

ROYAL RAILWAY PLC.

**Condensed Interim Financial Statements
for the three-month and six-month
periods ended 30 June 2024
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 (Re-appointed from Chief Financial Officer on 23 July 2024) Chief Financial Officer (Appointed on 5 June 2024)
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	KPMG Cambodia Ltd	

Royal Railway Plc.

Contents

	Pages
1. Report of the Board of Directors	1 – 4
2. The Independent Auditors' Report on Review of condensed interim Financial Statements	5 – 6
3. Condensed interim statement of financial position	7 – 8
4. Condensed interim statement of profit or loss and other comprehensive income	9 – 10
5. Condensed interim statement of changes in equity	11
6. Condensed interim statement of cash flows	12 – 13
7. Notes to the condensed interim financial statements	14 – 46



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 and six-month periods ended 30 June 2024.

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 and six-month periods ended 30 June 2024 were disclosed in the condensed interim statement of profit or loss and other comprehensive income. Refer to pages 9 and 10.

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 periods ended.

Reserves and provisions

There were no material movements to or from reserves and provisions during the periods 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 periods which secures the liabilities of any other person; and
- Except as disclosed in Note 27 to the condensed interim financial statements, no other contingent liability in respect of the Company that has arisen since the end of the financial periods 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 periods 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 periods were 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 periods 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 periods in which this report is made.

Royal Railway Plc.

Event during and since the reporting period

The Company is subject to financial covenant testing every 6 months and as at 30 June 2024, the Company was unable to comply with 4 covenants required for the Guaranteed Bond including Debt Service Coverage Ratio, Operating ratio, Debt to EBITDA Ratio and Total Debt to Total Assets Ratio under the bond guarantee agreement. Refer to Note 14.

The Company communicated the status to the Guarantor on 5 July 2024 and is updating its financial forecast model as per requirement from the Guarantor. The Company is also in the process of submitting its waiver request as of the date of these condensed interim financial statements.

Items of unusual nature

The results of the operations of the Company for the financial periods were 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 periods 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 periods.

Directors' benefit

During and at the end of the financial periods, 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 periods, 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 30 June 2024, and for the three-month and six-month periods then ended, as set out on pages 7 to 46, are prepared, 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

14 August 2024



KPMG Cambodia Ltd
GIA Tower, Sopheap Mongkul Street, Phum 14
Sangkat Tonle Bassac, Khan Chamkar Mon
Phnom Penh, Cambodia
+855 (17) 666 537 / +855 (81) 533 999 | kpmg.com.kh

THE INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of Royal Railway Plc.

Introduction

We have reviewed the accompanying 30 June 2024 condensed interim financial statements of Royal Railway Plc. ("the Company"), as set out on pages 7 to 46 (hereafter referred to as "the condensed interim financial statements") which comprise:

- the condensed interim statement of financial position as at 30 June 2024;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2024;
- the condensed interim statement of changes in equity for the six-month period ended 30 June 2024;
- the condensed interim statement of cash flows for the six-month period ended 30 June 2024; and
- other explanatory notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of this condensed interim financial statements in accordance with the 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.

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.



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 27.1 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 KPMG Cambodia Ltd



Guek Teav
Partner

Phnom Penh, Kingdom of Cambodia

14 August 2024

Royal Railway Plc.

