assets	61,748	76,226
II. Non-current assets		
Goodwill	116	120
Fixed assets	61,584	81,676
Non-current assets	1,462	516
Deferred tax assets	102	0
Prepayments	0	0
Total non-current assets	63,264	82,312
Total assets	125,012	158,538

LIABILITIES	**30 June 2017 in kEUR**	30 June 2016 in kEUR
I. Current liabilities		
Trade payables and other liabilities	236	563
Liabilities to a managing director	1,737	2,628
Total current liabilities	1,973	3,191
II. Non-current liabilities		
Financial liabilities	368	384
Total non-current liabilities	368	384
III. Equity		
Share capital	18,109	13,110
Reserves	104,562	141,853
Total equity	122,671	154,963
Total liabilities and equity	125,012	158,538

ROY Ceramics SE, Munich

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST HALF-YEAR 2017

	Q2 2017 in kEUR	Q2 2016 in kEUR	H1 2017 in kEUR	H1 2016 in kEUR
Sales revenue	8	4	8	7
Cost of sales revenue	0	3	0	6
Gross earnings	8	1	8	1
Other income	33	0	44	0
Distribution costs	0	1	0	24
Administrative costs	4,510	380	7,604	1,055
Operating income	**(4,469)**	**(380)**	**(7,552)**	**(1,056)**
Financial income	0	1,080	0	2,158
Financial expenses	2	10	19	19
Earnings before taxes	**(4,471)**	**690**	**(7,571)**	**1,083**
Income tax expense	0	(25)	0	(25)
Net earnings in the reporting period	**(4,471)**	**715**	**(7,571)**	**1,108**
Exchange rate differences through currency translation	(7)	(467)	(1)	(934)
Other earnings	**(4,478)**	**248**	**(7,572)**	**174**
Total earnings	(4,478)	248	(7,572)	174
Total earnings, attributable to:				
Owners of the Company	(4,471)	715	(7,571)	1,108
Uncontrolled shares	0	0	0	0
Earnings per share				
Diluted average after capital increase:	(0.25)	0.04	(0.42)	0.06

ROY Ceramics SE, Munich

CONCISE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As of 30 June 2017

	Subscribed capital in kEUR	Capital reserve* in kEUR	Translation reserve in kEUR	Retained earnings in kEUR	Total in kEUR
Balance at 31 Dec. 2016	**13,110**	**78,527**	**30,994**	**13,040**	**135,670**
Balance at 1 Jan. 2017	**13,110**	**78,527**	**30,994**	**13,040**	**135,670**
Exchange rate difference from translation	0	0	(10,443)	0	(10,443)
Capital increase for ROY Ceramics SE	4,999	0	0	0	4,999
Loss	0	0	0	(7,572)	(7,572)
Total comprehensive income	0	0	0	(7,572)	(7,572)
Balance at 30 June 2017	**18,109**	**78,527**	**20,567**	**5,468**	**122,671**

* The amount of kEUR 78,527 contained in the capital reserve results from the reverse acquisition including contributions in kind from financial year 2014.

ROY Ceramics SE, Munich

CONSICE CONSOLIDATED CASH FLOW STATEMENT

For the year from 1 January to 30 June 2017

	H1 2017 in kEUR	H1 2016 in kEUR
Ongoing business activity		
Earnings before taxes	(7,571)	1,083
Adjusted by		
Interest income / interest expenses	(19)	0
Depreciation and amortisation	5,746	33
Consulting fees not affecting cash and cash equivalents	392	454
Cash flow from business activity prior to a change in current assets	**(1,452)**	**1,570**
Decrease / (Increase) in inventories	7	8
Decrease / (Increase) in trade receivables and other receivables	19,329	(585)
(Decrease) / Increase in liabilities to a director	(981)	0
(Decrease) / Increase in trade payables and other liabilities and financial liabilities	(357)	184
Cash flow from ongoing business activity	**16,546**	**1,177**
Paid income taxes	0	0
Net cash flow from ongoing business activity	**16,546**	**1,177**
Investment activity		
Interest income	0	19
Purchase of property and equipment	(3,493)	0
Net payments received from investment activity	**(3,493)**	**19**
Financing activity		
Proceeds from the issuance of shares	4,999	0
Repayment of loan to majority share holder	(1,256)	0
Net cash flow from financing activity	**3,743**	**0**
Net increase /(decrease) in cash and cash equivalents	**16,796**	**1,196**
Currency translation effects	(1)	(1,271)
Cash and cash equivalents at the beginning of the period	967	82
Cash and cash equivalents at the end of the period	**17,762**	**7**

NOTES TO THE CONCISE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

GENERAL INFORMATION

ROY Ceramics 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 Munich Trade Register (HRB 211752), Germany, with its registered administrative office (business address) at Gießener Strasse 42, 35410 Hungen. The shares are traded under the Security Identification Number RYSE88 and ISIN DE000RYSE888.

