



ANNUAL REPORT 2022

31 DECEMBER 2022

ROYAL RAILWAY PLC.

VISION

Our vision is to become one of the top logistics providers in Cambodia.

MISSION

Royal Railway's mission is to provide value and efficiencies for our customers by delivering a transparent, efficient, safe, and cost-effective rail freight service that complements an integrated freight logistics network.

FINANCIAL HIGHLIGHT

Financial Position (in Million Riels)		2022	2021	2020
Total Assets		154,833	31,390	33,331
Total Liabilities		164,177	23,858	53,596
Total Shareholders' Equity		(9,344)	7,532	(20,266)
Profit/(Loss) (in Million Riels)		2022	2021	2020
Total Revenues		45,026	40,978	37,677
Loss Before Tax		(16,833)	(3,047)	(795)
Loss After Tax		(16,833)	(3,047)	(795)
Total Comprehensive Loss		(16,877)	(3,242)	(644)
Financial Ratios		2022	2021	2020
Solvency Ratio		-118.50%	15.83%	18.11%
Debt to equity ratio		-1582.70%	62.98%	-81.68%
Liquidity Coverages Ratio	Current ratio	4.50	0.22	0.09
	Quick ratio	4.46	0.19	0.08
Profitability ratio	Return on assets	-10.87%	-9.71%	-2.38%
	Return on equity	180.14%	-40.45%	3.92%
	Gross profit margin	-18.43%	4.28%	10.65%
	Profit margin	-37.48%	-7.91%	-1.71%
	Earnings per share (for equity listed entity)	N/A	N/A	N/A
Interest Coverage ratio		10.46	4.73	0.89
Dividend per share (if any) (for equity listed entity)		N/A	N/A	N/A
Other Important Ratios (if any)		N/A	N/A	N/A

FINANCIAL SUMMARY CHARTS



ANNUAL STATISTICAL SUMMARY OF THE LISTED ENTITY'S PERFORMANCE

Financial Position (in Million Riels)		2022	2021	2020
Total Assets		154,833	31,390	33,331
Total Shareholders' Equity		(9,344)	7,532	(20,266)
Total Comprehensive Loss		(16,877)	(3,242)	(644)
Return on Assets		-10.87%	-9.71%	-2.38%
Return on Equity		180.14%	-40.45%	3.92%
Solvency Ratio		-118.50%	15.83%	18.11%
Debt to equity ratio		-1582.70%	62.98%	-81.68%
Liquidity Coverage Ratio	Current Ratio	4.50	0.22	0.09
	Quick Ratio	4.46	0.19	0.08

BOARD OF DIRECTORS



Neak Oknha KITH MENG
Chairman



Mr. Raymond Thornton Yager
Director



Mr. William Mark Hanna
Director



Mr. Paul Clement
Director



Mr. Lun Yeng
Independent Director

MESSAGE FROM CHAIRMAN

It is our pleasure to present the financial performance of Royal Railway PLC (RRC). in 2022, following the requirements of the Securities and Exchange Regulator of Cambodia (SERC).

Cambodia Economy

Cambodia's economy is recovering well after COVID-19, but global headwinds could pose risks to a positive outlook in months to come, according to the World Bank Report. The World Bank forecasts economic growth of 4.8 percent in 2022 as the post-pandemic economic recovery expands thanks to a rebound in tourism, the World Bank's Cambodia Economic Update for December 2022 said. Cambodia's garment industry, travel goods and footwear exports have been resilient. The services sector, especially travel and tourism, has done well since the introduction of the "Living with COVID-19" strategy in late 2021, and total international visitor arrivals have steadily increased, reaching 1.2 million in the first nine months of 2022. Business and consumer confidence have risen and both domestic and foreign investment have increased. Economic growth is projected to accelerate to 5.2 percent in 2023 as increased hiring supports rising domestic consumption and as inflation recedes. However, prospects for faster growth face serious risks due to developments beyond Cambodia's borders.

Royal Railway's Support as Uncertainty Continues

Despite this time of uncertainty, RRC continued to grow in all key areas, including the total assets, total revenue, as well as train control strategy. We managed to successfully listed a corporate bond and two guarantee bonds at the same quarter. The Company requested the Cambodia Securities Exchange (CSX) and Securities and Exchange Regulator of Cambodia (SERC) to list its corporate bonds on the CSX. The request was approved in principle by CSX on 24 October 2022 for principal amount of KHR 41 billion and 26 December 2022 for principal amount of KHR98.4 billion. On 19 September 2022, the Company obtained the final approval from SERC to list its corporate bonds amount of KHR 41 billion and on 19 December 2022 for amount of KHR98.4 billion on the CSX.

The Cambodia Railway consists of two lines, the Northern Line and the Southern Line, totaling of 650 kilometers. Northern Line totals length of 386 kilometers from Phnom Penh to Poi Pet (Cambodia-Thailand border). The Southern Line totals length of 264 kilometers.

RR's core service offerings include freight services (fuel, bagged cement, ballast, bulk rice, etc.), bulk fuel transport, containerized freight (garments, automotive, rice, rubber, sugar, etc.), warehousing, customs and excise clearance.

RRC is a sole operator of the railway network in Cambodia. Royal Railway is a critical part of the Royal Group's transport and logistics contribution towards the growth and development of the Kingdom of Cambodia. The Cambodian landscape from a transport and logistics perspective remains relatively fragmented creating enormous opportunities for Royal Railway and its various Value-Added Services.

Resilience and Going Forward

In the business plan and strategy for 2023 onward, RRC aims to become one of the top logistics providers in Cambodia. To ensure the sustainable growth of RRC, RRC put the following plans into action:

- Deliver services to the Southern Line and Northern Line through to Poi Pet for cross border trade;
- Invest in more assets to support the railway development and realize substantial growth in transport sector for Cambodia;
- Develop land and properties that link into rail offering Sihanouk Ville, Pursat, Battambang and Poi Pet;
- Expand logistics offerings off the base rail product including warehousing, domestic transport, value adding services;
- Simplify and streamline pricing and rate cards to maximize retail and SME sales in conjunction with improved costing and business analysis to support major accounts to maximize and ensure visibility of projected and actual return;
- Practices and policies to attract, retain and develop personnel to support our business growth plans and ensure effective succession planning with particular focus on mid-tier operations management and business analysis skills;
- Develop brand and marketing strategies that draw on RRC's individual strengths and focus on improving safety and governance outcomes and proactive risk appraisal and mitigation;
- Build relationships with key government and private sector stakeholders to enhance service outcomes.

