

ROYAL RAILWAY PLC.

**Condensed Interim Financial Statements
for the three-month period
ended 31 March 2025
and**

**Independent Auditors' Report on Review of
Condensed Interim Financial Statements**

Corporate information

Company	Royal Railway Plc.	
Registration No.	00018504	
Registered office	Central Railway Station, Russian Federation Boulevard Sangkat Sras Chork, Khan Daun Penh, Phnom Penh Kingdom of Cambodia	
Shareholders	Inter Logistics (Cambodia) Co., Ltd. Neak Oknha Kith Meng	
Board of Directors	Neak Oknha Kith Meng Mr. Raymond Thornton Yager Mr. William Mark Hanna Mr. Paul Clements Mr. Lun Yeng	Chairman Director Director Director Independent Director
Management team	Mr. John Guiry Ms. Tauch Sothyda Mr. Dy Chetra	Chief Executive Officer Commercial Director Chief Financial Officer
Audit and Risk Committee	Mr. Lun Yeng Mr. Paul Clements Mr. William Mark Hanna	Chairman Director Director
Nomination and Remuneration Committee	Mr. William Mark Hanna Mr. Paul Clements Mr. Raymond Thornton Yager	Chairman Director Director
Principal banker	Wing Bank (Cambodia) Plc	
Auditors	Fii&Associates Co., Ltd.	

Royal Railway Plc.

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ROYAL RAILWAY PLC.
Central Railway Station, Sangkat Sras
Chork, Daun Penh, Phnom Penh, Cambodia
T +885 23 992 379
F +885 23 992 353
www.royal-railway.com

Report of the Board of Directors

The Board of Directors ("the Directors") of Royal Railway Plc. ("the Company") hereby presents its report and the Company's condensed interim financial statements for the three-month period ended 31 March 2025.

Principal activities

The Company is principally engaged in operating railway services including, inter alia, railway freight and passenger services, the provision of substitute transportation by other modes in the event transport by rail is impractical, and the maintenance of railway infrastructure and equipment.

Financial results

The financial results of the Company for the three-month period ended 31 March 2025 was disclosed in the condensed interim statement of profit or loss and other comprehensive income. Refer to page 9.

Dividends

No dividend was declared nor paid during the period and the Directors do not recommend any dividends to be paid as at the reporting date.

Share capital

There was no shareholding structure changes during the period.

Reserves and provisions

There were no material movements to or from reserves and provisions during the period other than those disclosed in the condensed interim financial statements.

Expected credit losses on trade and other receivables

Before the condensed interim financial statements of the Company were drawn up, the Directors took reasonable steps to ascertain that action had been taken and satisfied themselves that all known bad trade and other receivables had been written off and that adequate provision for expected credit losses on trade and other receivables had been made.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad trade and other receivables or the amount of the provision for bad and doubtful trade and other receivables in the condensed interim financial statements of the Company inadequate to any material extent.

Royal Railway Plc.

Assets

Before the condensed interim financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company had been written down to an amount which they are expected to be realised.

At the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to the assets in the condensed interim financial statements of the Company to be misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the condensed interim financial statements of the Company as misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there is:

- No change on the assets of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; and
- Except as disclosed in Note 29 to the condensed interim financial statements, no other contingent liability in respect of the Company that has arisen since the end of the financial period other than those in the ordinary course of business.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period after the end of the reporting period which, in the opinion of the Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the condensed interim financial statements of the Company, which would render any amount stated in the condensed interim financial statements to be misleading.

The results of the operations of the Company for the reporting period was not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

Nothing has arisen during in the interval between the end of the reporting period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the current reporting period in which this report is made.

Royal Railway Plc.

Event during and since the reporting date

Since 30 June 2024 to the present, the Company has not been able to comply with 4 covenants including Debt Service Coverage Ratio, Operating Ratio, Debt to EBITDA Ratio and Total Debt to Total Asset Ratio under the bond guarantee agreement. Refer to Note 15.

The Company communicated the compliance status to GuarantCo Ltd ("the Guarantor") on 5 July 2024 and updated its financial forecast model in accordance with the requirements of the Guarantor. On 11 September 2024, the Company submitted its waiver letter to the Guarantor and on 28 January 2025, the Guarantor waived the non-compliance of the covenants as of 30 June 2024. Furthermore, the Company is in the process of updating its financial forecast model along with the requested waiver letter to the Guarantor which has not been finalised as of 31 March 2025 and as at the date of these condensed interim statements.

Items of unusual nature

The results of the operations of the Company for the financial period was not, in the opinion of the Board of Directors, substantially affected by any item, transaction or event of a material and unusual nature.

The Board of Directors

The members of Board of the Directors during the period and at the date of this report are:

Neak Oknha Kith Meng	Chairman
Mr. Raymond Thornton Yager	Director
Mr. William Mark Hanna	Director
Mr. Paul Clements	Director
Mr. Lun Yeng	Independent Director

Directors' interests

Except for Neak Oknha Kith Meng, the Chairman, who directly and indirectly holds the Company through Inter Logistics (Cambodia) Co., Ltd., none of the other Directors held or dealt directly in the shares of the Company during the financial period.

Directors' benefit

During and at the end of the financial period, no arrangements existed to which the Company is a party with the objective of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

During the financial period, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the condensed interim financial statements) by reason of a contract made by the Company or a related corporation with a firm of which the Director is a member, or with a Company in which the Directors have a substantial financial interest other than as disclosed in the condensed interim financial statements.

Royal Railway Plc.

Directors' responsibility in respect of the condensed interim financial statements

The Directors are responsible for ensuring that the condensed interim financial statements of the Company as at 31 March 2025, and for the three-month period then ended, as set out on pages 7 to 40, in all material respects, in accordance with Cambodian International Accounting Standard 34, *Interim Financial Reporting* ("CIAS 34"). The Directors oversee the preparation of these condensed interim financial statements by management who is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with the disclosure requirements and guidelines issued by CIAS 34 or, if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the condensed interim financial statements;
- Oversee the Company's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- Assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operation, or has no realistic alternative but to do so; and
- Set overall policies for the Company, ratify all decisions and actions by management that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the condensed interim financial statements.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that the management has complied with the above requirements in preparing the condensed interim financial statements.

Approval of the condensed interim financial statements

I, on behalf of the Board of Directors of Royal Railway Plc., hereby approve the accompanying condensed interim financial statements, together with the notes thereto, which are prepared, in all material respects, in accordance with CIAS 34, *Interim Financial Reporting*.

Signed in accordance with a resolution of the Board of Directors,



Neak Oknha Kith Meng
Chairman

Phnom Penh, Kingdom of Cambodia
13 May 2025

**The Independent Auditors' Report on Review of
Condensed Interim Financial Statements
To the shareholders of
Royal Railway Plc.**



Introduction

We have reviewed the accompanying condensed interim financial statements of Royal Railway Plc. ("the Company"), as set out on pages 7 to 40 (hereafter referred to as "the condensed interim financial statements") which comprise:

- the condensed interim statement of financial position as at 31 March 2025;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2025;
- the condensed interim statement of changes in equity for the three-month period ended 31 March 2025;
- the condensed interim statement of cash flows for the three-month period ended 31 March 2025; and
- other explanatory notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with Cambodian International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Other Matter

The financial statements of the Company as at 31 December 2024 were audited by another auditors who expressed an unmodified opinion on those financial statements on 23 March 2025. We also draw attention to the fact that the comparative financial information performance for the quarter ended 31 March 2024 were not audited but were reviewed by the same auditors who issued a limited assurances on the Condensed Interim Financial Statements on 23 May 2024.