Condensed interim statement of financial position as at 30 June 2024

	Note	30 June 2024		31 December 2023	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Current assets					
Cash and bank balances	5	12,184,259	50,077,304	17,485,828	71,429,608
Trade and other receivables	6	3,113,778	12,797,628	2,913,750	11,902,669
Inventories	7	110,300	453,333	154,602	631,549
		<u>15,408,337</u>	<u>63,328,265</u>	<u>20,554,180</u>	<u>83,963,826</u>
Non-current assets					
Bank balances	5	4,054,546	16,664,184	3,958,850	16,171,902
Property and equipment	8	12,095,640	49,713,080	8,872,818	36,245,462
Intangible assets	9	245,362	1,008,438	243,763	995,772
Investment property	10	77,518	318,599	43,111	176,108
Right-of-use assets	11	694,601	2,854,810	-	-
		<u>17,167,667</u>	<u>70,559,111</u>	<u>13,118,542</u>	<u>53,589,244</u>
TOTAL ASSETS		<u>32,576,004</u>	<u>133,887,376</u>	<u>33,672,722</u>	<u>137,553,070</u>
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	12	3,283,634	13,495,735	2,702,507	11,039,741
Borrowings	13	4,553,656	18,715,526	3,432,784	14,022,923
Debt securities	14	24,661,205	101,357,553	24,094,813	98,427,311
Employee benefit liabilities	15	103,878	426,939	94,759	387,091
Minimum tax liability	23(b)	8,518	35,009	9,163	37,431
Lease liabilities	16	30,443	125,121	-	-
		<u>32,641,334</u>	<u>134,155,883</u>	<u>30,334,026</u>	<u>123,914,497</u>
Non-current liabilities					
Debt securities	14	9,809,327	40,316,334	9,809,327	40,071,101
Borrowings	13	975,232	4,008,204	1,087,317	4,441,690
Provision on onerous contract		15,295	62,862	52,308	213,678
Employee benefit liabilities	15	48,097	197,678	52,130	212,951
Lease liabilities	16	687,578	2,825,946	-	-
		<u>11,535,529</u>	<u>47,411,024</u>	<u>11,001,082</u>	<u>44,939,420</u>
TOTAL LIABILITIES		<u>44,176,863</u>	<u>181,566,907</u>	<u>41,335,108</u>	<u>168,853,917</u>

Royal Railway Plc.

Condensed interim statement of financial position (continued) as at 30 June 2024

	Note	30 June 2024		31 December 2023	
		US\$	KHR'000	US\$	KHR'000
			(Note 4)		(Note 4)
Equity					
Share capital	17	13,020,930	52,083,720	13,020,930	52,083,720
Accumulated losses		(24,621,789)	(100,430,844)	(20,683,316)	(84,381,567)
Currency translation reserves		-	667,593	-	997,000
		<u>(11,600,859)</u>	<u>(47,679,531)</u>	<u>(7,662,386)</u>	<u>(31,300,847)</u>
TOTAL LIABILITIES AND EQUITY		<u>32,576,004</u>	<u>133,887,376</u>	<u>33,672,722</u>	<u>137,553,070</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 six-month period ended 30 June 2024

	Note	For the six-month period ended 30 June 2024		For the six-month period ended 30 June 2023	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Revenue	18	5,632,269	22,951,496	5,361,399	21,949,568
Cost of services	19	<u>(6,763,799)</u>	<u>(27,562,481)</u>	<u>(6,142,949)</u>	<u>(25,149,233)</u>
Gross loss		(1,131,530)	(4,610,985)	(781,550)	(3,199,665)
Other operating income	20	443,195	1,806,020	800,542	3,277,419
Operating and administrative (expenses)/income	21	(1,283,012)	(5,228,274)	618,518	2,532,213
Reversal of/ (provision for) onerous contract expense		37,013	150,828	(52,308)	(214,149)
Reversal of impairment losses	5,6	1,565	6,377	18,559	75,981
Minimum tax expense	23(c)	<u>(61,015)</u>	<u>(248,636)</u>	<u>(62,268)</u>	<u>(254,925)</u>
Operating (loss)/profit		(1,993,784)	(8,124,670)	541,493	2,216,874
Finance costs – net	24	<u>(1,944,689)</u>	<u>(7,924,607)</u>	<u>(2,139,817)</u>	<u>(8,760,411)</u>
Loss before income tax		(3,938,473)	(16,049,277)	(1,598,324)	(6,543,537)
Income tax expense	23(c)	-	-	-	-
Net loss for the period		(3,938,473)	(16,049,277)	(1,598,324)	(6,543,537)
<i>Other comprehensive income</i>					
Items that will not be reclassified to profit or loss					
Currency translation differences		-	(329,407)	-	(87,047)
Total comprehensive loss for the period		<u>(3,938,473)</u>	<u>(16,378,684)</u>	<u>(1,598,324)</u>	<u>(6,630,584)</u>

Royal Railway Plc.