Highlights of the Overall Performance in 2022

As the result of the end of 2022, total asset was KHR154,833 million, growing 393% compared to 2021. Total revenue was KHR45,026 million, increasing 9.88% compared to 2021. The shareholder's equity decreased to -KHR9,344 million.

The Board and shareholders have confidence that RRC's leadership, strategy and people will enable RRC to continue its high level of performance for all investors.

On behalf of the Board of Directors, I wish to thank RRC's management and staff for their hard work, dynamism and strong dedication to grow the business along with customer's growth in harmony. I also wish to thank the Board of Directors, shareholders, customers, the Royal Government of Cambodia and especially the Securities and Exchange Regulator of Cambodia (SERC) and Cambodia Securities Exchange (CSX) for their continuous support and advice.

29 March 2023



Neak Oknha Kith Meng
Chairman

MESSAGE FROM CHIEF EXECUTIVE OFFICER

Cambodia has two railway lines with a total length of 652 km with a 1,000 mm meter gauge rail network. The first line connected Phnom Penh Capital City to Sihanoukville (Southern Line), and another is to the Banteay Meanchey Province, Poi Pet City (Northern Line) which bordered Thailand. The southern line was originally built in 1965 and the northern line was built in the 1930s. The railway infrastructure and operating condition had gone through a serious deterioration as a result of years of war and civil strife which have led to a decline in traffic.

Later, with the financial assistance from ADB, the Government of Australia, and the Organization of the Petroleum Exporting Countries (OPEC) and fund for International Development, the government embarked on a major rehabilitation. Initially, the plan consisted of rehabilitation of the 256 km Southern line, and 335 km of the Northern Line, and the reconstruction of the missing rail link from Serei Saophoan (Banteay Meanchey Province) to the Thailand Border (about 48km) and the re-establishment of the railway connection across the border to Thailand. However, as the substantial cost overruns and limited funds, the scope was reduced to rehabilitating 256 km of the southern line, 23km of the northern line, and 42 km of the missing rail link from Serei Saophoan to Poi Pet. The government has rehabilitated the remaining length of the northern line using its own resources.

However, Rail transport for passengers and freight is negligible in Cambodia compared to road transport. Road Transport is the main mode of transportation in Cambodia. It is estimated that the share of road transportation for both Passengers and freight represents around 90%.

Operational efficiency

In the past 5 years, Royal Railway began to increase the capability to carry more loading to reach the demand of the market by purchasing more wagons to hold an additional container and introducing the tank containers into the country. In addition to that, the company also employed a higher horsepower locomotive which is stronger, faster, can pull heavier and more wagons which led to the improvement of the operational efficiency of the transportation.


For the safety issue, the company also had invested in the upgrade of the rail track, installed the electronic level crossing equipment to increase safety at the crossings point, as well as installed the GPS tracking on locomotive fuel tanks.

Royal Railway's results of the operation are driven to a significant degree by freight pricing. The company has a written pricing policy specifying the methods and formula for determining the freight pricing by using the operating costs and its competitor's cost as the main component for various pricing for its service and offers a number of discounts.

The company's results of operations are also driven to a significant degree by freight volumes, which are, in turn, driven by global, regional, and national economic trends. The total volume of freight are measured by tonnage. The company carried a total of 911,445 tons in 2022 and 1,016,466 tons in 2021, a reduction of -11.52%. However, this is not an indication of the revenue in dollar amount. In fact, 2022 saw an increase in revenue of USD 944,096 compared with 2021.

On behalf of the Royal Railway Management, I would like to thank our customers for their constantly support, the management team and staff for their hard work and commitment, the Board of Directors for their support and advice, the Royal Government of Cambodia and especially the Securities and Exchange Regulator of Cambodia (SERC) and Cambodia Securities Exchange (CSX) for their continuous support and advice.

29 March 2023


John Guiry
Chief Executive Officer

CONTENTS

Vision and Mission	i
Financial Highlight	ii
Financial Summary Charts.....	iii
Annual Statistical Summary of the Listed Entity's Performance	iv
Board of Directors	v
Message from Chairman.....	vi
Message from Chief Executive Officer	viii
Part 1 - General Information of the Listed Entity	1
A. Identity of the Listed Entity	1
B. Nature of Business	2
C. Group structure of the listed entity	2
D. The Listed Entity's Milestones.....	2
E. Market Situation.....	3
F. Competitive Situation.....	4
G. Future Plan.....	4
H. Risk Factors	5
Part 2 - Information on Business Operation Performance.....	6
A. Business Operation Performance.....	6
B. Revenue Structure.....	6
Part 3 – Information on Corporate Governance	7
A. Organisation Structure	7
B. Board of Directors	8
C. Senior Officers	8
Part 4 – Information on Securities' Trading and Shareholder of the listed entity	9
A. Information on Securities	9
B. Securities' Price and Trading Volume	9
C. Controlling Shareholder	10
D. Substantial Shareholder.....	10
E. Information Dividend Distribution on the last 3 (three).....	10

Part 5 – Internal Control Audit Report by Internal Auditor.....	11
Part 6 – Financial Statement Audited by the External Auditor.....	12
Part 7 – Information on Related Party Transaction and Conflict of Interest.....	13
A. Material Transactions with Shareholder Who Hold at Least 5% or More Shares of Outstanding Equity Securities.....	13
B. Material Transactions with Director and Senior Officer.....	13
C. Transactions with Director and Shareholder Related to Buy/Sell Asset and Service.....	13
D. Material Transactions with Immediate Family Members of the Director, Senior Officer and Shareholder Who Hold at Least 5% or More Shares	13
E. Material Transactions with the Person, Who Associated with Director of the Listed Entity, Its Subsidiary or Holding Company, Whose Relationship Has Occurred in Any Transactions or Have Been Made by Listed Entity	13
F. Material Transactions with Former Director or Person Who Involved with Former Director	13
G. Material Transactions with Director Who Is Holding Any Position in A Non-Profit Organization Or in Any Other Company Other Than the Listed Entity	13
H. Material Transactions with Directors Who Get Benefit Either Finance or Non-Financial From the Listed Entity.....	13
Part 8 - Management's Discussion and Analysis (MD&A).....	14
A. Overview of Operations	14
B. Significant Factors Affecting Profit.....	16
C. Material Changes in Sales and Revenue.....	16
D. Impact of Foreign Exchange, Interest Rates and Commodity Prices.....	16
E. Impact of Inflation	16
F. Economic / Fiscal / Monetary Policy of Royal Government.....	17
Part 9 - Other Necessary Information for Investors Protection.....	18
Signature of Directors of the Listed Entity	19