Scope of Review

We conducted our review in accordance with Cambodian International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**The Independent Auditors' Report on Review of
Condensed Interim Financial Statements (continued)
To the shareholders of
Royal Railway Plc.**

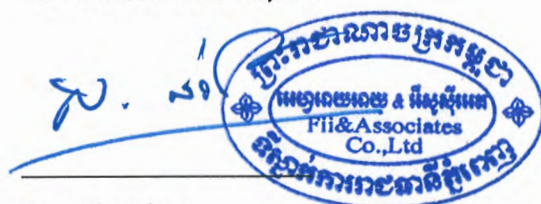
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements, are not prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, *"Interim Financial Reporting"*.

Emphasis of Matter

We draw attention to Note 29.1 to the condensed interim financial statements which describes that there are provisions in the existing Concession Agreement specifying concession fees to be paid by the Company to the Government of the Kingdom of Cambodia ("GKC") for the use of the conceded assets from the effective date of the Concession Agreement. The Company's management has performed an assessment of its obligations under the existing Concession Agreement and believed that the obligation to pay the concession fee under the agreement has not yet become effective. The Company's management is continuing its negotiation with the GKC on the new amended Concession Agreement. The Company's management believes the amounts and timing of any economic benefit outflows could not be estimated reliably due to the effective date of the agreement has not been determined as of the reporting date. The ultimate outcome of this matter is uncertain and, accordingly, no provision for any liability has been made in the condensed interim financial statements. Our review conclusion is not modified in respect of this matter.

For Fii&Associates Co., Ltd.



Seng Chanthan
Audit Partner

Phnom Penh, Kingdom of Cambodia
13 May 2025

Royal Railway Plc.

Condensed interim statement of financial position as at 31 March 2025

	Note	31 March 2025		31 December 2024	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Current assets					
Cash and bank balances	5	3,875,568	15,502,272	4,726,176	19,022,858
Trade and other receivables	6	1,214,632	4,858,528	2,427,248	9,769,673
Inventories	7	86,803	347,212	94,926	382,077
		<u>5,177,003</u>	<u>20,708,012</u>	<u>7,248,350</u>	<u>29,174,608</u>
Non-current assets					
Bank balances	5	4,173,335	16,693,340	4,153,643	16,718,413
Other receivables	8	1,563,398	6,253,592	1,583,398	6,373,177
Property and equipment	9	18,389,870	73,559,480	17,234,796	69,370,054
Intangible assets	10	235,733	942,932	239,741	964,958
Investment properties	11	85,808	343,232	81,629	328,557
Right-of-use assets	12	703,741	2,814,964	723,848	2,913,488
		<u>25,151,885</u>	<u>100,607,540</u>	<u>24,017,055</u>	<u>96,668,647</u>
TOTAL ASSETS		<u>30,328,888</u>	<u>121,315,552</u>	<u>31,265,405</u>	<u>125,843,255</u>
LIABILITIES AND EQUITY					
LIABILITIES					
Current liabilities					
Trade and other payables	13	3,737,131	14,948,524	3,447,482	13,876,115
Borrowings	14	6,811,017	27,244,068	6,800,576	27,372,318
Debt securities	15	25,790,875	103,163,500	24,987,523	100,574,780
Employee benefit liabilities	16	160,300	641,200	115,213	463,732
Minimum tax liability	24(b)	12,643	50,572	12,021	48,385
Lease liabilities	17	39,773	159,092	37,589	151,296
		<u>36,551,739</u>	<u>146,206,956</u>	<u>35,400,404</u>	<u>142,486,626</u>
Non-current liabilities					
Debt securities	15	9,809,327	39,237,308	9,809,327	39,482,541
Borrowings	14	797,405	3,189,620	858,218	3,454,327
Provision on onerous contract		8,427	33,708	8,427	33,919
Employee benefit liabilities	16	35,086	140,344	42,191	169,819
Lease liabilities	17	725,854	2,903,416	737,122	2,966,916
Other payables	18	228,873	915,492	228,373	919,201
		<u>11,604,972</u>	<u>46,419,888</u>	<u>11,683,658</u>	<u>47,026,723</u>
TOTAL LIABILITIES		<u>48,156,711</u>	<u>192,626,844</u>	<u>47,084,062</u>	<u>189,513,349</u>

Royal Railway Plc.

Condensed interim statement of financial position (continued) as at 31 March 2025

	Note	31 March 2025		31 December 2024	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
EQUITY					
Share capital	19	13,020,930	52,083,720	13,020,930	52,083,720
Accumulated losses		(30,848,753)	(125,656,567)	(28,839,587)	(117,585,747)
Currency translation reserves		-	2,261,555	-	1,831,933
		<u>(17,827,823)</u>	<u>(71,311,292)</u>	<u>(15,818,657)</u>	<u>(63,670,094)</u>
TOTAL LIABILITIES AND EQUITY		<u>30,328,888</u>	<u>121,315,552</u>	<u>31,265,405</u>	<u>125,843,255</u>

The accompanying notes form an integral part of these condensed interim financial statements.

Royal Railway Plc.

Condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2025

		For the three-month period ended			
		31 March 2025		31 March 2024	
	Note	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Revenue	20	3,203,373	12,867,949	3,004,328	12,230,619
Cost of services	21	(4,148,741)	(16,665,493)	(3,470,777)	(14,129,533)
Gross loss		(945,368)	(3,797,544)	(466,449)	(1,898,914)
Other operating income	22	267,412	1,074,194	167,781	683,036
Operating and administrative expenses	23	(470,930)	(1,891,726)	(652,022)	(2,654,382)
Reversal of impairment losses	5,6	6,286	25,251	33,110	134,791
Minimum tax expense	25(c)	(34,833)	(139,924)	(31,717)	(129,120)
Operating loss		(1,177,433)	(4,729,749)	(949,297)	(3,864,589)
Finance costs – net	26	(831,733)	(3,341,071)	(1,057,099)	(4,303,450)
Loss before income tax		(2,009,166)	(8,070,820)	(2,006,396)	(8,168,039)
Income tax expense	25(c)	-	-	-	-
Net loss for the period		(2,009,166)	(8,070,820)	(2,006,396)	(8,168,039)
<i>Other comprehensive income</i>					
Items that will not be reclassified to profit or loss					
Currency translation differences		-	429,622	-	397,338
Total comprehensive loss for the period		(2,009,166)	(7,641,198)	(2,006,396)	(7,770,701)

The accompanying notes form an integral part of these condensed interim financial statements.

Royal Railway Plc.

Condensed interim statement of changes in equity for the three-month period ended 31 March 2025

	Share capital		Accumulated losses		Currency translation reserves		Total	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at 1 January 2025	13,020,930	52,083,720	(28,839,587)	(117,585,747)	-	1,831,933	(15,818,657)	(63,670,094)
Total comprehensive loss								
Net loss for the period	-	-	(2,009,166)	(8,070,820)	-	-	(2,009,166)	(8,070,820)
Currency translation differences	-	-	-	-	-	429,622	-	429,622
	-	-	(2,009,166)	(8,070,820)	-	429,622	(2,009,166)	(7,641,198)
Balance at 31 March 2025	13,020,930	52,083,720	(30,848,753)	(125,656,567)	-	2,261,555	(17,827,823)	(71,311,292)
Balance at 1 January 2024	13,020,930	52,083,720	(20,683,316)	(84,381,567)	-	997,000	(7,662,386)	(31,300,847)
Total comprehensive loss								
Net loss for the period	-	-	(2,006,396)	(8,168,039)	-	-	(2,006,396)	(8,168,039)
Currency translation differences	-	-	-	-	-	397,338	-	397,338
	-	-	(2,006,396)	(8,168,039)	-	397,338	(2,006,396)	(7,770,701)
Balance at 31 March 2024	13,020,930	52,083,720	(22,689,712)	(92,549,606)	-	1,394,338	(9,668,782)	(39,071,548)

The accompanying notes form an integral part of these condensed interim financial statements.

