



# THE THIRD QUARTERLY REPORT

**30 SEPTEMBER 2023**

**ROYAL RAILWAY PLC.**

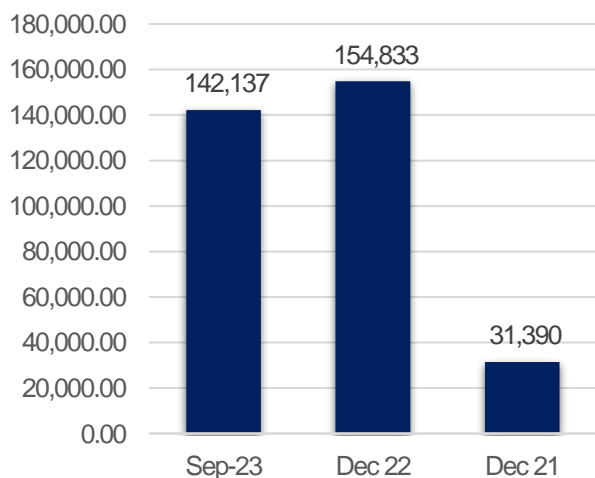
## FINANCIAL HIGHLIGHT

Financial Position (in Million Riels)		Q3 2023	2022	2021
Total Assets		142,137	154,833	31,390
Total Liabilities		162,910	164,177	23,858
Total Shareholders' Equity		(20,772)	(9,344)	7,532
Profit/(Loss) (in Million Riels)		Q3 2023	Q3 2022	Q3 2021
Total Revenues		11,621	11,574	9,412
Loss Before Tax		(4,960)	(3,348)	(1,629)
Loss After Tax		(4,960)	(3,348)	(1,629)
Total Comprehensive Loss		(4,946)	(3,362)	(1,630)
Financial Ratios		Q3 2023	2022	2021
Solvency Ratio		-72%	-118%	16%
Liquidity Coverages Ratio	Quick Ratio	0.78	4.50	0.22
	Current Ratio	0.77	4.46	0.19
Profitability Ratios		Q3 2023	Q3 2022	Q3 2021
Return on assets <sup>1</sup>		-3%	-9%	-5%
Return on equity <sup>1</sup>		24%	157%	7%
Interest Coverage Ratio		-4.57	-19.38	-9.72
Gross profit margin		-22.90%	-22.05%	-4.60%
Profit margin		-42.68%	-28.93%	-17.31%

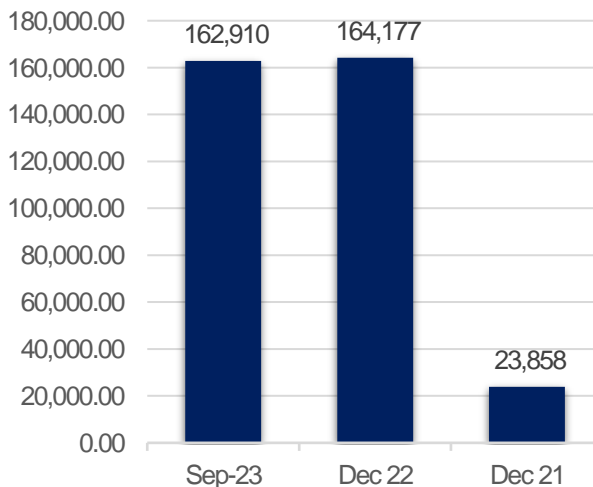
<sup>1</sup> The ratios were calculated by using net loss for the three-month period from 1 July 2023 to 30 September 2023

## FINANCIAL SUMMARY CHARTS

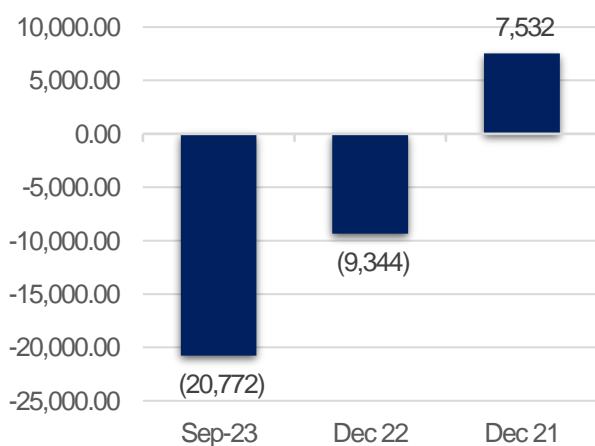
### Total Assets (in Million Riels)