PART 1 - GENERAL INFORMATION OF THE LISTED ENTITY

A. IDENTITY OF THE LISTED ENTITY

Entity name in Khmer	រ៉ូយ៉ាល់ រេលវេ ម.ក.	
In Latin	Royal Railway Plc.	
Standard code	KH2000191CA4 KH2000192CC8 KH2000193CC6	
Address	Central Railway Station, Russian Federation Boulevard Sangkat Sras Chork, Khan Daun Penh, Phnom Penh Kingdom of Cambodia	
Phone number	+855 23 992 379	
Fax	+855 23 992 353	
Website	royal-railway.com	
Email	admin@trrcambodia.com	
Company registration number	00018504	Date: 06 October 2015
Disclosure document registration number issued by SECC	202/22SERC/SSR 273/22SERC/SSR	Date: 19 September 2022 Date: 19 December 2022
Representative of the listed entity	Mr. John Guiry	

B. NATURE OF BUSINESS

The Cambodia Railway consists of two lines, the Northern Line and the Southern Line, totaling of 650 kilometers. The Northern Line has a length of 386 kilometers from Phnom Penh to Poi Pet (Cambodia-Thailand border). The Southern Line has a length of 264 kilometers.

RR's core service offerings include freight services (fuel, bagged cement, ballast, bulk rice, fertiliser, lime, motor car etc.), bulk fuel transport, containerised freight (garments, automotive, rice, rubber, sugar, etc.), warehouse rental, customs and excise clearance.

Please refer to below information for the detail revenue of service:

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Southern line:				
Rail freight	5,874,759	24,010,141	8,477,770	34,486,155
Train related value-added services	591,565	2,417,726	502,588	2,044,444
Passengers' fare	416,865	1,703,727	67,650	275,189
Transportation	59,864	244,664	32,873	133,722
Other revenue	23,377	95,542	59,992	244,037
	<u>6,966,430</u>	<u>28,471,800</u>	<u>9,140,873</u>	<u>37,183,547</u>
Northern line:				
Rail freight	3,020,183	12,343,488	231,316	940,955
Passengers' fare	195,861	800,484	-	-
Train related value-added services	15,343	62,707	450	1,831
Transportation	1,000	4,087	-	-
Other revenue	30,890	126,247	-	-
	<u>3,263,277</u>	<u>13,337,013</u>	<u>231,766</u>	<u>942,786</u>
Other operating income				
Warehouse rental income	557,502	2,278,511	697,918	2,839,014
Finance income	23,242	94,990	294	1,196
Others income	206,369	843,430	2,768	11,260
	<u>787,113</u>	<u>3,216,931</u>	<u>700,980</u>	<u>2,851,470</u>
	<u>11,016,820</u>	<u>45,025,744</u>	<u>10,073,619</u>	<u>40,977,803</u>

C. GROUP STRUCTURE OF THE LISTED ENTITY

N/A

D. THE LISTED ENTITY'S MILESTONES

The Cambodian Railway began construction between 1930 and 1940. The Cambodia Railway consists of two lines, the Northern Line and the Southern Line with a total length of 650 kilometers. Northern Railway has a length of 386 km from Phnom Penh to Poi Pet (Cambodia-Thailand border) and was constructed and functional between 1929 to 1942 during the French colonial period. The Southern Railroad was built between 1960 and 1969 and is a total length of 264 kilometers. Both lines were severely damaged and partially destroyed during the war.

RRC is the sole operator of the railway network in Cambodia. Royal Railway is a critical part of logistics contribution towards the growth and development of the Kingdom of Cambodia. The Cambodian landscape from a transport and logistics perspective remains relatively fragmented creating enormous opportunities for Royal Railway and its various value-added services.

The following are key milestones in RRC's history:

2009:

The Company entered into a Railway Concession Agreement with the Royal Government of Cambodia, represented by the Ministry of Public Works and Transport, to provide railway services in the Kingdom of Cambodia for a period of 30 years over the specific concession assets as stipulated in the agreement. The concession period will be from the effective date until the end of year 30, unless earlier terminated in accordance with the agreement. Under the agreement, the company is vested with an exclusive right to become the operator of the Cambodian rail network and related freight logistics.

The railway rehabilitation started with the help of the Asian Development Bank, the Australian Agency for International Development and the Malaysian Government.

2016:

Cambodian passenger trains resumed its activities after 14-years of waiting. The new Southern Line stretches 266km between Phnom Penh and Sihanoukville. Trains are able to carry approximately 400 people in five carriages, with standard carriages equipped with fans and air conditioning and VIP sections with air-conditioning.

2018:

The northern line rehabilitation was completed connecting the country from north to south by rail for the first time in 45 years.

2022:

RRC started to operate passenger trains on a daily basis on both lines.

In 2022, the Company 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.

The bond was approved by SERC and CSX on 19 September 2022 and 24 October 2022 respectively and was officially listed on 31 October 2022.

Second Corporate Bonds:

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.

These series of two bonds were approved by SERC on 19 December 2022 and CSX on 26 December 2022 and were officially listed on 29 December 2022.

E. MARKET SITUATION

1. Rail freight services

Rail freight service is the core and main revenue stream of RR. The company provides the rail freight services from Phnom Penh to Sihanoukville (Southern Line) and from Phnom Penh to Battambang and Poi Pet (the Northern Line) and through the Thai border in the near future. Currently, RR provides the freight service on both lines and carries in a wide range of products or commodities such as rice, cement, fuel, ballast, garment products, and other container services, etc. Below table is the 3 years historical volume of RRC's rail freight services:

Key Achievement Freight service in tons	2022	2021	2020
Cement	19,052	15,920	29,075
Coal	-	-	28,878
Diesel	273,668	366,547	487,249
Gasoline	97,485	72,873	14,886
Ballast	11,403	17,307	29,849
Container	507,737	543,820	520,331
Fertiliser	2,100	-	-
	<u>911,445</u>	<u>1,016,466</u>	<u>1,110,268</u>

2. Passenger services

Cambodian rail concessionaire Royal Railway announced on 21 March 2016 that it launched a trial passenger service on its meter-gauge line from the capital Phnom Penh to the port city of Sihanoukville on 9 April 2016. During the eight-day trial, which coincides with Khmer New Year, Royal Railway operates a daily service in each direction departing from Phnom Penh and Sihanoukville (Southern Line) at 07.00 am with intermediate stops at Takeo station and Kampot station. The journey time for the 264 km trip is approximately eight hours from \$US 6-10 single fare. One of the two trains being used for the service includes air-conditioned coaches.