Royal Railway Plc.

Condensed interim statement of cash flows for the three-month period ended 31 March 2025

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash flows from operating activities				
Net loss for the period	(2,009,166)	(8,070,820)	(2,006,396)	(8,168,039)
<i>Adjustments for:</i>				
Depreciation and amortisation	803,662	3,228,311	455,901	1,855,973
Interest expense	860,014	3,454,676	1,153,508	4,695,930
Employee benefit	70,590	283,560	55,401	225,537
Minimum tax expense	34,833	139,924	31,717	129,120
Interest income	(28,281)	(113,605)	(96,409)	(392,480)
Reversal of impairment loss	(6,287)	(25,255)	(33,110)	(134,791)
	(274,635)	(1,103,209)	(439,388)	(1,788,750)
<i>Changes in:</i>				
Trade and other receivables	1,212,953	4,872,432	(1,130,475)	(4,602,164)
Inventories	8,123	32,630	29,600	120,502
Trade and other payables	289,649	1,163,520	414,909	1,689,095
Other receivables	20,000	80,340	-	-
Other payables	500	2,009	-	-
Cash generated from/(used in) operations	1,256,590	5,047,722	(1,125,354)	(4,581,317)
Interest paid	(34,219)	(137,458)	(68,710)	(279,718)
Payment of employee benefits	(32,608)	(130,986)	(102,555)	(417,501)
Minimum tax paid	(34,211)	(137,426)	(29,398)	(119,679)
Net cash generated from/(used in) operating activities	<u>1,155,552</u>	<u>4,641,852</u>	<u>(1,326,017)</u>	<u>(5,398,215)</u>
Cash flows from investing activities				
Interest received	8,589	34,502	48,847	198,856
Acquisition of property and equipment	(1,931,339)	(7,758,189)	(1,033,880)	(4,208,925)
Acquisition of investment property	(7,461)	(29,971)	-	-
Net cash used in investing activities	<u>(1,930,211)</u>	<u>(7,753,658)</u>	<u>(985,033)</u>	<u>(4,010,069)</u>

Royal Railway Plc.

Condensed interim statement of cash flows (continued) for the three-month period ended 31 March 2025

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash flows from financing activities				
Repayment of borrowings	(55,649)	(223,542)	(50,633)	(206,127)
Payment of lease liabilities	(26,250)	(105,446)	(22,728)	(92,526)
Net cash used in financing activities	<u>(81,899)</u>	<u>(328,988)</u>	<u>(73,361)</u>	<u>(298,653)</u>
Net decrease in cash and cash equivalents	(856,558)	(3,440,794)	(2,384,411)	(9,706,937)
Cash and cash equivalents at beginning of the period	4,794,130	19,296,373	17,649,823	72,099,527
Currency translation differences	<u>-</u>	<u>(105,291)</u>	<u>-</u>	<u>(705,061)</u>
Cash and cash equivalents at end of the period (Note 5)	<u><u>3,937,572</u></u>	<u><u>15,750,288</u></u>	<u><u>15,265,412</u></u>	<u><u>61,687,529</u></u>

The accompanying notes form an integral part of these condensed interim financial statements.

Royal Railway Plc.

Notes to the condensed interim financial statements for the three-month period ended 31 March 2025

These notes form an integral part of and should be read in conjunction with the accompanying condensed interim financial statements.

1. Reporting Entity

Royal Railway Plc. ("the Company") is a public limited liability company incorporated in the Kingdom of Cambodia. The Company was originally established under the Registration No. Co. 2874/06E dated 6 April 2006 issued by the Ministry of Commerce ("MOC"). Subsequently, the Company has received the approval from the Council for the Development of Cambodia ("CDC") to be a Qualified Investment Project ("QIP") with a new Registration No. Inv. 0643KH/2014 dated 6 October 2015. On 25 August 2016, the Company obtained a new registration No. 00018504 from the MOC.

The Company operates in railway services under a Railway Concession Agreement ("the Concession Agreement") signed with the Government of the Kingdom of Cambodia (" "), represented by the Ministry of Public Works and Transport ("MPWT") in the Kingdom of Cambodia for a period of 30 years over the specific concession assets as stipulated in the Concession Agreement. However, the effective date of the Concession Agreement has yet to be officially determined due to the condition precedent to the effective date has yet to be fully met. As of the date of these condensed interim financial statements, the Company is still working with the GKC for a new amended Railway Concession Agreement.

The Company's shares of 98.9999% are owned by Inter Logistics (Cambodia) Co., Ltd, and the remaining 1.0001% owned by Neak Oknha Kith Meng.

The address of its registered office is at Central Railway Station, Russian Federation Boulevard, Sangkat Sras Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

As at 31 March 2025, the Company had 972 employees (31 December 2024: 964 employees).

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with Cambodian International Accounting Standard ("CIAS") 34, "Interim Financial Reporting". They do not include all the information required for a complete set of Cambodian International Financial Reporting Standard ("CIFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Company's financial position and financial performances since the last annual financial statements as at and for the year ended 31 December 2024.

These condensed interim financial statements were authorised for issue by the Company's Board of Directors on 13 May 2025.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

2. Basis of preparation (continued)

(b) Material accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended 31 December 2024.

(c) Going concern assumption

During the three-month period ended 31 March 2025, the Company generated a net loss of US\$2,009,166 (three-month period ended 31 March 2024: US\$2,006,396) and, as of that date, the Company carried accumulated losses of US\$30,848,753 (31 December 2024: US\$28,839,587) and as at 31 March 2025, the Company had net current liabilities of US\$31,374,736 (31 December 2024: US\$28,152,054). Additionally, the Company had deficits in net equity of US\$17,827,823 (31 December 2024: US\$15,818,657).

The validity of the going concern assumption fundamentally depends on the ultimate shareholder's continuing to provide financial assistance that is necessary to meet its liabilities as and when they fall due and to maintain the Company in existence as a going concern for the foreseeable future. In addition, the validity may also be dependent on the acceleration and successful conclusion of the concession agreement between the Government of the Kingdom of Cambodia ("GKC") represented by Ministry of Public Works and Transport ("MPWT") and the Company.

At the date of these condensed interim financial statements, the ultimate shareholder has confirmed that he will continue to provide sufficient financial support to the Company and there is no reason for the Company's management to believe that the ultimate shareholder will not continue his support. The Company will also continue to work closely with the GKC to reach a conclusion on the concession agreement in due course.

Based on these factors, management has a reasonable expectation that the Company will have adequate resources to continue in operation for the foreseeable future.

(d) Use of estimates and judgements

In preparing these condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

3. Functional and presentation currency

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts and maintains its accounting records primarily in United States Dollars (“US\$”), management have determined the US\$ to be the Company’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

The condensed interim financial statements are presented in US\$, which is the Company’s functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

4. Translation of United States Dollars into Khmer Riel

The condensed interim financial statements have been presented in the US\$. The translations of the condensed interim financial statements are expressed in US\$ which is the Company’s functional currency. The translations of US\$ amount into KHR meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with CIAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

Assets and liabilities are translated at the closing rate as at the reporting date and share capital and other equity accounts are translated at the historical rate. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR using the average rate for the reporting period, which have been deemed to approximate the exchange rates at the date of transaction as exchange rates have not fluctuated significantly during the period. Exchange differences arising from the translation are recognised as “Currency Translation differences” in the other comprehensive income.