Condensed interim statement of profit or loss and other comprehensive income (continued) for the three-month period ended 30 June 2024

	Note	For the three-month period ended 30 June 2024		For the three-month period ended 30 June 2023	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Revenue	18	2,627,941	10,721,999	2,666,892	10,944,925
Cost of services	19	<u>(3,293,022)</u>	<u>(13,435,530)</u>	<u>(3,051,240)</u>	<u>(12,522,289)</u>
Gross loss		(665,081)	(2,713,531)	(384,348)	(1,577,364)
Other operating income	20	275,414	1,123,689	449,647	1,845,351
Operating and administrative expenses	21	(630,990)	(2,574,439)	(652,281)	(2,676,961)
Reversal of/ (provision for) onerous contract expenses		37,013	151,013	(52,308)	(214,672)
Allowance of impairment losses	5,6	(31,545)	(128,704)	(1,655)	(6,792)
Minimum tax expense	23(c)	<u>(29,298)</u>	<u>(119,536)</u>	<u>(31,226)</u>	<u>(128,152)</u>
Operating loss		(1,044,487)	(4,261,508)	(672,171)	(2,758,590)
Finance costs – net	24	<u>(887,590)</u>	<u>(3,621,367)</u>	<u>(1,271,968)</u>	<u>(5,220,157)</u>
Loss before income tax		(1,932,077)	(7,882,875)	(1,944,139)	(7,978,747)
Income tax expense	23(c)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss for the period		(1,932,077)	(7,882,875)	(1,944,139)	(7,978,747)
<i>Other comprehensive income</i>					
Items that will not be reclassified to profit or loss					
Currency translation differences		<u>-</u>	<u>(57,961)</u>	<u>-</u>	<u>(50,547)</u>
Total comprehensive loss for the period		<u>(1,932,077)</u>	<u>(7,940,836)</u>	<u>(1,944,139)</u>	<u>(8,029,294)</u>

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 six-month period ended 30 June 2024

	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 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	-	-	(3,938,473)	(16,049,277)	-	-	(3,938,473)	(16,049,277)
Currency translation differences	-	-	-	-	-	(329,407)	-	(329,407)
	-	-	(3,938,473)	(16,049,277)	-	(329,407)	(3,938,473)	(16,378,684)
Balance at 30 June 2024	13,020,930	52,083,720	(24,621,789)	(100,430,844)	-	667,593	(11,600,859)	(47,679,531)
Balance at 1 January 2023	13,020,930	52,083,720	(15,290,638)	(62,217,661)	-	789,553	(2,269,708)	(9,344,388)
Total comprehensive loss								
Net loss for the period	-	-	(1,598,324)	(6,543,537)	-	-	(1,598,324)	(6,543,537)
Currency translation differences	-	-	-	-	-	(87,047)	-	(87,047)
	-	-	(1,598,324)	(6,543,537)	-	(87,047)	(1,598,324)	(6,630,584)
Balance at 30 June 2023	13,020,930	52,083,720	(16,888,962)	(68,761,198)	-	702,506	(3,868,032)	(15,974,972)

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

Royal Railway Plc.

Condensed interim statement of cash flows for the six-month period ended 30 June 2024

	For the six-month period ended 30 June 2024		For the six-month period ended 30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash flows from operating activities				
Net loss for the period	(3,938,473)	(16,049,277)	(1,598,324)	(6,543,537)
<i>Adjustments for:</i>				
Depreciation and amortisation	976,500	3,979,237	601,219	2,461,390
Finance costs	2,135,658	8,702,806	2,346,506	9,606,596
Employee benefit	107,641	438,637	101,002	413,502
Property and equipment written off	-	-	17,286	70,769
Minimum tax expense	61,015	248,636	62,268	254,925
Finance income	(190,969)	(778,199)	(206,689)	(846,185)
(Reversal of)Provision for onerous contract expense	(37,013)	(150,828)	52,308	214,149
Reversal of impairment loss	(1,565)	(6,377)	(18,559)	(75,981)
	<u>(887,206)</u>	<u>(3,615,365)</u>	<u>1,357,017</u>	<u>5,555,628</u>
<i>Changes in:</i>				
Trade and other receivables	(239,430)	(975,677)	2,592	10,612
Inventories	44,302	180,531	(85,829)	(351,384)
Trade and other payables	581,127	2,368,093	<u>(1,872,647)</u>	<u>(7,666,617)</u>
Cash used in operation	(501,207)	(2,042,418)	(598,867)	(2,451,761)
Interest paid	(1,483,035)	(6,043,368)	(1,380,759)	(5,652,827)
Payment of employee benefits	(102,555)	(417,912)	(100,290)	(410,587)
Minimum tax paid	(61,660)	(251,265)	(118,511)	(485,184)
Net cash used in operating activities	<u>(2,148,457)</u>	<u>(8,754,963)</u>	<u>(2,198,427)</u>	<u>(9,000,359)</u>
Cash flows from investing activities				
Interest received	95,273	388,237	115,976	474,806
Acquisition of property and equipment	(4,195,521)	(17,096,748)	(1,326,766)	(5,431,780)
Acquisition of intangible asset	(3,249)	(13,240)	(1,200)	(4,913)
Net cash used in investing activities	<u>(4,103,497)</u>	<u>(16,721,751)</u>	<u>(1,211,990)</u>	<u>(4,961,887)</u>
Cash flows from financing activities				
Proceed of borrowings	1,057,000	4,307,275	-	-
Repayment of borrowings	(102,127)	(416,168)	(55,652)	(227,839)
Payment of lease liabilities	(45,455)	(185,229)	-	-
Net cash generated from/ (used in) financing activities	<u>909,418</u>	<u>3,705,878</u>	<u>(55,652)</u>	<u>(227,839)</u>