The section of the Northern line is particularly important as it connects Serei Saophoan in Banteay Meanchey province to the city of Poipet, the main international border to Thailand. The train schedule is a departure at 8:00 am and arriving at Battambang at around 4:00 pm. Rehabilitation of the Poipet train station was completed in May 2018. Below table is the 3 years historical number of customers patronaged RRC' passenger train services:

Key Achievement	2022	2021	2020
Number of passengers	79,558	3,546	23,998

3. Value added services and lease of properties

The additional revenue of RRC comes from the value-added services including container storage, lift-on lift-off, anvil container works, container repair and maintenance, customs scanning and customs clearance service (for freight service from Sihanoukville to Phnom Penh and Bavet to Phnom Penh). Lease of properties is also an additional revenue to RRC.

F. COMPETITIVE SITUATION

RRC is operating in a challenging and competitive environment. Railway operation requires high fixed cost compared with road logistics. Some of the major costs that are additional to road logistics include track access, dry port access, dry port lease, track maintenance and high rolling stock maintenance and insurance cost.

RR business is seasonal with rainy season being the low months for fuel transport via train. However, train operation is more competitive compared to road operation. Transporting via rail has the following competitive advantage compared to road transportation including reliability, size of load (that can be carried at one time), lower administrations fees, lower customs clearance. The transport via rail track can carry from 28 tons to 30 tons containers with timely delivery. The train can deliver just in time to prevent storage and can easily carry 70x20ft containers or more on one train for example, and one shipment say of 100 containers arrives at one time not like road 100 time with documentation issues and many more.

RRC is a sole train transportation company. Road transport operators are rail service partners which compliments rails.

G. FUTURE PLAN

In the business plan and strategy for 2023 onward, RRC aims to become one of the top logistics providers in Cambodia. To ensure the sustainable growth of RRC, the company put the following plans into action:

- Deliver services to the Southern Line and Northern Line through to Poi Pet for cross border trade;
- Invest in more assets to support the railway development and realize substantial growth in transport sector for Cambodia;
- Develop rail sidings into customers' properties to lock them into using rail;
- Expand logistics offerings off the base of rail product including warehousing, domestic transport, value adding services;

- Simplify and streamline pricing and rate cards to maximize retail and SME sales in conjunction with improved costing and business analysis to support major accounts to maximize and ensure visibility of projected and actual return;
- Practices and policies to attract, retain and develop personnel to support our business growth plans and ensure effective succession planning with particular focus on mid-tier operations management and business analysis skills;
- Develop brand and marketing strategies that draw on RR's individual strengths and focus on improving safety and governance outcomes and proactive risk appraisal and mitigation;
- Build relationships with key government and private sector stakeholders to enhance service outcomes.

H. RISK FACTORS

RRC's business, financial condition and operating results could be materially adversely affected by any of the factors discussed below. Prospective investors should also read the detailed information set out elsewhere in this document and reach their own view prior to making any investment decision.

Macro-economic condition risk

RRC's performance is impacted by macro-economic conditions and by economic conditions in the markets in which we operate. Demand for and pricing of our services is subject to economic conditions and other factors (such as epidemics, pandemics, or large-scale medical emergencies), which have had and/or, in the future, could have a material adverse effect on our business and results of operations.

Operational risks

Operational risk arises from losses which would result from inadequate or failed internal processes, people, and systems or from external factors and is managed through established operational risk management processes, proper monitoring, and reporting of the business activities by control and support units which are independent of the business units and oversight provided by Audit and Risk Management Committee.

Competition risk

RRC is the sole railway operator, in term of nature of business, we ensure that road transport is not our direct competitor but services partner which compliments rails. With strong growth in the Cambodian import and export, more players are entering the market especially road operators.

RRC is operating in a challenging and competitive environment. Railway operation requires high cost compared with road logistics. Some of the major costs that are additional to road logistics include track access, dry port access, dry port lease, track maintenance and high rolling stock maintenance and insurance cost. Our business is seasonal with rainy season being the low months for fuel transport via train. However, Train operation is more competitive compared to road operation. Reliability, size of load that can be carried at one time, administrations fees reduction, customs clearance. RRC's train can carry 28-to-30-ton containers legally, deliver just in time to prevent storage, and can easily carry 70x20ft containers or more on one train.

For example, one shipment of 70 containers arrives at one go compared with road which needs 70 trucks with documentation issues and many more.