The Company uses the following exchange rates:

Period end		Closing rate	Average rate three-month
31 March 2025	US\$1=	KHR4,000	KHR4,017
31 March 2024	US\$1=	KHR4,041	KHR4,071
31 December 2024	US\$1=	KHR4,025	N/A

These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

5. Cash and bank balances

	31 March 2025		31 December 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current				
Cash on hand	4,272	17,088	3,310	13,322
Cash at banks (*)	<u>3,933,300</u>	<u>15,733,200</u>	<u>4,790,820</u>	<u>19,283,051</u>
Total cash and bank balances	3,937,572	15,750,288	4,794,130	19,296,373
Less: Allowance for impairment losses	<u>(62,004)</u>	<u>(248,016)</u>	<u>(67,954)</u>	<u>(273,515)</u>
	<u>3,875,568</u>	<u>15,502,272</u>	<u>4,726,176</u>	<u>19,022,858</u>
Non-current				
<i>Cash at banks:</i>				
Debt Service Reserve Account ("DSRA") (**)	3,786,179	15,144,716	3,768,312	15,167,456
Guarantee Fee Reserve Account ("GFRA") (**)	<u>387,156</u>	<u>1,548,624</u>	<u>385,331</u>	<u>1,550,957</u>
Total bank balances	<u>4,173,335</u>	<u>16,693,340</u>	<u>4,153,643</u>	<u>16,718,413</u>

(*) Included in the cash at banks balance is the Bond Proceeds Account for which the Company will be able to withdraw amounts from the Bond Proceeds Account, following submission of written requests for specific capital expenditure and to be validated by GuarantCo Ltd ("the Guarantor"). As at 31 March 2025, the remaining amount in the account was US\$2,923,698 (31 December 2024: US\$3,789,241).

(**) Debt Service Reserve Account and Guarantee Fee Reserve Account are reserve accounts specifically set aside to make debt payments and guarantee fee payments in the event of a disruption of cash flows (i.e., default event) for the bonds payable and is held at ACLEDA Bank Plc which earns annual interest rate of 2.00% (31 December 2024: 5.00%) and must be kept as minimum balance for the rest of the bonds' terms.

For purpose of preparing the condensed interim statement of cash flows, cash and cash equivalents comprise the following:

	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash on hand	4,272	17,088	3,634	14,684
Cash at banks (current portion)	<u>3,933,300</u>	<u>15,733,200</u>	<u>15,261,778</u>	<u>61,672,845</u>
Cash and cash equivalents	<u>3,937,572</u>	<u>15,750,288</u>	<u>15,265,412</u>	<u>61,687,529</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

5. Cash and bank balances (continued)

The movement of allowance for impairment losses for bank balances during the period was as follows:

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	(67,954)	(273,515)	(163,995)	(669,919)
Recognised in profit or loss	5,950	23,901	13,853	56,396
Currency translation differences	-	1,598	-	6,799
Balance at end of the period	<u>(62,004)</u>	<u>(248,016)</u>	<u>(150,142)</u>	<u>(606,724)</u>

6. Trade and other receivables

	31 March 2025		31 December 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade receivables	950,986	3,803,944	798,282	3,213,085
Less: Allowance for impairment losses	<u>(194,155)</u>	<u>(776,620)</u>	<u>(194,492)</u>	<u>(782,830)</u>
	756,831	3,027,324	603,790	2,430,255
Advance to suppliers	371,060	1,484,240	1,740,428	7,005,223
Amount due from related parties (Note 27)	<u>24,696</u>	<u>98,784</u>	<u>29,094</u>	<u>117,103</u>
Financial assets measured at amortised cost	1,152,587	4,610,348	2,373,312	9,552,581
Deposits	5,262	21,048	5,162	20,777
Prepayments	54,741	218,964	47,194	189,956
Others	<u>2,042</u>	<u>8,168</u>	<u>1,580</u>	<u>6,359</u>
	<u>1,214,632</u>	<u>4,858,528</u>	<u>2,427,248</u>	<u>9,769,673</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

6. Trade and other receivables (continued)

The movement of allowance for impairment losses for trade receivables during the period was as follows:

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	(194,492)	(782,830)	(166,060)	(678,355)
Recognised in profit or loss	337	1,348	19,257	78,395
Currency translation differences	-	4,862	-	6,729
Balance at end of the period	<u>(194,155)</u>	<u>(776,620)</u>	<u>(146,803)</u>	<u>(593,231)</u>

7. Inventories

	31 March 2025		31 December 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Locomotive parts	45,980	183,920	46,043	185,323
Tools	7,528	30,112	10,633	42,798
Fuel oil	8,960	35,840	13,194	53,106
Diesel	19,110	76,440	23,358	94,016
Wagon parts	5,225	20,900	1,698	6,834
	<u>86,803</u>	<u>347,212</u>	<u>94,926</u>	<u>382,077</u>

8. Other receivables

	31 March 2025		31 December 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Advance to a supplier	1,512,000	6,048,000	1,512,000	6,085,800
Other deposit	51,398	205,592	71,398	287,377
	<u>1,563,398</u>	<u>6,253,592</u>	<u>1,583,398</u>	<u>6,373,177</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

9. Property and equipment

	For the three-month period ended 31 March 2025												Total US\$	KHR'000 (Note 4)
	Railroad and station improvements US\$	Locomotive US\$	Wagon US\$	Train track US\$	Trolley US\$	Equipment and machinery US\$	Office equipment US\$	Furniture and fittings US\$	IT hardware US\$	Signage and boom gate US\$	Construction in progress US\$			
Cost														
At 1 January	1,017,739	11,439,130	9,953,014	1,078,870	50,618	1,054,627	9,134	8,181	101,289	101,316	41,894	24,855,812	100,044,643	
Addition	2,892	61,080	1,757,380	3,762	-	8,951	-	-	1,418	1,418	94,438	1,931,339	7,758,189	
Transfers	16,959	-	14,926	5,389	-	-	-	-	-	-	(37,274)	-	-	
Written off	-	-	-	-	-	-	-	-	(1,545)	-	-	(1,545)	(6,206)	
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(654,202)	
At 31 March	1,037,590	11,500,210	11,725,320	1,088,021	50,618	1,063,578	9,134	8,181	101,162	102,734	99,058	26,785,606	107,142,424	
Less: Accumulated depreciation														
At 1 January	618,717	3,773,478	1,743,420	566,957	37,176	746,982	8,983	8,181	94,468	22,654	-	7,621,016	30,674,589	
Depreciation for the period	29,846	316,313	347,754	45,040	922	29,225	46	-	2,533	4,586	-	776,265	3,118,257	
Written off	-	-	-	-	-	-	-	-	(1,545)	-	-	(1,545)	(6,206)	
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(203,696)	
At 31 March	648,563	4,089,791	2,091,174	611,997	38,098	776,207	9,029	8,181	95,456	27,240	-	8,395,736	33,582,944	
Carrying amounts														
At 1 January	399,022	7,665,652	8,209,594	511,913	13,442	307,645	151	-	6,821	78,662	41,894	17,234,796	69,370,054	
At 31 March	389,027	7,410,419	9,634,146	476,024	12,520	287,371	105	-	5,706	75,494	99,058	18,389,870	73,559,480	

As at 31 March 2025, fully depreciated property and equipment with an original cost of US\$2,289,835 (31 March 2024: US\$1,764,424) were still in use.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