Royal Railway Plc.

Condensed interim statement of cash flows (continued) for the six-month period ended 30 June 2024

	For the six-month period ended 30 June 2024		For the six-month period ended 30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Net decrease in cash and cash equivalents	(5,342,536)	(21,770,836)	(3,466,069)	(14,190,085)
Cash and cash equivalents at beginning of the period	17,649,823	72,099,527	24,191,824	99,597,739
Currency translation differences	<u>-</u>	<u>254,258</u>	<u>-</u>	<u>189,714</u>
Cash and cash equivalents at end of the period (Note 5)	<u>12,307,287</u>	<u>50,582,949</u>	<u>20,725,755</u>	<u>85,597,368</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 and six-month periods ended 30 June 2024

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

1. Background information

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 (“GKC”), 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 30 June 2024, the Company had 861 employees (30 June 2023: 828 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 2023.

These condensed interim financial statements were authorised for issue by the Company’s Board of Directors on 14 August 2024.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

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 2023.

(c) Going concern assumption

During the six-month period ended 30 June 2024, the Company generated a net loss of US\$3,938,473 (six-month period ended 30 June 2023: US\$1,598,324) and generated net negative cash flows from operating activities for the six-month period ended 30 June 2024 amounting to US\$2,148,457 (for the six-month period ended 30 June 2023: US\$2,198,427) and as at 30 June 2024, the Company had net current liabilities of US\$17,232,997 (31 December 2023: net current liabilities of US\$9,779,846) and accumulated losses amounting to US\$24,621,789 (31 December 2023: US\$20,683,316).

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. At the date of these condensed interim financial statements, the ultimate shareholder has confirmed that they 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.

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.

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.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

4. Translation of United States Dollars into Khmer Riel

The condensed interim financial statements have been presented in the United States Dollars (“US\$”). The translations of the condensed interim financial statements are expressed in United States Dollars which is the Company’s functional currency. The translations of United States Dollars amount into Khmer Riel 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 periods, which have been deemed to approximate the exchange rates at the date of transaction as exchange rates have not fluctuated significantly during the periods. 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	Average rate six-month
30 June 2024	US\$1=	KHR4,110	KHR4,080	KHR4,075
30 June 2023	US\$1=	KHR4,130	KHR4,104	KHR4,094
31 December 2023	US\$1=	KHR4,085	N/A	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.

5. Cash and bank balances

	30 June 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Current</i>				
Cash on hand	2,858	11,746	2,229	9,106
Cash at banks (*)	12,304,429	50,571,203	17,647,594	72,090,421
Total cash and bank balances	12,307,287	50,582,949	17,649,823	72,099,527
Less: Allowance for impairment losses	(123,028)	(505,645)	(163,995)	(669,919)
	12,184,259	50,077,304	17,485,828	71,429,608

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

5. Cash and bank balances (continued)

	30 June 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Non-current</i>				
Cash at banks:				
Debt Service Reserve Account ("DSRA") (**)	3,678,406	15,118,249	3,591,585	14,671,624
Guarantee Fee Reserve Account ("GFRA") (**)	376,140	1,545,935	367,265	1,500,278
Total bank balances	<u>4,054,546</u>	<u>16,664,184</u>	<u>3,958,850</u>	<u>16,171,902</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 30 June 2024, the remaining amount in the account is US\$10,813,140 (31 December 2023: US\$14,454,811).