The purpose of the Company and its subsidiaries (jointly referred to as the "Group") consists primarily of the production and sale of sanitary needs and accessories made of ceramics. The Company acts as an investment holding company. The main activities of its subsidiaries and equity investments are described in detail in the annual report for 2016.

ACCOUNTING AND VALUATION METHODS

These concise consolidated half-year financial statements as of 30 June 2017 have been prepared in accordance with IFRS as published by the IASB and as to be applied for interim financial reports in the EU. They are to be read in connection with the published consolidated financial statements as of 30 December 2016.

The applied accounting and valuation methods are fundamentally in line with the methods to be applied in the previous year, with the exception of the new applicable standards that are explained briefly in the following.

THE APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (HEREINAFTER REFERRED TO AS "IFRS")

a) First-time application of new and revised IFRS:

In the financial year and current reporting period, the Group applied the following new and revised IFRS and interpretations for the first time:

Amendment to IFRS 11:	Accounting for interests in joint operations
Amendment to IAS 1:	Disclosure initiative
Amendment to IAS 19:	Defined benefit plans: Employee contributions
Amendment to IAS 16 and IAS 38:	Clarification of acceptable depreciation and amortisation methods
Amendment to IAS 16 and IAS 41:	Agriculture: Bearer plants

Amendment to IFRS 10, IFRS 12 and IAS 28:	Investments: Application of consolidation exception
Amendment to IFRS:	Annual improvements in IFRS; cycle 2012-2014 Annual improvements in IFRS; cycle 2010-2012

The application of the new and revised IFRS and interpretations in the financial year had no major impact on the financial results of the Group and the positions for the financial year and the previous years or the disclosures contained in the consolidated financial statements.

(b) New and revised IFRS that were published but had not entered into force

The Group has not applied in advance the following new and revised IFRS, which were published, but have not yet entered into force:

IFRS 9:	Financial instruments[1]
IFRS 15:	Revenue from contracts with customers[1]
IFRS 16:	Lease accounting[2]
Amendment to IFRS 2:	Classification and valuation of share-based payment[1]
Amendment to IFRS 10 and IAS 28:	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendment to IAS 7:	Disclosure initiative[4]
Amendment to IAS 12:	Recognition of deferred tax assets for unrealised losses[4]

[1] Legally effective for financial years beginning on 1 January 2018, advanced application permitted – approval by the EU is still outstanding.

[2] Legally effective for financial years beginning on 1 January 2019, advanced application permitted – approval by the EU is still outstanding.
[3] Legally effective for financial years that begin on or after the set date.
[4] Legally effective for financial years beginning on 1 January 2017, advanced application permitted.

The managing directors of the Company assume that the application of IFRS 9 may have a material future impact on the amounts reported in regard to the financial assets and liabilities of the Group. In regard to the financial assets of the Group, a reliable estimate of this impact can only be made when a careful review has taken place.

The managing directors of the Company assume that the application of IFRS 15 will have a material future impact on the amounts reported on the consolidated financial statements and the disclosures therein. However, the Company's managing directors do not assume that the application of these amendments to IFRS 15 will have a major impact on the date and the amount of income in the reporting period.

The Company's managing directors are assessing the application of IFRS 16. Besides the additional assets and liabilities for the operating lease agreement under IAS 17, it is currently not possible to provide a reliable assessment of the impact of the application of IFRS 16 until the Company has completed a comprehensive review.

The managing directors expect that the application of the other new and revised IFRS will have a major impact on the Company's financial statements.

5. CRITICAL DISCRETIONARY MEASURES AND IMPORTANT REASONS FOR UNCERTAINTIES IN ESTIMATES

In the application of the described accounting and valuation principles of the Group, the Company's managing directors must make discretionary decisions, estimates and assumptions on the carrying values of the assets and liabilities based on other sources that are unclear. The estimates and the assumptions associated with them are based on the historical experience and other factors that are considered authoritative. The actual results may deviate from these estimates.

The estimates and underlying assumptions are checked constantly. Corrections to estimates are made in the period in which the estimate is corrected if the correction only relates to this period, or they are made in the period of the correction and future periods if the correction relates to both the current and future periods.

<u>Exercising discretion in the application of the Company's accounting and valuation principles</u>
No discretion was exercised on critical issues except for the estimates (see below) that the Company's managing directors made for the application of the Group's accounting and valuation principles.

<u>Important reasons for uncertainties in the estimates</u>
In the following, the main assumptions on the future and other important reasons for uncertainties in the estimates at the end of the reporting period are explained where such entail a significant risk that major adjustments in regard to the carrying values of the assets and liabilities will be necessary in the next financial year.