PART 2 – INFORMATION ON BUSINESS OPERATION PERFORMANCE

A. BUSINESS OPERATION PERFORMANCE

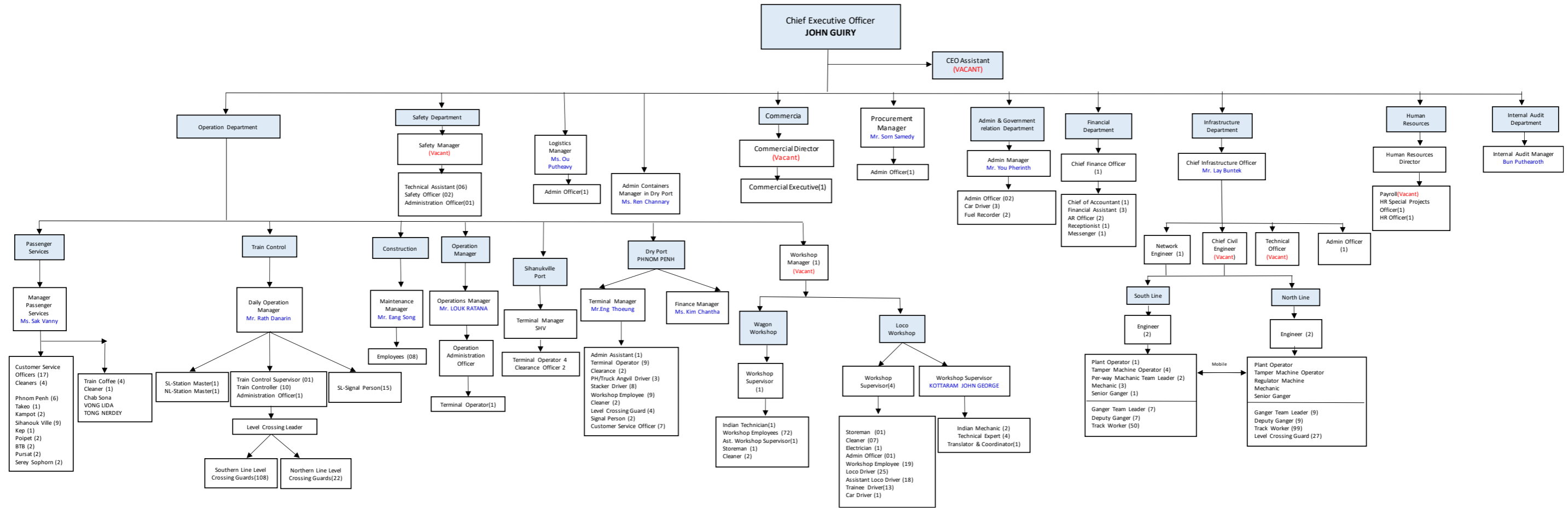
Key Achievement	December 2022	December 2021	December 2020
Freight service in tons			
Cement	19,052	15,920	29,075
Coal	-	-	28,878
Diesel	273,668	366,547	487,249
Gasoline	97,485	72,873	14,886
Ballast	11,403	17,307	29,849
Container	507,737	543,820	520,331
Fertiliser	2,100	-	-
Total gross revenue (In Million Riels)	39,305	37,851	33,671
Passenger service			
Number of passengers	79,558	3,546	23,998
Total gross revenue (In Million Riels)	2,504	275	750

B. REVENUE STRUCTURE

Source of Revenue	2022		2021		2020	
	Amount (in Million Riel)	%	Amount (in Million Riel)	%	Amount (in Million Riel)	%
<i>Southern line:</i>						
Rail freight	24,010	53.33%	34,486	84.16%	29,047	77.09%
Train related value-added services	2,418	5.37%	2,044	4.99%	1,823	4.84%
Passengers' fare	1,704	3.78%	275	0.67%	750	1.99%
Transportation	245	0.54%	134	0.33%	146	0.39%
Other revenue	96	0.21%	244	0.60%	196	0.52%
	<u>28,472</u>	<u>63.23%</u>	<u>37,184</u>	<u>90.74%</u>	<u>31,962</u>	<u>84.83%</u>
<i>Northern line:</i>						
Rail freight	12,343	27.41%	941	2.30%	2,459	6.53%
Passengers' fare	800	1.78%	-	0.00%	-	0.00%
Train related value-added services	63	0.14%	2	0.00%	-	0.00%
Transportation	4	0.01%	-	0.00%	-	0.00%
Other revenue	126	0.28%	-	0.00%	-	0.00%
	<u>13,337</u>	<u>29.62%</u>	<u>943</u>	<u>2.30%</u>	<u>2459</u>	<u>6.53%</u>
Other operating income						
Warehouse rental income	2,279	5.06%	2,839	6.93%	3,242	8.60%
Finance income	95	0.21%	1	0.00%	-	0.00%
Others income	843	1.87%	11	0.03%	14	0.04%
	<u>3,217</u>	<u>7.14%</u>	<u>2,851</u>	<u>6.96%</u>	<u>3,256</u>	<u>8.64%</u>
Total revenue	<u>45,026</u>	<u>100.00%</u>	<u>40,978</u>	<u>100.00%</u>	<u>37,677</u>	<u>100.00%</u>

PART 3 – INFORMATION ON CORPORATE GOVERNANCE

A. ORGANISATION STRUCTURE



B. BOARD OF DIRECTOR

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

Name	Position
Neak Oknha Kith Meng	Chairman
Mr. Raymond Thornton Yager	Director
Mr. William Mark Hanna	Director (appointed on 2 June 2022)
Mr. Paul Clements	Director (appointed on 2 June 2022)
Mr. Lun Yeng	Independent Director (appointed on 2 June 2022)

Except 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 periods.

C. SENIOR OFFICERS

Name	Position
John Guiry	Chief executive officer
Tauch Sothyda	Chief finance officer
Lay Buntek	Chief Infrastructure Officer

Note: Detail information of corporate governance is attached as appendix.

PART 4 – INFORMATION ON SECURITIES’ TRADING AND SHAREHOLDER OF THE LISTED ENTITY

A. INFORMATION ON SECURITIES

1. Information on Equity Securities (For Equity Listed Entity)

- Name of equity securities: None
- Equity securities’ symbol: None
- Class of equity securities: None
- Par value per equity securities: None
- IPO Price: None
- The total number of outstanding shares: None
- Market capitalisation: None
- Permitted Securities Market: None

2. Information on Debt Securities (For Debt Listed Entity)

Royal Railway Corporate Bond:

Information	Description
Debt securities’ type	Plain Bond
Symbol	RRC32A
Issuing date	10 October 2022
Par value per equity securities:	None
Total amount of debt securities	KHR 41,000,000,000
Total amount of outstanding debt securities	KHR 41,000,000,000
Maturity	10 October 2032
Coupon payment schedule	10 October
Coupon rate (%)	7% p.a.
Total amount of coupon payment	KHR 2,870,000,000
Credit rating (if any)	None

Royal Railway Guarantee Bond:

Information	Description
Debt securities’ type	Guaranteed Bond
Symbol	RRGO27A RRGT32B
Issuing date	23 December 2022
Par value per equity securities:	None
Total amount of debt securities	KHR 49,200,000,000 KHR 49,200,000,000
Total amount of outstanding debt securities	KHR 49,200,000,000 KHR 49,200,000,000
Maturity	23 December 2027 23 December 2032
Coupon payment schedule	23 June, 23 December
Coupon rate (%)	SOFR+3,5% or 5% per annum (take which one is higher) SOFR+3,5% or 5% per annum (take which one is higher) and Year 6 to Year 10: SOFR+3,75% or 5% per annum (take which one is higher)
Total amount of coupon payment	KHR 1,924,544,000 KHR 1,924,544,000
Credit rating (if any)	KhAAA

B. SECURITIES’ PRICE AND TRADING VALUME

As of the reporting date, there was no trading on Royal Railway’s corporate bond, maintaining the same price at KHR100,000 per bond.