(**) 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 Association of Cambodia Local Economic Development Agencies ("Aceda Bank") which earns annual interest rate of 5.00% (31 December 2023: 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:

	30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash on hand	2,858	11,746	3,058	12,629
Cash at banks (current portion)	12,304,429	50,571,203	20,722,697	85,584,739
Cash and cash equivalents	<u>12,307,287</u>	<u>50,582,949</u>	<u>20,725,755</u>	<u>85,597,368</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

5. Cash and bank balances (continued)

The movement of allowance for impairment losses for bank balances during the periods were as follows:

	For the six-month period ended				For the three-month period ended			
	30 June 2024		30 June 2023		30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	(163,995)	(669,919)	(210,527)	(866,739)	(150,142)	(606,724)	(197,058)	(798,873)
Recognised in profit or loss	40,967	166,941	32,958	134,930	27,114	110,625	19,489	79,983
Currency translation differences	-	(2,667)	-	(1,551)	-	(9,546)	-	(14,470)
Balance at end of the period	<u>(123,028)</u>	<u>(505,645)</u>	<u>(177,569)</u>	<u>(733,360)</u>	<u>(123,028)</u>	<u>(505,645)</u>	<u>(177,569)</u>	<u>(733,360)</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

6. Trade and other receivables

	30 June 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade receivables	571,118	2,347,295	575,983	2,352,891
Less: Allowance for impairment losses	<u>(205,462)</u>	<u>(844,449)</u>	<u>(166,060)</u>	<u>(678,355)</u>
	365,656	1,502,846	409,923	1,674,536
Advance to suppliers	2,403,157	9,876,975	2,057,634	8,405,435
Amount due from related parties (Note 25)	<u>48,563</u>	<u>199,594</u>	<u>48,933</u>	<u>199,891</u>
Financial assets measured at amortised cost	2,817,376	11,579,415	2,516,490	10,279,862
Deposits	73,110	300,482	79,810	326,024
Prepayments	50,198	206,314	17,982	73,456
Others	<u>173,094</u>	<u>711,417</u>	<u>299,468</u>	<u>1,223,327</u>
	<u><u>3,113,778</u></u>	<u><u>12,797,628</u></u>	<u><u>2,913,750</u></u>	<u><u>11,902,669</u></u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

6. Trade and other receivables (continued)

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

	For the six-month period ended				For the three-month period ended			
	30 June 2024		30 June 2023		30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	(166,060)	(678,355)	(101,172)	(416,525)	(146,803)	(593,231)	(94,427)	(382,807)
Recognised in profit or loss	(39,402)	(160,563)	(14,399)	(58,950)	(58,659)	(239,329)	(21,144)	(86,775)
Currency translation differences	-	(5,531)	-	(1,833)	-	(11,889)	-	(7,726)
Balance at end of the period	<u>(205,462)</u>	<u>(844,449)</u>	<u>(115,571)</u>	<u>(477,308)</u>	<u>(205,462)</u>	<u>(844,449)</u>	<u>(115,571)</u>	<u>(477,308)</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

7. Inventories

	30 June 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Locomotive parts	53,793	221,089	60,306	246,350
Tools	14,625	60,109	27,390	111,888
Fuel oil	11,033	45,346	13,902	56,790
Diesel	26,074	107,164	42,352	173,008
Wagon parts	4,775	19,625	10,652	43,513
	<u>110,300</u>	<u>453,333</u>	<u>154,602</u>	<u>631,549</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

8. Property and equipment

For the six-month period ended 30 June 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\$	Total 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	92,830	272,393	1,354,354	55,630	2,225	83,583	-	-	1,450	-	2,333,056	4,195,521	17,096,748
Transfers	42,882	40,578	-	87,268	-	-	-	-	-	-	(170,728)	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-	(39,237)	(39,237)	(159,891)
Transfers to Intangible asset	-	-	-	-	-	-	-	-	-	-	(6,500)	(6,500)	(26,488)
Written off	-	-	-	-	-	(531)	-	-	(990)	-	-	(1,521)	(6,198)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	504,754
At 30 June	952,047	8,802,103	4,434,636	1,003,455	50,618	874,885	9,134	8,794	103,008	41,739	2,250,404	18,530,823	76,161,683
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	45,106	432,174	322,270	79,805	1,771	35,040	91	-	6,531	4,174	-	926,962	3,777,370
Written off	-	-	-	-	-	(531)	-	-	(990)	-	-	(1,521)	(6,198)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	170,135
At 30 June	564,676	3,243,052	1,274,972	477,037	35,330	714,200	8,893	8,794	90,853	17,376	-	6,435,183	26,448,603
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 30 June	387,371	5,559,051	3,159,664	526,418	15,288	160,685	241	-	12,155	24,363	2,250,404	12,095,640	49,713,080