Depreciation and amortisation of fixed assets
Fixed assets are depreciated and amortised on the basis of their estimated residual value according to the straight-line method over the course of their estimated useful life. The determination of the useful life and the residual value requires an estimate by management. The Group checks the residual value and the useful life of the fixed assets annually, whereby the depreciation in the financial year and the respective estimate of the value could change in future reporting periods if the expectations differ from the original estimates.

Depreciation of inventories
The Group's inventories are reported in accordance with the lower of cost or market principle and the net proceeds value. The Company's managing directors check the ageing at the end of the reporting period and report any impairments for obsolete and hard-to-sell inventories that are no longer suited for sale. These impairments require discretionary decisions and estimates. If the expectation differs from the original estimate, the carrying values and the impairments for inventories are corrected in the periods in which this estimate is made.

The Group checked the products in the stock of inventory at the end of the reporting period. As of 30 June 2017 there were no impairments for obsolete items (30 June 2016: 0 kEUR).

Estimated loss from impaired trade receivables and other receivables
The Group estimates the loss from impaired trade receivables and other receivables resulting from the fact that the customers cannot make the required payments. These estimates are based on past payment conduct, the customers' credit rating and past write-down experience and payment default or delay in payment. If the financial position of customers deteriorates, the actual write-down can be higher than the previous impairment calculated in the provision. As

of 30 June 2017 the carrying value of the trade receivables and other receivables less the impairments for the impairment loss totalled kEUR 43,917, respectively (30 June 2016: kEUR 76,148).

6 CAPITAL RISK MANAGEMENT

The Group manages its financial resources in order to ensure that the companies in the Group can continue their business activity, and simultaneously the returns of shareholders can be maximised by the ratio of debt to equity. The Group's overall strategy has remained unchanged since the previous year. For more on this, please see the relevant remarks in the management report for the 2016 Annual Report.

The capital structure of the Group consists of net debt, which includes cash and cash equivalents as well as the equity attributable to the owners of the Company and consisting of issued equity and reserves.

kEUR	**30 June 2017**	30 June 2016
Net liquidity (consisting in full of "positive cash")	17,762	7
Equity attributable to the owners of the Company	122,671	154,963

The managing directors of the Company check the capital structure regularly. The managing directors of the Company consider the costs of capital and the risks associated with the individual types of capital to be a part of this check.

7 FINANCIAL INSTRUMENTS

	as of 30 June 2017		**as of 30 June 2016**	
kEUR	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Loans and receivables (including trade receivables and other receivables as well as non-current assets and bank and cash balances)	63,141	63,141	76,539	76,539
Total	**63,141**	**63,141**	**76,539**	**76,539**
Financial liabilities				
Liabilities recognised at amortised acquisition cost (including trade payables and other liabilities, liabilities from promissory notes without classification of costs and other tax liabilities, as well as liabilities to a member of the Board of Directors)	2,168	2,168	3,358	3,358
Total	**2,168**	**2,168**	**3,358**	**3,358**

7.1 Goals and strategies for managing financial risk

As part of the Company's ordinary business activity, it is exposed to a foreign currency risk, interest rate risk, default risk and liquidity risk. These risks are identified by the principles for the Group's financial management as described in the 2016 Annual Report and reduced by means of appropriate countermeasures.

8 FINANCIAL INCOME

kEUR	30 June 2017	30 June 2016
Interest income from bank balances	0	0
Interest on loans and receivables	0	2,158
	0	**2,158**

Interest on loans and receivables includes an interest claim from White Horse in the amount of kEUR 2,158 for 2016, which refers to the 6% p.a. interest to be received on the purchase price payment from 30 September 2015 to 30 June 2016 due to the sale of the operating subsidiaries of the Group. No financial income was achieved in the first half of 2017.

9 FINANCIAL EXPENSES

As of 30 June 2017 the Group incurred financial expenses in the amount of kEUR 19 in regard to the acquired promissory note liability of ROY USA Inc. The financial expenses have not changed in comparison to 30 June 2016.

10 TRADE PAYABLES AND OTHER LIABILITIES

kEUR	30 June 2017	31 December 2016
Trade payables	4	33
Other liabilities	232	35
Liabilities from salary and staff costs as well as costs for social benefits	0	505
Other tax liabilities	0	8
Total	**236**	**581**

Below you will find a list of trade payables based on the billing date at the end of the reporting period and sorted by due date.

kEUR	30 June 2017	31December 2016
Within 180 days	4	33
181 to 365 days	0	0
1 to 2 years	0	0
Total	**4**	**33**

The average payment period for the purchase of goods ranges from 30 to 180 days. The Group and the Company uses strategies for risk controlling in order to ensure that all liabilities will be settled in the agreed payment periods.