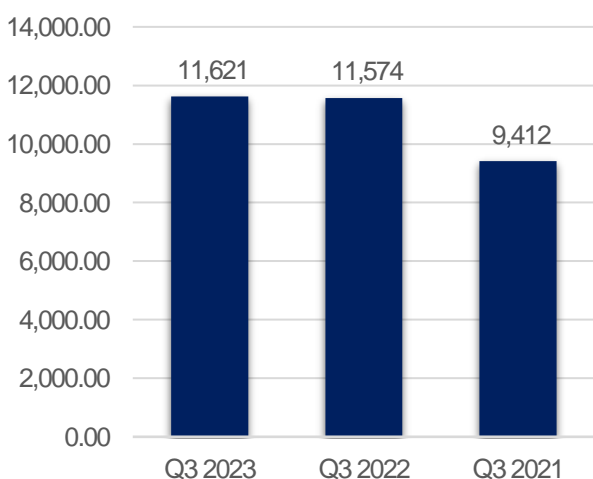
### Total Liability (in Million Riels)



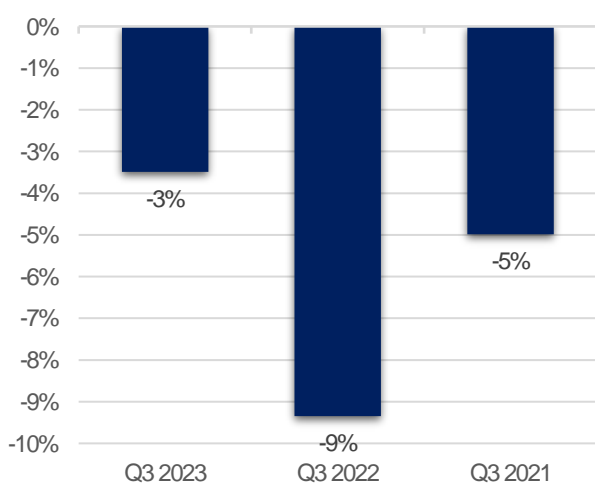
### Total Shareholders' Equity (in Million Riels)



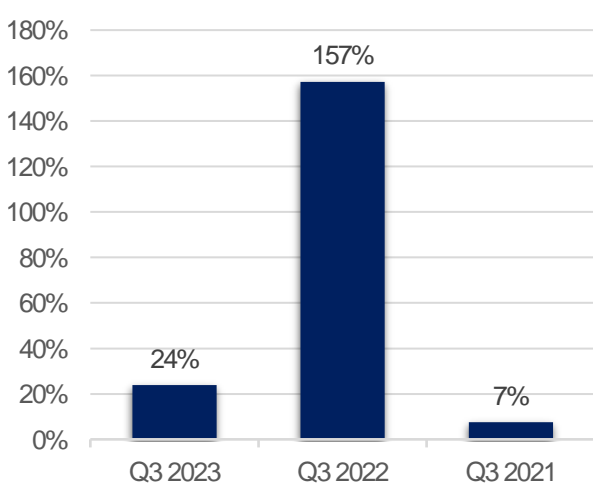
### Total Revenue (in Million Riels)



### Return on assets



### Return on equity



## 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. (RR) in the Q3 of 2023, following the requirements of the Securities and Exchange Regulator of Cambodia (SERC).

In the third quarter of the year, Cambodia's economic growth in 2023 will be slightly lower than earlier forecast, down to 5.3% from 5.5%, mainly due to slower-than-expected industry growth in the first half of 2023, according to an update to the Asian Development Bank's (ADB) flagship economic report launched on 20 September 2023. The ADB report maintained the country's 2024 growth forecast at 6.0%. The Asian Development Outlook (ADO) September 2023 notes that exports of garments, footwear, and travel items declined by 18.6% year-on-year in the first half of 2023. This was partly offset by a 22.9% increase in exports of manufactures other than garments, such as automotive parts, solar panels, and furniture. The report raises the service growth projection in 2023 from 7.3% to 8.0%. The forecast for industry output growth is revised from 5.8% to 4.8%, and the forecast for agriculture growth from 1.1% to 0.9%. The report maintains the inflation forecast for this year at 3.0% and next year at 4.0%. Improved merchandise trade and tourism recovery should continue to reduce the current account deficit. Risks to the outlook include sluggish growth in advanced economies, lower tourist arrivals and foreign direct investment inflows, prolonged tightening of global financial conditions, rising energy prices, concerns over high private debt and domestic financial stability, and extreme weather exacerbated by climate change.