As at 30 June 2024, fully depreciated property and equipment with an original cost of US\$2,207,360 (30 June 2023: US\$1,280,078) were still in use.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

8. Property and equipment (continued)

For the six-month period ended 30 June 2023

	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	656,825	7,806,896	1,211,498	580,845	32,163	736,078	9,134	8,794	97,661	15,057	160,672	11,315,623	46,586,419
Addition	10,882	293,739	-	11,842	9,270	43,159	-	-	4,129	-	953,745	1,326,766	5,431,780
Transfers	80,635	92,992	24,477	79,115	-	1,850	-	-	-	-	(279,069)	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-	(36,996)	(36,996)	(151,462)
Transfers from inventory	-	-	119,287	-	-	-	-	-	-	-	9,928	129,215	529,006
Written off	(61,699)	(7,068)	(3,800)	(6,689)	-	(5,772)	-	-	-	-	(348)	(85,376)	(349,529)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	195,114
At 30 June	686,643	8,186,559	1,351,462	665,113	41,433	775,315	9,134	8,794	101,790	15,057	807,932	12,649,232	52,241,328
Less: Accumulated depreciation													
At 1 January	493,849	2,058,562	717,830	281,832	32,163	625,441	8,135	8,794	72,868	8,218	-	4,307,692	17,734,767
Depreciation for the period	37,050	359,733	88,842	58,620	154	39,304	384	-	6,515	1,506	-	592,108	2,424,090
Written off	(47,870)	(6,855)	(3,800)	(3,836)	-	(5,729)	-	-	-	-	-	(68,090)	(278,760)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	74,865
At 30 June	483,029	2,411,440	802,872	336,616	32,317	659,016	8,519	8,794	79,383	9,724	-	4,831,710	19,954,962
Carrying amounts													
At 1 January	162,976	5,748,334	493,668	299,013	-	110,637	999	-	24,793	6,839	160,672	7,007,931	28,851,652
At 30 June	203,614	5,775,119	548,590	328,497	9,116	116,299	615	-	22,407	5,333	807,932	7,817,522	32,286,366

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

9. Intangible assets

	For the six-month period ended 30 June 2024				
	Computer software US\$	Sign-on fee US\$	Construction in progress US\$	Total US\$	Total KHR'000 (Note 4)
Cost					
At 1 January	20,290	450,000	-	470,290	1,921,135
Additions	-	-	3,249	3,249	13,240
Transfers from PPE	-	-	6,500	6,500	26,488
Currency translation differences	-	-	-	-	12,097
At 30 June	20,290	450,000	9,749	480,039	1,972,960
Less: Accumulated amortisation					
At 1 January	18,935	207,592	-	226,527	925,363
Amortisation for the period	414	7,736	-	8,150	33,211
Currency translation differences	-	-	-	-	5,948
At 30 June	19,349	215,328	-	234,677	964,522
Carrying amounts					
At 1 January	1,355	242,408	-	243,763	995,772
At 30 June	941	234,672	9,749	245,362	1,008,438

Fully amortised computer software as at 30 June 2024 with original cost of US\$18,591 (30 June 2023: US\$14,943) were still in use.

	For the six-month period ended 30 June 2023			
	Computer software US\$	Sign-on fee US\$	Total US\$	Total KHR'000 (Note 4)
Cost				
At 1 January	19,090	450,000	469,090	1,931,244
Addition	1,200	-	1,200	4,913
Currency translation differences	-	-	-	6,141
At 30 June	20,290	450,000	470,290	1,942,298
Less: Accumulated amortisation				
At 1 January	17,349	192,120	209,469	862,384
Amortisation for the period	758	7,736	8,494	34,774
Currency translation differences	-	-	-	3,029
At 30 June	18,107	199,856	217,963	900,187
Carrying amounts				
At 1 January	1,741	257,880	259,621	1,068,860
At 30 June	2,183	250,144	252,327	1,042,111