9. Property and equipment (continued)

	For the three-month period ended 31 March 2024												
	Railroad and station improvements US\$	Locomotive US\$	Wagon US\$	Train track US\$	Trolley US\$	Equipment and machinery US\$	Office equipment US\$	Furniture and fittings US\$	IT hardware US\$	Signage and boom gate US\$	Construction in progress US\$	US\$	Total KHR'000 (Note 4)
Cost													
At 1 January	816,335	8,489,132	3,080,282	860,557	48,393	791,833	9,134	8,794	102,548	41,739	133,813	14,382,560	58,752,758
Addition	4,830	71,756	116,488	51,799	2,225	58,049	-	-	1,450	-	727,283	1,033,880	4,208,925
Transfers	30,562	34,419	-	-	-	-	-	-	-	-	(64,981)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(663,849)
At 31 March	851,727	8,595,307	3,196,770	912,356	50,618	849,882	9,134	8,794	103,998	41,739	796,115	15,416,440	62,297,834
Less: Accumulated depreciation													
At 1 January	519,570	2,810,878	952,702	397,232	33,559	679,691	8,802	8,794	85,312	13,202	-	5,509,742	22,507,296
Depreciation for the period	20,370	208,760	139,944	38,864	849	16,798	45	-	3,363	2,087	-	431,080	1,754,927
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(255,361)
At 31 March	539,940	3,019,638	1,092,646	436,096	34,408	696,489	8,847	8,794	88,675	15,289	-	5,940,822	24,006,862
Carrying amounts													
At 1 January	296,765	5,678,254	2,127,580	463,325	14,834	112,142	332	-	17,236	28,537	133,813	8,872,818	36,245,462
At 31 March	311,787	5,575,669	2,104,124	476,260	16,210	153,393	287	-	15,323	26,450	796,115	9,475,618	38,290,972

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

10. Intangible assets

	For the three-month period ended 31 March 2025				
	Computer software US\$	Sign-on fee US\$	Construction in progress US\$	Total US\$	KHR'000 (Note 4)
Cost					
At 1 January	20,290	450,000	12,148	482,438	1,941,813
Currency translation differences	-	-	-	-	(12,061)
At 31 March	20,290	450,000	12,148	482,438	1,929,752
Less: Accumulated amortisation					
At 1 January	19,632	223,065	-	242,697	976,855
Amortisation for the period	140	3,868	-	4,008	16,100
Currency translation differences	-	-	-	-	(6,135)
At 31 March	19,772	226,933	-	246,705	986,820
Carrying amounts					
At 1 January	658	226,935	12,148	239,741	964,958
At 31 March	518	223,067	12,148	235,733	942,932

Fully amortised computer software as at 31 March 2025 with original cost of US\$18,591 (31 March 2024: US\$17,193) were still in use.

	For the three-month period ended 31 March 2024			
	Computer software US\$	Sign-on fee US\$	Total US\$	KHR'000 (Note 4)
Cost				
At 1 January	20,290	450,000	470,290	1,921,135
Currency translation differences	-	-	-	(20,693)
At 31 March	20,290	450,000	470,290	1,900,442
Less: Accumulated amortisation				
At 1 January	18,935	207,592	226,527	925,363
Amortisation for the period	260	3,868	4,128	16,805
Currency translation differences	-	-	-	(10,091)
At 31 March	19,195	211,460	230,655	932,077
Carrying amounts				
At 1 January	1,355	242,408	243,763	995,772
At 31 March	1,095	238,540	239,635	968,365

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

11. Investment properties

	For the three-month period ended					
	31 March 2025		31 March 2024			
	Investment property US\$	Construction in progress US\$	Total US\$	KHR'000 (Note 4)	Investment property US\$	KHR'000 (Note 4)
Cost						
At 1 January	65,638	32,197	97,835	393,786	48,303	197,318
Additions	-	7,461	7,461	29,971	-	-
Currency translation differences	-	-	-	(2,573)	-	(2,126)
At 31 March	65,638	39,658	105,296	421,184	48,303	195,192
Less: Accumulated depreciation						
At 1 January	16,206	-	16,206	65,229	5,192	21,210
Depreciation for the period	3,282	-	3,282	13,184	2,414	9,827
Currency translation differences	-	-	-	(461)	-	(302)
At 31 March	19,488	-	19,488	77,952	7,606	30,735
Carrying amounts						
At 1 January	49,432	32,197	81,629	328,557	43,111	176,108
At 31 March	46,150	39,658	85,808	343,232	40,697	164,457

Investment property pertains to a warehouse located on conceded land in Battambang province that is leased to a third party. The estimated fair value of the warehouse as determined by the Management is approximate to its carrying amounts as at 31 March 2025.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

12. Right-of-use assets

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cost				
At 1 January	804,276	3,237,210	-	-
Addition	-	-	731,159	2,976,548
Currency translation differences	-	(20,106)	-	(21,935)
At 31 March	804,276	3,217,104	731,159	2,954,613
Less: Accumulated depreciation				
At 1 January	80,428	323,722	-	-
Depreciation for the period	20,107	80,770	18,279	74,414
Currency translation differences	-	(2,352)	-	(549)
At 31 March	100,535	402,140	18,279	73,865
Carrying amounts				
At 1 January	723,848	2,913,488	-	-
At 31 March	703,741	2,814,964	712,880	2,880,748

Right-of-use assets pertains to land located at Khan Dongkao, Phnom Penh that is leased from Sihanoukville Autonomous Port (PAS). See Note 17 for more details.

13. Trade and other payables

	31 March 2025		31 December 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade payables:				
Trade payables	2,086,308	8,345,232	2,187,393	8,804,257
Amounts due to related parties (Note 27)	151,828	607,312	85,780	345,265
Tax payables:				
Value added tax	95,549	382,196	81,520	328,118
Salary and fringe benefit tax	19,702	78,808	18,857	75,899
Withholding tax	33,003	132,012	28,204	113,521
Payroll payables	605,356	2,421,424	788,501	3,173,717
Accruals	704,313	2,817,252	220,727	888,426
Security deposit	18,284	73,136	21,315	85,793
Other payables	22,788	91,152	15,185	61,119
	3,737,131	14,948,524	3,447,482	13,876,115

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

14. Borrowings

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	7,658,794	30,826,645	4,520,101	18,464,613
Accrued interest payable	5,277	21,198	5,270	21,454
Repayments during the period	(55,649)	(223,542)	(50,633)	(206,127)
Currency translation differences	-	(190,613)	-	(197,524)
Balance at end of the period	<u>7,608,422</u>	<u>30,433,688</u>	<u>4,474,738</u>	<u>18,082,416</u>

Borrowings were classified into current and non-current portions as follows:

		31 March 2025		31 December 2024	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Current portion</i>					
Neak Oknha Kith Meng	(i)	4,440,754	17,763,016	4,440,754	17,874,034
SKTM Investment Co., Ltd	(i)	2,000,000	8,000,000	2,000,000	8,050,000
Cambodian Public Bank Plc.	(ii)	139,399	557,596	136,309	548,644
Wing Bank (Cambodia) Plc	(iii)	94,864	379,456	92,790	373,480
		<u>6,675,017</u>	<u>26,700,068</u>	<u>6,669,853</u>	<u>26,846,158</u>
Accrued interest payable		<u>136,000</u>	<u>544,000</u>	<u>130,723</u>	<u>526,160</u>
		<u>6,811,017</u>	<u>27,244,068</u>	<u>6,800,576</u>	<u>27,372,318</u>
<i>Non-current portion</i>					
Cambodian Public Bank Plc.	(ii)	519,478	2,077,912	555,681	2,236,616
Wing Bank (Cambodia) Plc	(iii)	277,927	1,111,708	302,537	1,217,711
		<u>797,405</u>	<u>3,189,620</u>	<u>858,218</u>	<u>3,454,327</u>
		<u>7,608,422</u>	<u>30,433,688</u>	<u>7,658,794</u>	<u>30,826,645</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

14. Borrowings (continued)

- (i) Borrowing from a shareholder, Neak Oknha KITH MENG is unsecured, interest free and repayable on demand (Note 27).