Amid the challenging business environment, RR has played its essential part in contributing to sustainable economic development through continuing engaging the new clients for the freight service with very reasonable price to fit with the changed of the economic environment.

On financial performance side, as of quarter 3 of 2023, total asset was KHR142,137 million, increase 296.74% compared to the same quarter of 2022. Total revenue was KHR11,621 million, increased 0.41% compared to the same quarter of 2022.

These results are fueled by the company's successful implementation of its sound business strategy by consistency and discipline on keep repeating until reaching the goal of the company.

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

On behalf of the Board of Directors, I wish to thank RR'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.

14 November 2023



Neak Oknha Kith Meng  
Chairman

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# PART 1 - GENERAL INFORMATION OF THE LISTED ENTITY

## A. IDENTITY OF THE LISTED ENTITY

Entity name in Khmer	រ៉ូយ៉ាល់ រេលវេ ម.ក.	
In Lantin	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	<a href="mailto:admin@trrcambodia.com">admin@trrcambodia.com</a>	
Company registration number	00018504	Date: 06 October 2015
Disclosure document registration number issued by SECC	202/22SERC/SSR	Date: 19 September 2022
	273/22SERC/SSR	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. 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.

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

	For the three-month period ended			
	30 September 2023		30 September 2022	
	US\$	KHR'000	US\$	KHR'000
Southern line:				
Rail freight	1,385,174	5,724,924	1,444,570	5,924,182
Train related value-added services	182,310	753,487	162,093	664,743
Passengers' fare	104,408	431,518	134,692	552,372
Transportation	15,616	64,541	9,697	39,767
Other revenue	-	-	7,664	31,430
	<u>1,687,508</u>	<u>6,974,470</u>	<u>1,758,716</u>	<u>7,212,494</u>
Northern line:				
Rail freight	705,897	2,917,472	625,466	2,565,036
Passengers' fare	42,606	176,091	77,086	316,130
Train related value-added services	1,055	4,360	250	1,025
Transportation	160	662	-	-
Other revenue	1,175	4,856	20,970	85,998
	<u>750,893</u>	<u>3,103,441</u>	<u>723,772</u>	<u>2,968,189</u>
	<u>2,438,401</u>	<u>10,077,911</u>	<u>2,482,488</u>	<u>10,180,683</u>

## C. QUARTER'S KEY EVENTS

The Company have successfully operated first operation of the rail link successful after a commercial goods was transported safely from Thailand to Phnom Penh as well as the documentation proceeded with customs officers of both countries.



## PART 2 - Information on Business Operation Performance

### A. BUSINESS OPERATION PERFORMANCE INCLUDING BUSINESS SEGMENTS INFORMATION

Key Achievement	September 2023	September 2022	September 2021
<b>Freight service in tons</b>			
Ballast	1,352	2,700	4,860
Cement	9,024	8,628	4,440
Coal	-	-	-
Container	118,801	91,918	31,603
Diesel	87,200	49,983	80,798
Fertilizer	3,180	-	-
Gasoline	21,556	26,500	18,234
Lime	300	-	-
Vehicle	-	-	-
<b>Total gross revenue (In Million Riels)</b>	<b>9,470</b>	<b>9,312</b>	<b>8,722</b>
<b>Passenger service</b>			
Number of passengers	28,291	27,401	- <sup>(*)</sup>
<b>Total gross revenue (In Million Riels)</b>	<b>608</b>	<b>869</b>	<b>10</b>

(\*) During 2021, the Covid-19 was affected significant on passenger train service. Fortunately, the Company have offered the special train service to the customers which they can rent the whole train for their arranged members which consider to be safe from Covid-19, due to this arrangement the Company was not count the number of passengers in the condition of special train.