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

10. Investment property

	Investment property US\$	For the six-month period ended 30 June 2024			For the six-month period ended 30 June 2023	
		Construction in progress US\$	US\$	Total KHR'000 (Note 4)	Investment property US\$	KHR'000 (Note 4)
Cost						
At 1 January	48,303	-	48,303	197,318	-	-
Transfers from property and equipment	-	39,237	39,237	159,891	36,996	151,462
Currency translation differences	-	-	-	2,580	-	1,331
At 30 June	<u>48,303</u>	<u>39,237</u>	<u>87,540</u>	<u>359,789</u>	<u>36,996</u>	<u>152,793</u>
Less: Accumulated amortisation						
At 1 January	5,192	-	5,192	21,210	-	-
Depreciation for the period	4,830	-	4,830	19,682	617	2,526
Currency translation differences	-	-	-	298	-	22
At 30 June	<u>10,022</u>	<u>-</u>	<u>10,022</u>	<u>41,190</u>	<u>617</u>	<u>2,548</u>
Carrying amounts						
At 1 January	<u>43,111</u>	<u>-</u>	<u>43,111</u>	<u>176,108</u>	<u>-</u>	<u>-</u>
At 30 June	<u><u>38,281</u></u>	<u><u>39,237</u></u>	<u><u>77,518</u></u>	<u><u>318,599</u></u>	<u><u>36,379</u></u>	<u><u>150,245</u></u>

Investment property pertains to a warehouse located on a 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 30 June 2024.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

11. Right-of-use assets

	For the six-month period ended 30 June 2024	
	US\$	KHR'000 (Note 4)
Cost		
At 1 January	-	-
Addition	731,159	2,979,473
Currency translation differences	-	25,589
At 30 June	<u>731,159</u>	<u>3,005,062</u>
Less: Accumulated amortisation		
At 1 January	-	-
Depreciation for the period	36,558	148,974
Currency translation differences	-	1,278
At 30 June	<u>36,558</u>	<u>150,252</u>
Carrying amounts		
At 1 January	<u>-</u>	<u>-</u>
At 30 June	<u>694,601</u>	<u>2,854,810</u>

Right-of-use assets pertains to a land located at Khan Dongkao, Phnom Penh that is leased from Sihanoukville Autonomous Port (PAS). See Note 16 for more details.

12. Trade and other payables

	30 June 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade payables:				
Trade payables	1,717,150	7,057,487	1,368,619	5,590,809
Amounts due to related parties (Note 25)	272,754	1,121,019	258,677	1,056,696
Tax payables:				
Value added tax	71,997	295,908	63,239	258,331
Salary and fringe benefit tax	18,175	74,699	22,221	90,773
Withholding tax	34,394	141,359	31,967	130,585
Payroll payables	540,402	2,221,052	275,521	1,125,503
Accruals	310,221	1,275,008	301,950	1,233,466
Security deposit	170,005	698,721	-	-
Other payables	148,536	610,482	380,313	1,553,578
	<u>3,283,634</u>	<u>13,495,735</u>	<u>2,702,507</u>	<u>11,039,741</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

13. Borrowings

	For the six-month period ended			
	30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	4,520,101	18,464,613	2,637,627	10,859,111
Additional borrowing	1,057,000	4,307,275	-	-
Accrued interest payable	53,914	219,700	6,853	28,056
Repayments during the period	(102,127)	(416,168)	(55,652)	(227,839)
Currency translation differences	-	148,310	-	32,531
Balance at end of the period	<u>5,528,888</u>	<u>22,723,730</u>	<u>2,588,828</u>	<u>10,691,859</u>

	For the three-month period ended			
	30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	4,474,738	18,082,416	2,612,898	10,592,688
Additional borrowing	1,057,000	4,312,560	-	-
Accrued interest payable	48,643	198,463	3,851	15,805
Repayments during the period	(51,493)	(210,091)	(27,921)	(114,588)
Currency translation differences	-	340,382	-	197,954
Balance at end of the period	<u>5,528,888</u>	<u>22,723,730</u>	<u>2,588,828</u>	<u>10,691,859</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