C. CONTROLLING SHAREHOLDER(S) (30% OR MORE)

No.	Name	National	Number of Shares	Percentage
1	Inter Logistics (Cambodia) Co., Ltd.	Khmer	1,983,187	98.9999%
Total			1,983,187	98.9999%

D. SUBSTANTIAL SHAREHOLDER(S) (5% OR MORE)

N/A

E. INFORMATION ON DIVIDEND DISTRIBUTION IN THE LAST 3 (THREE) YEARS (FOR EQUITY LISTED ENTITY)

Detail of dividend distribution	2022	2021	2020
Net Profit	N/A	N/A	N/A
Total cash dividend	N/A	N/A	N/A
Total share dividend	N/A	N/A	N/A
Other dividend	N/A	N/A	N/A
Dividend payout ratio (%)	N/A	N/A	N/A
Dividend yield (%)	N/A	N/A	N/A
Dividend per share	N/A	N/A	N/A

PART 5 – INTERNAL CONTROL AUDIT REPORT BY INTERNAL AUDITOR

1. Introduction

Internal audit department is an independent department for providing appraisal, consulting on the efficiency of the internal control implemented by the management. The department was established in August 2022. The department report directly to the Audit and Risk Board Committee.

2. Auditing in the Year 2022

- Preparing the Internal audit policy and procedures
- Preparing the Internal audit checklist
- Reviewing the prior year Audited Financial Statement
- Interview Key Personnel to have better understanding of the existing process and operations
- Site visit to the Dry port in Phnom Penh and Sihanouk Ville Terminal
- Inspect Passenger Train services from Phnom Penh to Sihanouk Ville
- Preparing audit plan for the year 2023

3. Conclusions

Internal auditor has observed and interviewed with key personnel of the company has shown good cooperations and has followed the process in accordance with SOP. Employees have carried out their effort in their responsibilities to achieve good results.

Read and Approved

29 March 2023

Signature



Lun Yeng

Chairman of the Audit and Risk Board Committee

29 March 2023

Signature



Bun Puthearith

Internal Audit Manager

PART 6 – FINANCIAL STATEMENT AUDITED BY THE EXTERNAL AUDITOR

Please refer to the Annex for Financial Statement Audited by the External Auditor.

PART 7 – INFORMATION ON RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

The Listed entity shall disclose material transactions information, with related parties in the last 2 (two) years, specifying name, relation between the listed entity and related parties, size of transaction and the type of interest which arise from that relationship as follows:

A. MATERIAL TRANSACTIONS WITH SHAREHOLDER WHO HOLD AT LEAST 5% OR MORE SHARES OF OUTSTANDING EQUITY SECURITIES.

Borrowing from Neak Okhna Kith Meng with loan amount of US\$1,207,700.

B. MATERIAL TRANSACTIONS WITH DIRECTOR AND SENIOR OFFICER

N/A

C. TRANSACTIONS WITH DIRECTOR AND SHAREHOLDER RELATED TO BUY/SELL ASSET AND SERVICE

N/A

D. MATERIAL TRANSACTIONS WITH IMMEDIATE FAMILY MEMBERS OF THE DIRECTOR, SENIOR OFFICER AND SHAREHOLDER WHO HOLD AT LEAST 5% OR MORE SHARES

N/A

E. MATERIAL TRANSACTIONS WITH THE PERSON, WHO ASSOCIATED WITH DIRECTOR OF THE LISTED ENTITY, ITS SUBSIDIARY OR HOLDING COMPANY, WHOSE RELATIONSHIP HAS OCCURRED IN ANY TRANSACTIONS OR HAVE BEEN MADE BY THE LISTED ENTITY

N/A

F. MATERIAL TRANSACTIONS WITH FORMER DIRECTOR OR PERSON WHO INVOLVED WITH FORMER DIRECTOR

N/A

G. MATERIAL TRANSACTIONS WITH DIRECTOR WHO IS HOLDING ANY POSITION IN A NON – PROFIT ORGANISATION OR IN ANY OTHER COMPANY OTHER THAN THE LISTED ENTITY

N/A

H. MATERIAL TRANSACTIONS WITH DIRECTORS WHO GET BENEFIT EITHER FINANCE OR NON – FINANCIAL FROM THE LISTED ENTITY

N/A

PART 8 – MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

The following discussion and analysis are the discussion of RRC's management team on the operational results and financial situation based on Financial Statement as of 31 December 2022, which is reviewed by KPMG Cambodia Ltd (Independent Auditors). Financial Statement have been prepared in accordance with Cambodian International Financial Reporting Standard (CIFRS). The management team discussed and analysed only the key component of the Financial Statement and key factors that affect RRC's profitability.

A. OVERVIEW OF OPERATIONS

1. REVENUE ANALYSIS

RRC generates revenue from four major sources as follows:

- Rail freight income: freight service provided to customers on both Northern Line and Southern Line.
- Train related value-added services income: Fee income from lift on lift off containers, customs scanned containers, service on clearance document for customers and storage fee in the process of clearance the containers at Railway Dry Port located at ODEM (10KM out of Phnom Penh)
- Passengers' fare: passenger service on the Southern Line i.e., Phnom Penh to Takeo Province, Kep Station, Kampot station, Sihanoukville station and on the Northern Line from the capital to Pursat station, Battambang station and Poi Pet station.
- Warehousing service/lease income.