### B. REVENUE STRUCTURE

Source of Revenue	Quarter 3 2023		Quarter 3 2022		Quarter 3 2021	
	Amount (in Million Riel)	%	Amount (in Million Riel)	%	Amount (in Million Riel)	%
<i>Southern line:</i>						
Rail freight	5,725	49.26%	5,924	51.19%	5,228	55.55%
Train related value-added services	753	6.48%	665	5.74%	540	5.73%
Passengers' fare	432	3.71%	552	4.77%	10	0.10%
Transportation	65	0.56%	40	0.34%	37	0.39%
Other revenue	-	0.00%	31	0.27%	87	0.93%
	<u>6,974</u>	<u>60.01%</u>	<u>7,212</u>	<u>62.32%</u>	<u>5,901</u>	<u>62.70%</u>
<i>Northern line:</i>						
Rail freight	2,917	25.10%	2,565	22.16%	2,831	30.07%
Passengers' fare	176	1.52%	316	2.73%	-	0.00%
Train related value-added services	4	0.04%	1	0.01%	-	0.00%
Transportation	1	0.01%	-	0.00%	-	0.00%
Other revenue	5	0.04%	86	0.74%	-	0.00%
	<u>3,103</u>	<u>26.70%</u>	<u>2,968</u>	<u>25.65%</u>	<u>2,831</u>	<u>30.07%</u>
	<u>10,078</u>	<u>86.72%</u>	<u>10,181</u>	<u>87.96%</u>	<u>8,732</u>	<u>92.77%</u>
Other operating income						
Warehouse rental income	1,098	9.45%	652	5.63%	677	7.19%
Finance income	430	3.70%	0	0.00%	0	0.00%
Others income	15	0.13%	741	6.40%	3	0.03%
	<u>1,543</u>	<u>13.28%</u>	<u>1,393</u>	<u>12.04%</u>	<u>680</u>	<u>7.23%</u>
<b>Total revenue</b>	<u>11,621</u>	<u>100.00%</u>	<u>11,574</u>	<u>100.00%</u>	<u>9,412</u>	<u>100.00%</u>

## PART 3 - FINANCIAL STATEMENTS REVIEWED BY THE EXTERNAL AUDITOR

Please refer to the annex for interim financial statement reviewed by the independent auditor.

## PART 4 - MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following discussion and analysis of RR's management team on the operational results and financial situation based on Financial Statement as of 30 September 2023, 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 RR's profitability.

### A. OVERVIEW OF OPERATIONS

#### 1. REVENUE ANALYSIS

RR generates revenue from the three major sources as follows:

- Rail freight income: freight service provided to customers on both the Northern Line and Southern Line.
- Train related value-added services income: Fee income from lift on lift off containers, customs scanned containers, service on customs clearance document for customers and storage fee.
- 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	Quarter 3 2023		Quarter 3 2022	
	Amount (in Million Riel)	%	Amount (in Million Riel)	%
<i>Southern line:</i>				
Rail freight	5,725	49.26%	5,924	51.19%
Train related value-added services	753	6.48%	665	5.74%
Passengers' fare	432	3.71%	552	4.77%
Transportation	65	0.56%	40	0.34%
Other revenue	-	0.00%	31	0.27%
	<u>6,974</u>	<u>60.01%</u>	<u>7,212</u>	<u>62.32%</u>
<i>Northern line:</i>				
Rail freight	2,917	25.10%	2,565	22.16%
Passengers' fare	176	1.52%	316	2.73%
Train related value-added services	4	0.04%	1	0.01%
Transportation	1	0.01%	-	0.00%
Other revenue	5	0.04%	86	0.74%
	<u>3,103</u>	<u>26.70%</u>	<u>2,968</u>	<u>25.65%</u>
Total revenue	<u>10,078</u>	<u>86.72%</u>	<u>10,181</u>	<u>87.96%</u>

Rail freight income is the main source of income for RR. In the third quarter of 2023, rail freight income represents 74.36% of the total revenue. Compared with prior year in the same period, there is no much fluctuation movement of RR's revenue by segment.