On 8 December 2023, the Company entered into 12 months fixed loan amounting to US\$2,000,000 with SKTM Investment Co., Ltd represented by Neak Oknha KITH MENG. The borrowing is unsecured, bears interest rate at 7% per annum for tenor with monthly interest payment of US\$11,890 starting from 8 January 2024 to 8 December 2024. On 1 January 2025, the Company renewed the borrowing with the Company with revised the loan to interest free and repayable on demand (Note 27).

- (ii) On 6 April 2022, the Company entered into a fixed borrowing amounting to US\$1,000,000 with Cambodian Public Bank Plc.. The loan is secured with a land from the shareholder, bears interest rate at 9% per annum and is repayable in 84 monthly instalments of US\$16,153 each from 13 April 2022 to 13 April 2029.

- (iii) On 1 September 2022, the Company entered into a fixed borrowing amounting to US\$500,000 with Wing Bank (Cambodia) Plc. The borrowing is unsecured bears interest rate at 7% per annum for tenor of 12 months with monthly interest payment of US\$2,877 starting from 1 September 2022 to 1 September 2023 and principal repayment by the end of the loan term.

On 31 August 2023, the Company renewed the fixed borrowing with the Bank with revised interest rate of 9% per annum and is repayable in 60 monthly instalments of US\$10,383 starting from 1 October 2023 to 1 September 2028 (Note 27).

15. Debt securities

In 2022, the Company has requested to the Securities and Exchange Regulator of Cambodia (SERC) and Cambodia Securities Exchange (CSX) to list its corporate bonds.

First Corporate Bond:

The Company's 1st Corporate bond is a plain bond issued to qualified investors with the principal amount of KHR 41 billion (US\$9,958,708), a tenor of 10 years with a coupon rate of 7% p.a. (per annum). The bond was approved by SERC and CSX on 19 September 2022 and 24 October 2022, respectively and was issued officially on 31 October 2022.

Second Corporate Bond:

The Company's 2nd Corporate bond is guaranteed by GuarantCo Ltd as a private placement bond to the qualified investors with two series of bonds;

- Bond 1 with the principal amount of KHR49.2 billion (US\$11,964,981), a tenor of 5 years with a coupon rate of Term Secured Overnight Financing Rate ("SOFR") plus 3.5% or 5% p.a. whichever is higher; and
- Bond 2 with the principal amount of KHR49.2 billion (US\$11,964,981), a tenor of 10 years with a coupon rate of Term SOFR plus 3.5% or 5% p.a, whichever is higher for Year 1 to Year 5 and Term SOFR plus 3.75% or 5% p.a, whichever is higher for Year 6 to Year 10.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

15. Debt securities (continued)

The bond was approved by SERC and CSX on 19 December 2022 and 26 December 2022 respectively and was issued officially on 29 December 2022.

Debt securities were classified into current and non-current portions as follows:

	31 March 2025		31 December 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current				
Guaranteed bond	25,439,976	101,759,904	24,809,546	99,858,423
Plain bond	350,899	1,403,596	177,977	716,357
	<u>25,790,875</u>	<u>103,163,500</u>	<u>24,987,523</u>	<u>100,574,780</u>
Non-current				
Plain bond	9,809,327	39,237,308	9,809,327	39,482,541
Guaranteed bond	-	-	-	-
	<u>9,809,327</u>	<u>39,237,308</u>	<u>9,809,327</u>	<u>39,482,541</u>
	<u>35,600,202</u>	<u>142,400,808</u>	<u>34,796,850</u>	<u>140,057,321</u>

During the three-month period ended, the Company incurred interest expense on the issued bonds amounting to US\$813,612 equivalent to KHR3.27 billion (three-month period ended 31 March 2024: US\$1,068,511 equivalent to KHR7.01billion) (Note 26).

The Company is subject to financial covenant testing every 6 months and as at 31 December 2024, the Company was unable to comply with 4 covenants required for the 2nd Corporate bond as follows:

Ratio Name	Formula	Financial requirement ratio	The Company's ratio	
			31 December 2024	
Debt Service Coverage Ratio	= Cash Flow Available for Debt Service/Total debt service	≥1.2	0.1	Not met
Operating ratio	= Net operating income/Total operating revenue	≤100%	131%	Not met
Debt to EBITDA	= Total debt/EBITDA	≤4.5	-25.1	Not met
Total debt to total assets	= Total debt/Total assets	≤100%	115%	Not met

* EBITDA=Earnings before interest, taxes, depreciation and amortisation

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

15. Debt securities (continued)

The Company communicated the compliance status to the Guarantor on 5 July 2024 and has updated its financial forecast model as per requirement from the Guarantor. On 11 September 2024, the Company submitted their waiver letter to Guarantor and on 28 January 2025, the Guarantor waived the non-compliance of the covenants as of 30 June 2024. Furthermore, the Company is in the process of updating its financial forecast model along with the requested waiver letter to the Guarantor which has not been finalised as of 31 March 2025 and as at the date of these condensed interim financial statements.

Accordingly, the carrying amount US\$23,929,961 of the guaranteed bond was reclassified to current liabilities (31 December 2024: US\$23,929,961).

16. Employee benefit liabilities

	31 March 2025		31 December 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Seniority indemnity				
Current	160,300	641,200	115,213	463,732
Non-current	35,086	140,344	42,191	169,819
	<u>195,386</u>	<u>781,544</u>	<u>157,404</u>	<u>633,551</u>

The movements of employee benefit obligations during the period was as follows:

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	157,404	633,551	146,889	600,042
Recognised in profit or loss	70,590	283,560	55,401	225,537
Paid during the period	(32,608)	(130,986)	(102,555)	(417,501)
Currency translation differences	-	(4,581)	-	(5,049)
Balance at end of the period	<u>195,386</u>	<u>781,544</u>	<u>99,735</u>	<u>403,029</u>

This represents provision for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018 and subsequently amended by the Instruction No. 042/19 dated 22 March 2019.

Payments will be made twice a year, in June and December respectively. Employee is not entitled to the remaining seniority indemnity back-pay, which is not yet due, if Employee resigns from the Company.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

17. Lease liabilities

During January 2024, the Company entered into a 10 year land lease with Sihanoukville Autonomous Port.

	31 March 2025		31 December 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Maturity analysis – contractual undiscounted cash flow				
Less than one year	106,313	425,252	105,000	422,625
One to five years	616,817	2,467,268	609,202	2,452,038
More than five years	408,412	1,633,648	443,589	1,785,446
Total undiscounted lease liabilities	<u>1,131,542</u>	<u>4,526,168</u>	<u>1,157,791</u>	<u>4,660,109</u>
Present value of lease liabilities				
Current	39,773	159,092	37,589	151,296
Non-current	<u>725,854</u>	<u>2,903,416</u>	<u>737,122</u>	<u>2,966,916</u>
Total present value of lease liabilities	<u>765,627</u>	<u>3,062,508</u>	<u>774,711</u>	<u>3,118,212</u>

18. Other payables

	31 March 2025		31 December 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Rental deposit	149,790	599,160	149,290	600,892
Accrual for G&A expenses	<u>79,083</u>	<u>316,332</u>	<u>79,083</u>	<u>318,309</u>
	<u>228,873</u>	<u>915,492</u>	<u>228,373</u>	<u>919,201</u>

19. Share capital

	31 March 2025		31 December 2024	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
<i>Registered, issued and fully paid:</i>				
2,003,220 ordinary shares of US\$6.50 each	<u>13,020,930</u>	<u>52,083,720</u>	<u>13,020,930</u>	<u>52,083,720</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