2. REVENUE BY SEGMENT ANALYSIS

Source of Revenue	2022		2021	
	Amount (in Million Riel)	%	Amount (in Million Riel)	%
<i>Source of Revenue</i>				
<i>Southern line:</i>				
Rail freight	24,010	53.33%	34,486	84.16%
Train related value-added services	2,418	5.37%	2,044	4.99%
Passengers' fare	1,704	3.78%	275	0.67%
Transportation	245	0.54%	134	0.33%
Other revenue	96	0.21%	244	0.60%
	<u>28,472</u>	<u>63.23%</u>	<u>37,184</u>	<u>90.74%</u>
<i>Northern line:</i>				
Rail freight	12,343	27.41%	941	2.30%
Passengers' fare	800	1.78%	-	0.00%
Train related value-added services	63	0.14%	2	0.00%
Transportation	4	0.01%	-	0.00%
Other revenue	126	0.28%	-	0.00%
	<u>13,337</u>	<u>29.62%</u>	<u>943</u>	<u>2.30%</u>
<i>Other operating income</i>				
Warehouse rental income	2,279	5.06%	2,839	6.93%
Finance income	95	0.21%	1	0.00%
Others income	843	1.87%	11	0.03%
	<u>3,217</u>	<u>7.14%</u>	<u>2,851</u>	<u>6.96%</u>
Total revenue	<u>45,026</u>	<u>100.00%</u>	<u>40,978</u>	<u>100.00%</u>

Rail freight is the main source of income for RRC. During 2022, rail freight income represents 80.74% of the total revenue. Comparing to prior year with the same period, there is no much fluctuation movement of RRC's revenue by segment except the revenue from passengers from Northern Line which saw significant increase as RRC operates its services daily.

3. GROSS LOSS MARGIN ANALYSIS

Gross profit margin does not present in the format of statement of comprehensive income prepared by RRC. However, it presents net income resulting from revenue less cost of sale which is indicated in section 4. Profit / (loss) before tax analysis.

4. PROFIT / (LOSS) BEFORE INCOME TAX ANALYSIS

Statement of Profit or Loss Before Income Tax	2022 Amount (in Million Riel)	2021 Amount (in Million Riel)	Variance (in Million Riel)	Variance %
Revenue	41,809	38,126	3,682	9.66%
Cost of services	(50,109)	(36,373)	(13,737)	37.77%
Gross (loss)/profit	(8,300)	1,754	(10,054)	-573.29%
Other operating income	3,217	2,851	365	12.82%
Operating and administrative expense	(8,757)	(6,705)	(2,052)	30.61%
Allowance for impairment losses on trade receivables	(939)	107	(1,045)	-981.24%
Minimum tax expense	(443)	(409)	(34)	8.30%
Operating loss	(15,223)	(2,402)	(12,820)	533.63%
Finance costs	(1,610)	(644)	(966)	149.96%
Loss before income tax	(16,833)	(3,046)	(13,786)	452.53%

During 2022, loss before income tax increase by KHR13,786 million equivalents to 452.53% compared to 2021. This increasing amount of the loss before income tax for the year mainly due to the increase of cost of service and operating expenses amounting to KHR15,789 million equivalents to 36.65% and allowance of provisions for expected credit losses amounting to -KHR1,045 million equivalents to -981.24% compared to 2021.

5. PROFIT / (LOSS) AFTER INCOME TAX ANALYSIS

Statement of Profit or Loss After Income Tax	2022 Amount (in Million Riel)	2021 Amount (in Million Riel)	Variance (in Million Riel)	Variance %
Loss before income tax	(16,833)	(3,046)	(13,786)	452.53%
Income tax expense	-	-	-	0%
Net loss for the period	(16,833)	(3,046)	(13,786)	452.53%

Tax on income is calculated on taxable loss on tax rate 20%. As RRC generated loss before income tax, hence RRC paid only the minimum tax on revenue.

6. TOTAL COMPREHENSIVE INCOME / (LOSS) ANALYSIS

Statement of Comprehensive Loss	2022 Amount (in Million Riel)	2021 Amount (in Million Riel)	Variance (in Million Riel)	Variance %
Net loss for the year	(16,833)	(3,046)	(13,786)	452.53%
Currency translation differences	(44)	(196)	152	-77.47%
Total comprehensive loss for the period	(16,877)	(3,242)	(13,635)	420.56%

Other comprehensive loss item consisting of only translation difference resulting from assets and liabilities are translated at the closing rate as at the statement of financial position date whereas the items in the statements of comprehensive loss and cash flows are translated into KHR using the average rate for the period while share capital is translated at the historical rate of KHR 4,000 per US\$ 1.

7. FACTORS AND TRENDS ANALYSIS AFFECTING FINANCIAL CONDITIONS AND RESULTS

There is significant impact to financial conditions and results of RRC for the year 2022 due to the increase of the cost of services specifically fuel cost and as well as the increase of allowance of provisions for expected credit losses on trade receivable and balance at banks.

B. SIGNIFICANT FACTORS AFFECTING PROFIT

1. DEMAND AND SUPPLY CONDITIONS ANALYSIS

RRC is the only rail transport service provider in Cambodia, offering a wide range of commodities transportation across the country with safety and efficiency as railway is able to carry the products in large volume compared with road transport, fully secured by insurance and directly accessible into the Port of Sihanoukville.

RRC is continuously updating and expanding its line of products and services to meet the satisfaction of its customers. RRC is investing heavily in locomotive and railway equipment and the Company is working on improvement of freight and services to increase accessibility, convenience, ease of use, and to allow customers to trust in its services.

2. FLUCTUATIONS IN PRICES OF RAW MATERIALS ANALYSIS

RRC is a railway operator providing freight service transportation, therefore the analysis of fluctuations in prices of raw material is not applicable to the Company.

3. TAX ANALYSIS

RRC is obliged to pay taxes and excises to the state under the existing laws of Cambodia. RRC is a large taxpayer and is required to pay tax under the real regime tax system as set forth by the General Department of Taxation. Tax expenses include current tax and deferred tax. Tax expenses are recorded in the statement of comprehensive income.

4. EXCEPTIONAL AND EXTRAORDINARY ITEMS ANALYSIS

During the date of this report, the Company successfully listed its corporate bonds on the CSX amounting to KHR 41 billion on 10 October 2022 and on 23 December 2022 KHR 49.2 billion respectively. Other than the two significant events, management is not aware of any exceptional and extraordinary items, transaction or event of a material and unusual nature accruing that may significantly impact to the financial statement of the Company.

C. MATERIAL CHANGES IN SALES AND REVENUE

In 2022, RRC earned a total revenue of KHR 45,026 million 9.88% increased compared with the same period prior year. Net loss increases from KHR 2,403 million to KHR 15,222 million.