#### 3. GROSS LOSS MARGIN ANALYSIS

Gross Loss margin is not present in the format of the statement of comprehensive income prepared by RR. However, it presents net loss 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	Quarter 3 2023 Amount (in Million Riel)	Quarter 3 2022 Amount (in Million Riel)	Variance Amount (in Million Riel)	Variance %
Revenue	10,078	10,181	(103)	-1.01%
Cost of services	(12,739)	(12,732)	(7)	0.06%
<b>Gross loss</b>	<b>(2,662)</b>	<b>(2,552)</b>	<b>(110)</b>	<b>4.31%</b>
Other operating income	1,113	1,393	(280)	-20.07%
Operating and administrative expense	(2,564)	(1,901)	(663)	34.90%
Allowance for impairment losses on trade receivables	(273)	(16)	(257)	1629.61%
Minimum tax expense	(113)	(109)	(5)	4.41%
<b>Operating loss</b>	<b>(4,499)</b>	<b>(3,184)</b>	<b>(1,315)</b>	<b>41.30%</b>
Financial income	430	0	430	477711.11%
Finance costs	(891)	(164)	(727)	442.51%
<b>Loss before income tax</b>	<b>(4,960)</b>	<b>(3,348)</b>	<b>(1,612)</b>	<b>48.14%</b>

In the third quarter of 2023, loss before income tax increase by KHR1,612 million equivalents to 48.14% compared to the same period in 2022. This increase in loss is due to increasing on operating and administrative expense as well as the finance cost that the Company paid to investors related to debt securities.

#### 5. PROFIT / (LOSS) AFTER INCOME TAX ANALYSIS

Statement of Profit or Loss After Income Tax	Quarter 3 2023 Amount (in Million Riel)	Quarter 3 2022 Amount (in Million Riel)	Variance Amount (in Million Riel)	Variance %
Loss before income tax	(4,960)	(3,348)	(1,612)	48.14%
Income tax expense	-	-	-	0%
Net loss for the period	(4,960)	(3,348)	(1,612)	48.14%

Tax on income is calculated on taxable loss on tax rate 20%. As RR generated loss before income tax from the past year which have the amount portion for the tax loss carry forwarded for the loss during this Q3 2023, the tax on income expense will calculate again during the year ended, hence RR paid only the minimum tax on revenue.

#### 6. TOTAL COMPREHENSIVE INCOME / (LOSS) ANALYSIS

Statement of Comprehensive Loss	Quarter 2 2023 Amount (in Million Riel)	Quarter 2 2022 Amount (in Million Riel)	Variance Amount (in Million Riel)	Variance %
Net loss for the period	(4,960)	(3,348)	(1,612)	48.14%
Currency translation differences	13	(15)	28	-189.85%
Total comprehensive loss for the period	(4,946)	(3,362)	(1,584)	47.10%

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 RR for the third quarter of 2023 due to the increasing on operating and administrative expense.

### **B. SIGNIFICANT FACTORS AFFECTING PROFIT**

#### **1. DEMAND AND SUPPLY CONDITIONS ANALYSIS**

RR 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.

RR is continuously updating and expanding its line of products and services to meet the satisfaction of its customers. RR is investing heavily in locomotive and railway 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**

RR 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**

RR is obliged to pay taxes and excises to the state under the existing laws of Cambodia. RR 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**

At the date of this report, management is not aware of any exceptional and extraordinary items, transaction or event of a material and unusual nature accruing that may significantly impact the financial statement of the Company.

### **C. MATERIAL CHANGES IN SALES AND REVENUE**

In quarter 3 of 2023, RR earned total revenue around KHR11,621 million, a slight increase of 0.41% compared to the same period prior year. Net loss around KHR4,960million increase 48.14% compare to the same quarter at prior year.

### **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 (KHR).

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 RR because fuel is one of the main cost of services.
- Cambodia's economy is expected to grow around 6% in 2024.
- The economy is to a large extent dollarized; the exchange rate moves within a small bandwidth for the last ten years.
- In 2023 Cambodia's unemployment rate is projected to trend around 2%
- GDP of Cambodia for 2023 will increase to 5.3% and 6.0% in 2024 (ADB April 2023)
- Cambodia's inflation rates forecasted at 3% in 2023 and 4% in 2024 (ADO 2023)

## **F. ECONOMIC, FISCAL AND MONETARY POLICY OF ROYAL GOVERNMENT**

- 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.
- Cambodia prioritised strengthening budget efficiency
- Reforms of tax administration, increasing additional revenue through the strengthening of tax policies
- Strengthening basic diversification of income collection to ensure sustainability in public finance and boost economic recovery

## PART 5 - OTHER NECESSARY INFORMATION FOR INVESTOR PROTECTION

GuarantCo has a strong credit due to the following reasons:

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

GuarantCo has been assigned credit ratings of:

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.

**Signature of Directors of the Listed Entity**

14 November 2023

Seen and Agreed



Neak Oknha Kith Meng  
Chairman