19. Share capital (continued)

The details of the shareholding structure were as follows:

	31 March 2025/31 December 2024			
	Number of shares	Par value per share US\$	Amount US\$	% ownership
Inter Logistics (Cambodia) Co., Ltd	1,983,187	6.50	12,890,715	98.9999%
Neak Oknha Kith Meng	20,033	6.50	130,215	1.0001%
	<u>2,003,220</u>		<u>13,020,930</u>	<u>100%</u>

20. Revenue

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Southern line:				
Rail freight	1,629,813	6,546,959	1,545,559	6,291,971
Train related value-added services	180,728	725,984	221,198	900,497
Passengers' fare	143,521	576,524	145,789	593,507
Transportation	28,158	113,111	14,722	59,933
Other revenue	-	-	17,500	71,243
	<u>1,982,220</u>	<u>7,962,578</u>	<u>1,944,768</u>	<u>7,917,151</u>
Northern line:				
Rail freight	1,173,015	4,712,001	942,309	3,836,140
Passengers' fare	39,595	159,053	41,089	167,273
Train related value-added services	7,443	29,899	3,628	14,770
Other revenue	1,100	4,418	72,534	295,285
	<u>1,221,153</u>	<u>4,905,371</u>	<u>1,059,560</u>	<u>4,313,468</u>
	<u>3,203,373</u>	<u>12,867,949</u>	<u>3,004,328</u>	<u>12,230,619</u>

The majority of the Company's freight business is affected by seasonality as a result of natural disasters or adverse weather conditions with rainy season being the low months for fuel transport services via train.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

21. Cost of services

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Staff costs and wages	1,079,987	4,338,308	984,034	4,006,002
Cost of diesel	1,450,811	5,827,908	1,409,228	5,736,967
Depreciation and amortisation (Note 24)	767,794	3,084,228	428,788	1,745,596
Repairs and maintenance	174,171	699,645	173,564	706,579
Transportation	169,148	679,468	141,889	577,630
Equipment rental	101,364	407,179	75,796	308,566
Container access charge	87,874	352,990	76,766	312,514
Insurance	75,307	302,508	-	-
Provision for employee benefits	64,184	257,827	46,277	188,394
Others	178,101	715,432	134,435	547,285
	<u>4,148,741</u>	<u>16,665,493</u>	<u>3,470,777</u>	<u>14,129,533</u>

22. Other operating income

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Warehouse rental	258,902	1,040,009	165,692	674,532
Others	8,510	34,185	2,089	8,504
	<u>267,412</u>	<u>1,074,194</u>	<u>167,781</u>	<u>683,036</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

23. Operating and administrative expenses

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries and wages	132,913	533,912	160,652	654,014
Directors' fee	90,000	361,530	90,000	366,390
Other tax expenses	61,256	246,065	74,966	305,187
Bonus	39,483	158,603	13,791	56,143
Depreciation and amortisation (Note 24)	35,868	144,083	27,113	110,377
Professional fees	17,691	71,065	12,879	52,430
Fuel and utilities	9,731	39,089	31,122	126,698
Provision for employee benefits	6,406	25,733	9,124	37,144
Equipment rental	6,300	25,307	27,090	110,283
Travelling and accommodation	5,079	20,402	13,485	54,897
Small value of assets	3,453	13,871	14,670	59,722
Repairs and maintenance	2,677	10,754	14,219	57,886
Training and development	1,358	5,455	1,147	4,669
Licensing, registration and permit fee	1,255	5,041	6,475	26,360
Communication	787	3,161	18,247	74,284
Insurance	-	-	63,977	260,450
Staff uniform	-	-	4,891	19,911
Other expenses	56,673	227,655	68,174	277,537
	<u>470,930</u>	<u>1,891,726</u>	<u>652,022</u>	<u>2,654,382</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

24. Depreciation and amortisation

Depreciation and amortisation charges were allocated as follows:

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Depreciation of property and equipment and investment property (Note 9 and 11)	779,547	3,131,441	433,494	1,764,754
Amortisation of intangible assets and right-of-use asset (Note 10 and 12)	24,115	96,870	22,407	91,219
	<u>803,662</u>	<u>3,228,311</u>	<u>455,901</u>	<u>1,855,973</u>
Allocated to:				
Cost of services (Note 21)	767,794	3,084,228	428,788	1,745,596
Operating and administrative expenses (Note 23)	35,868	144,083	27,113	110,377
	<u>803,662</u>	<u>3,228,311</u>	<u>455,901</u>	<u>1,855,973</u>

25. Income tax

(a) Applicable tax rates

In accordance with Cambodian Law on Taxation, the Company has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of annual turnover, whichever is higher.

Pursuant to Sub-Decree No. 42 dated 24 February 2022 on Tax Incentives in the Securities Sector issued by the Royal Government of Cambodia, the Company is entitled to reduce half amount of its tax on income within the duration of tax incentive period. In order to get the incentives, the Company needs to submit the request to the General Department of Taxation ("GDT") through the Securities and Exchange Regulator of Cambodia ("SERC").

On 16 December 2022, the Company submitted a letter to SERC for 50% reduction of Tax on Income for the year 2023 onwards. On 8 February 2023, the Company received a notification from SERC that the request was submitted to the GDT. There has been no official approval from the GDT as at the date of the condensed interim financial statements.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

25. Income tax (continued)

(b) Minimum tax liability

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	12,021	48,385	9,163	37,431
Minimum tax expense	34,833	139,924	31,717	129,120
Minimum tax paid	(34,211)	(137,426)	(29,398)	(119,679)
Currency translation differences	-	(311)	-	(473)
Balance at the end of the period	<u>12,643</u>	<u>50,572</u>	<u>11,482</u>	<u>46,399</u>

(c) Minimum tax expense

The reconciliation of income tax computed at the statutory tax rate to the income tax expense as shown in the profit or loss is as follows:

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loss before income tax	<u>(2,009,166)</u>	<u>(8,070,820)</u>	<u>(2,006,396)</u>	<u>(8,168,039)</u>
Income tax using statutory income tax rate	(401,833)	(1,614,164)	(401,279)	(1,633,607)
Non-deductible expenses	559	2,246	14,993	61,037
Tax loss not recognised as deferred tax assets	217,643	874,272	153,120	623,351
Deductible temporary difference not recognised as deferred tax assets	<u>183,631</u>	<u>737,646</u>	<u>233,166</u>	<u>949,219</u>
Income tax expense	-	-	-	-
Minimum tax at 1% of turnover	<u>34,833</u>	<u>139,924</u>	<u>31,717</u>	<u>129,120</u>

The calculation of income tax is subject to the review and assessment of the tax authorities.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

25. Income tax (continued)

(d) Unrecognised deferred tax

Tax losses incurred in any tax year can be carried forward to offset against profit realised in the following five tax years subject to the following conditions:

- The loss must be recorded in the Annual Tax on Income return and submitted to the General Department of Taxation on time;
- The business objective of the Company must not have changed; and
- The Company must not have received an unilateral tax re-assessment.

Deferred tax assets in respect of the tax losses and temporary differences are not recognised in the condensed interim financial statements because it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom.

(e) Tax contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

26. Finance costs – net

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income cash at bank	28,281	113,605	96,409	392,480
Interest expense on:				
Debt securities	(813,612)	(3,268,279)	(1,068,511)	(4,349,908)
Borrowing	(29,236)	(117,441)	(68,765)	(279,942)
Lease liabilities	(17,166)	(68,956)	(16,232)	(66,080)
	<u>(860,014)</u>	<u>(3,454,676)</u>	<u>(1,153,508)</u>	<u>(4,695,930)</u>
	<u>(831,733)</u>	<u>(3,341,071)</u>	<u>(1,057,099)</u>	<u>(4,303,450)</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

27. Related party transactions and balances

(a) Identity of related party

For the purposes of these condensed interim financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company have related party relationships with its substantial shareholders and key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

The key management personnel include all the Directors of the Company, and certain senior management members of the Company.