D. IMPACT OF FOREIGN EXCHANGE, INTEREST RATES AND COMMODITY PRICES

1. FOREIGN EXCHANGE RISK

The Company is exposed to foreign exchange risk arising from purchases and transactions that are denominated in a currency other than the Company's functional currency which is Khmer Riel.

The currency that gives rise to the foreign exchange risk to the Company is primarily United States of Dollar (US\$) from borrowings and transactions with related parties and payment of operating expenses. The Company does not hedge its foreign currency exposure. To manage its foreign currency exposure, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary.

2. INTEREST RATE RISK

The Company does not account for any fixed-rate financial assets at fair value through profit or loss, and the Company does not have derivatives at the reporting date. Therefore, a change in interest rates at the end of reporting period would not affect profit or loss.

E. IMPACT OF INFLATION

- Inflation is very important for RRC because fuel is one of the main cost of services.
- Cambodia's economy recovered strongly during the period from 2016-21 with real GDP growth of 7.0%, 7.0%, 7.5% and 7.0% p.a.
- In the last 5 years record the CPI stood at an average year-on year of 2.5% p.a.
- The economy is to a large extent dollarized; the exchange rate moves within a small bandwidth for the last ten years.

- Registered unemployment at 1.02% in 2019.
- Inflation Rate in Cambodia decreased to 2.60 percent in December 2022 from 3.20 percent in November of 2022.

F. ECONOMIC, FISCAL AND MONETARY POLICY OF ROYAL GOVERNMENT

During Covid-19 the Government of Cambodia has:

- Subsidised tourism sector through tax incentive, improvement of infrastructure and reducing cost of operation and cut down 6 holidays in a year to increase productivities.
- Reserve US\$3 billion ahead for possible impacts COVID-19 and European Union's everything but Arm's (EBA) trade scheme.
- Reserve US\$600 million to US\$800 million to lend to banks and MFIs to stimulus economy.
- Cambodia reduces all expenses for 3 years (strategic plan for 2021-2023).
- The government adjusted quarantine measures and prepared special arrangements for potential investors, technical experts and consultants who come to the Kingdom.
- The RGC has planned to launch the Post-COVID-19 Economic Recovery Plan 2021-2023 based on 3 approaches, survival, reform, and resilience. The plan focuses on high value-added manufacturing, agriculture, domestic production (SME), E-commerce, and tourism.

RGC's strategies has helped RRC to attract more customers and as well as increase its line of freight and passenger services.

PART 9 - OTHER NECESSARY INFORMATION FOR INVESTOR PROTECTION

In 2022, the Company requested the Cambodia Securities Exchange (CSX) and Securities and Exchange Regulator of Cambodia (SERC) to list its corporate bonds on the CSX. The request was approved in principle by CSX on 24 October 2022 for principal amount of KHR 41 billion and 26 December 2022 for principal amount of KHR98.4 billion. On 19 September 2022, the Company obtained the final approval from SERC to list its corporate bonds amount of KHR 41 billion and on 19 December 2022 for amount of KHR98.4 billion on the CSX.

On 10 October 2022, the Company issued its first corporate bond as a public placement bond to the qualified investors with the principal amount of KHR 41 billion, a tenor of 10 years with a coupon rate of 7% p.a.

On 23 December 2022 the Company issued its second corporate bond 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 KHR 49.2 billion, a tenor of 5 years with a coupon rate of Term SOFR plus 3.5% or 5% p.a, whichever is higher and Bond 2 with the principal amount of KHR 49.2 billion, 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.

GuarantCo has a strong credit due to the following reasons:

- GuarantCo has a track record of periodic equity injections provided by its owners.
- GuarantCo is part of PIDG, with over USD 2.4 billion of total funding.
- GuarantCo has no debt on its balance sheet.
- The Board allows for leverage up to 3 times equity and callable capital.
- Moody's and Fitch are both comfortable with the GuarantCo Board's leverage definition and threshold.

Rating	Credit rating agent	Date
AA-	FitchRatings	May 2022
A1	Moody's	June 2022
AAA	Parcra	June 2022
AAA	Bloomfield Investment	September 2021

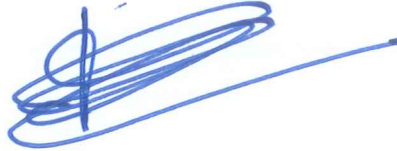
Guaranteed by GuarantCo. Pursuant to and subject to the terms of the Deed of Guarantee (as defined below and a form of which is attached as Annex B hereto), the Guarantor unconditionally and irrevocably:

- guarantees to the Bondholders' Representative, acting on behalf of the Bondholders, the full and complete payment by the Issuer of the Guaranteed Amount;
- undertakes to indemnify Bondholders' Representative, acting on behalf of the Bondholders, on demand, against any loss in respect of the Guaranteed Amount suffered by the Bondholders' Representative, acting on behalf of the Bondholders, if any obligation guaranteed by the Guarantor is or becomes unenforceable, invalid or illegal for any reason (whether or not the Guarantor or the Bondholders' Representative, acting on behalf of the Bondholders, was aware of it); the amount of such loss being the amount which the Bondholders' Representative, acting on behalf of the Bondholders, would otherwise have been entitled to recover under paragraph 2 (a) of the Deed of Guarantee; and provided, for the avoidance of doubt, that any such the amount payable by the Guarantor shall not exceed the Maximum Guarantee Amount to the extent applicable; and (as each term is defined in the Deed of Guarantee) subject to the terms of the Deed of Guarantee, including that a Notice of Payment Demand (as defined in the Deed of Guarantee) in respect of such amounts is made to the Guarantor pursuant to the Deed of Guarantee.

As at 31 December 2022, the carrying value of the two bonds payable are US\$ 33,888,669 (equivalent to KHR90,200,000,000) (31 December 2021: Nil). During the year, the Company had accrued interest payment on the issued bonds amounting to US\$198,643 (equivalent to KHR816,820,587) (31 December 2021: Nil).

Signature of Directors of the Listed Entity

29 March 2023
Seen and Agreed



Neak Oknha Kith Meng
Chairman

29 March 2023
Seen and Agreed

29 March 2023
Seen and Agreed



Mr. Raymond Thornton Yager
Director



Mr. William Mark Hanna
Director

29 March 2023
Seen and Agreed

29 March 2023
Seen and Agreed



Mr. Paul Clements
Director



Mr. Lun Yeng
Independent Director