11 LIABILITIES TO A MANAGING DIRECTOR

kEUR	30 June 2017	31 December 2016
Liabilities to a managing director	1,737	2,718

The current liability must be repaid to Siu Fung Siegfried Lee; it is unsecured, does not bear interest and can be repaid at any time upon request.

12 SHARE CAPITAL

kEUR	Share capital
As of 31 December 2016	13,110
Change in H1 2017	4,999
As of 30 June 2017	18,109

The share capital amounts to EUR 18,109,000.00 after the completion of the capital increase for the authorised capital and consists of 18,109,000 no par value shares in the form of bearer shares that are securitised with a global certificate.

In accordance with section 6 of the Company's Articles of Association, the Board of Directors is authorised to increase the Company's share capital as of 26 August 2020 in return for cash contributions or contributions in kind once or multiple times by up to kEUR 6,555. On the basis of this authorisation, a capital increase in the amount of kEUR 4,999 was carried out. The still available authorised capital amounts to kEUR 1,556 after the completed increase.

In financial year 2015, the Company's capital was increased conditionally by a total of kEUR 1,311 in 2015 in accordance with section 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 2015 (conditional capital 2015/I). This has not taken place to date.

Another conditional capital increase in accordance with section 6b of the Articles of Association relates to an amount totalling 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 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 aforesaid instruments has not taken place to date.

13 OBLIGATIONS AND LIABILITIES

As a Lessee and rent payer

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

kEUR	30 June 2017	30 June 2016
Within one year	135	119
From second to fifth year inclusive	0	254
Total	135	373

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

14 BUSINESS WITH RELATED PARTIES

Over the course of the period in the financial year, the Group engaged in the following major transactions with related parties:

kEUR	30 June 2017	30 June 2016
Advisory fee paid by subsidiaries to:		
Hi Scene Industrial Ltd.*	173	168

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

The aforesaid transactions were concluded under arm's length conditions.

15 TRANSLATION OF CURRENCY

The exchange rate used in this report is provided in the following table.

	HKD/EUR		RMB/EUR		USD/EUR	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
31. Dez. 16	8,18	8,59	7,35	7,32	1,05	1,11
31. Mrz. 17	8,31	8,26	7,36	7,34	1,07	1,06
30. Jun. 17	8,91	8,57	7,74	7,44	1,14	1,10

16 EVENTS AFTER THE BALANCE SHEET DATE

Up to the date of this report, additional payments in the amount of USD 17,351,741 were received from White Horse, since July. The outstanding amount of USD 34,999,941 also includes the interest to be paid by White Horse at 6% p.a. until 30 June 2016. The remaining payment is expected in additional partial payments.

Negotiations on the formal re-transfer of patents and the brand ROY have been finalised and the re-transfer has taken place.

On 17 August 2017, ROY invested an amount of USD 9.3 million in a flexible commercial space in Houston, Texas. The property is primarily intended for the generation of rental income and the establishment of office space for the administration of the planned factory in Houston, Texas. The purchase price of the property is USD 24.8 million in total, of which USD 15.5 million is financed through a loan. The building is outside of the historically common flooding area in Houston, Texas. Accordingly, no damage has been reported on the investment property from the flooding to date. The building is also insured against weather damage.

Effective 4 August 2017 Mr Sikun Jiang issued his resignation as Managing Director to the Board of Directors for private reasons.

Effective 18 August 2017 Ms Jiao Wen and Mr Suriya Toaramrut were appointed as Managing Directors by the Board of Directors.

INFORMATION ABOUT FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are based on the current assumptions and estimates by the corporate management of ROY Ceramics SE. Forward-looking statements are characterised by the use of words such as expect, intend, plan, foresee, assume, believe, estimate and similar formulations. These statements should not be construed as guarantees that these expectations will prove to be correct. The future development and the events actually achieved by ROY Ceramics SE and its affiliated companies depend on a number of risks and uncertainties and can therefore deviate substantially from the forward-looking statements. Many of these factors are outside of ROY Ceramics SE's area of influence and cannot be estimated precisely, such as the future economic environment and the conduct of competitors and other market participants. ROY Ceramics SE does not commit to any updating of the forward-looking statements, and this is also not planned.

LEGAL NOTICE

Publisher

ROY Ceramics SE

Gießener Strasse 42
35410 Hungen
Germany

Tel.: +49 (0)69 71 04 55 15 5
Fax: +49 (0)69 71 04 55 45 0
www.roykeramik.de

FINANCIAL CALENDAR 2017

Publication of Annual Report 2016
27 April 2017

Q1 Interim Report 2017
31 Mai 2017

Publication of Half-year Financial Report 2017
29 September 2017

General Shareholder Meeting 2017
02 October 2017

Q3 /9M Interim Report 2017
30 November 2017

ROY Ceramics SE

Gießener Strasse 42
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