Key management have relationships with the Company which are entered into in the normal course of business and on substantially the same terms, including warehouse rental, purchase of goods and services, insurance, telephone expense and other expense, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

27. Related party transactions and balances (continued)

(b) Transactions with related parties

	For the three-month period ended			
	31 March 2025		31 March 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Property rental</i>				
GSS Global Security Solutions Co., Ltd.	9,663	38,816	8,848	36,020
CAMGSM PLC	125,400	503,732	-	-
J Trust Royal Bank Plc.	107,404	431,442	107,004	435,613
<i>Utilities</i>				
CamGSM Co., Ltd.	1,140	4,579	-	-
J Trust Royal Bank Plc.	382	1,534	-	-
<i>Insurance</i>				
Infinity General Insurance Plc.	179,946	722,843	7,043	28,672
<i>Telephone expense</i>				
CAMGSM PLC	7,940	31,895	5,020	20,436
<i>Security fee</i>				
GSS Global Security Solutions Co., Ltd.	15,510	62,304	5,390	21,943
<i>Cleaning service</i>				
GSS Global Security Solutions Co., Ltd.	-	-	1,683	6,851
<i>Internet service fee</i>				
EZECOM Co., Ltd	14,628	58,761	14,628	59,551
<i>Power BI Pro</i>				
EZECOM Co., Ltd	198	795	-	-
<i>Interest expense</i>				
Wing Bank (Cambodia) Plc.	8,615	34,606	10,624	43,250
<i>Passenger Trian Ticket</i>				
CAMGSM PLC	630	2,531	-	-
<i>Sign Tax</i>				
GSS Global Security Solutions Co., Ltd.	63	253	-	-

The total remuneration of key management for the three-month period ended 31 March 2025 including salaries and benefits was US\$173,392 (three-month period ended 31 March 2024: US\$152,472).

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

27. Related party transactions and balances (continued)

(c) Balances with related parties

	31 March 2025		31 December 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Amount due from related parties (Note 6)				
<i>Trade related:</i>				
CAMGSM PLC	349	1,396	-	-
<i>Non-trade related:</i>				
Royal Coffee	24,347	97,388	29,094	117,103
	<u>24,696</u>	<u>98,784</u>	<u>29,094</u>	<u>117,103</u>
Amounts due to related parties (Note 13)				
<i>Trade related:</i>				
Infinity General Insurance Plc.	140,804	563,216	80,498	324,004
CAMGSM PLC	2,574	10,296	2,814	11,327
GSS Global Security Solutions Co., Ltd.	8,252	33,008	2,468	9,934
EZECOM Co., Ltd	198	792	-	-
	<u>151,828</u>	<u>607,312</u>	<u>85,780</u>	<u>345,265</u>
Borrowings (Note 14)				
<i>Shareholder:</i>				
Neak Oknha Kith Meng	<u>4,440,754</u>	<u>17,763,016</u>	<u>4,440,754</u>	<u>17,874,034</u>
<i>Related party:</i>				
SKTM Investment Co., Ltd	2,000,000	8,000,000	2,000,000	8,050,000
Wing Bank (Cambodia) Plc.	<u>372,791</u>	<u>1,491,164</u>	<u>395,327</u>	<u>1,591,191</u>

Amounts due from/to related parties and borrowings are unsecured, interest free and repayable on demand.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

28. Lease commitments

Lease commitment

The future minimum lease payments related to low-value items leases are as follows:

	31 March 2025		31 December 2024	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one year	122,797	491,188	80,250	323,006
Between two to five years	34,500	138,000	26,000	104,650
	<u>157,297</u>	<u>629,188</u>	<u>106,250</u>	<u>427,656</u>

Capital commitment

In respect of property and equipment

Contracted but not yet provided	<u>1,409,567</u>	<u>5,638,268</u>	<u>1,127,563</u>	<u>4,538,441</u>
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29. Contingent liabilities

1. Concession agreement with the GKC

On 12 June 2009, Royal Railway Cambodia., Ltd. (formally known as Toll (Cambodia) Co LTD) entered into the Concession Agreement (Known as Existing Concession Agreement) with the GKC. There are provisions in the Existing Concession Agreement specifying concession fees to be paid by the Company to the GKC for the use of the conceded assets from the effective date of the Concession Agreement. The Company's management has performed an assessment of its obligation under the existing Concession Agreement with the advice by its legal counsel and concluded that the conditions precedent specified in the concession agreement have not been fully satisfied and both the GKC and the Company have not concluded on the agreed date for the effective date, and therefore, the obligation to pay the concession fee has not yet become effective.

On 13 February 2025, the Company and GKC entered into a framework agreement on railway project to jointly advance the development of Cambodia's railway infrastructure. This partnership aims to enhance the railway system's efficiency, sustainability, resilience, and convenience and is considered a step forward to the negotiation of the concession agreement. According to Article 3 of the framework agreement, the Parties agreed to actively commit to achieving overall timeline and each specific deadlines within 24 months of the effective date from 13 February 2025.

The estimated concession fees payable is contingent on the ultimate outcome of the matters described above and accordingly no provision for any liability has been made in these condensed interim financial statements.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

29. Contingent liabilities (continued)

2. Sub-lease agreement with J TRUST ROYAL BANK PLC and CAMGSM PLC

On 9 June 2022, the Company sub-leased the available space approximating 3,200 sqm to J TRUST ROYAL BANK PLC for the duration of 4 years.

On 29 February 2024, the Company sub-leased the available space approximating 2,705 sqm to CAMGSM PLC. for the duration of 20 years.

Based on this sub-lease agreement, in the event the Company terminates the sub-lease agreement, the Company shall refund to J TRUST ROYAL BANK PLC and CAMGSM PLC. the deposit and other compensation for any loss occurred due to this premature termination of the agreement.

The continuity of this sub-lease agreement is contingent to the favourable outcome of the negotiation on the new amended Railway Concession Agreement as described in note 29.1 above.

30. Fair values of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The information presented herein represents the estimates of fair values as at the reporting date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Cash on hand and with other banks

The carrying amounts approximate the fair values due to the short-term nature of these accounts and these items are not materially sensitive to the shift in the market rates.

Borrowings and debt securities

Borrowings and debt securities issued are not quoted in active market and at their fair value.

The estimated fair value of debt securities is generally based on quoted and observable market prices at the date of the condensed interim statement of financial position. They are not presently traded. The estimated fair values of debt securities are approximate their carrying values based on estimated future cash flows using prevailing market rates.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2025

30. Fair values of financial assets and liabilities (continued)

Other assets and liabilities

Due to their short duration, the carrying amounts of other assets and liabilities in the condensed interim statement of financial position are considered to be reasonable approximation of their fair values.

Fair value hierarchy

CIFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Company's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

31. Operating segment information

Management has determined operating segments with reference to the reports reviewed by the Chief Executive Officer of the Company that are used to assess the performance and allocate resources. The CEO of the Company assesses the performance and allocates the resources of the Company as a whole, as all of the Company's activities are considered to be primarily dependent on the provision of rail freight services to external customers and its related services representing 87% and 83% of total revenue. Therefore, the Company's management considers that there is only one operating segment. In this regard, no segment information is presented for the period.

No geographic information is shown as the Company's operating results are entirely derived from its business activities in Cambodia only.