13. Borrowings (continued)

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

		30 June 2024		31 December 2023	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current portion					
Neak Oknha Kith Meng	(i)	2,264,700	9,307,917	1,207,700	4,933,455
SKTM Investment Co., Ltd	(i)	2,000,000	8,220,000	2,000,000	8,170,000
Cambodian Public Bank Plc.	(ii)	130,236	535,270	124,270	507,643
Wing Bank (Cambodia) Plc	(iii)	88,711	364,602	84,719	346,077
		<u>4,483,647</u>	<u>18,427,789</u>	<u>3,416,689</u>	<u>13,957,175</u>
Accrued interest payable		<u>70,009</u>	<u>287,737</u>	<u>16,095</u>	<u>65,748</u>
		<u>4,553,656</u>	<u>18,715,526</u>	<u>3,432,784</u>	<u>14,022,923</u>
Non-current portion					
Cambodian Public Bank Plc.	(ii)	625,305	2,570,004	691,991	2,826,783
Wing Bank (Cambodia) Plc	(iii)	349,927	1,438,200	395,326	1,614,907
		<u>975,232</u>	<u>4,008,204</u>	<u>1,087,317</u>	<u>4,441,690</u>
		<u>5,528,888</u>	<u>22,723,730</u>	<u>4,520,101</u>	<u>18,464,613</u>

- (i) Borrowing from a shareholder, Neak Oknha Kith Meng is unsecured, interest free and repayable on demand (Note 25).

On 8 December 2023, the company entered into 12 months fixed loan with SKTM Investment Co.,LTD represented by Neak Oknha Kith Meng. The loan 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.

- (ii) On 6 April 2022, the Company entered into a fixed loan 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 installments of US\$16,153 each from 13 April 2022 to 13 April 2029.

- (iii) On 1 September 2022, the Company entered into a fixed loan with Wing Bank (Cambodia) Plc. The loan 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 loan with the Bank with revised interest rate of 9% per annum and is repayable in 60 monthly installments of US\$10,383 starting from 1 October 2023 to 1 September 2028 (Note 25).

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

14. 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.

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:

	30 June 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current				
Guaranteed bond	24,143,974	99,231,733	23,929,961	97,753,891
Plain bond	517,231	2,125,820	164,852	673,420
	<u>24,661,205</u>	<u>101,357,553</u>	<u>24,094,813</u>	<u>98,427,311</u>
Non-current				
Plain bond	9,809,327	40,316,334	9,809,327	40,071,101
Guaranteed bond	-	-	-	-
	<u>9,809,327</u>	<u>40,316,334</u>	<u>9,809,327</u>	<u>40,071,101</u>
	<u>34,470,532</u>	<u>141,673,887</u>	<u>33,904,140</u>	<u>138,498,412</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

14. Debt securities (continued)

During the six-month period ended, the Company incurred interest expense on the issued bonds amounting to US\$1,962,362 equivalent to KHR7.99 billion (six-month period ended 30 June 2023: US\$2,283,908 equivalent to KHR9.35 billion) (Note 24).

The Company is subject to financial covenant testing every 6 months and as at 30 June 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	
			30 June 2024	
Debt Service Coverage Ratio	= Cash Flow Available for Debt Service / Total debt service	≥ 1.2x	0.70	Not met
Operating ratio	Net operating income / Total operating revenue	≥ 81.78%, ≤ 100%	18.06%	Not met
Debt to EBITDA	= Total debt / EBITDA	≥ 4.13x, ≤ 4.5x	35.35	Not met
Total debt to total assets	= Total debt / total assets	≥ 86.06%, ≤ 100%	123%	Not met

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

The Company communicated the status to the Guarantor on 5 July 2024 and updating its financial forecast model as per requirement from the Guarantor as well as the waiver letter.

Accordingly, the carrying amount US\$24,143,974 of the guaranteed bond was reclassified to current liabilities (31 December 2023: US\$23,929,961).

15. Employee benefit liabilities

	30 June 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Seniority indemnity				
Current	103,878	426,939	94,759	387,091
Non-current	48,097	197,678	52,130	212,951
	<u>151,975</u>	<u>624,617</u>	<u>146,889</u>	<u>600,042</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

15. Employee benefit liabilities (continued)

The movements of employee benefit obligations during the periods were as follows:

	For the six-month period ended				For the three-month period ended			
	30 June 2024		30 June 2023		30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	146,889	600,042	148,084	609,662	99,735	403,029	103,798	420,797
Recognised in profit or loss	107,641	438,637	101,002	413,502	52,240	213,139	50,746	208,262
Paid during the period	(102,555)	(417,912)	(100,290)	(410,587)	-	-	(5,748)	(23,590)
Currency translation differences	-	3,850	-	1,951	-	8,449	-	9,059
Balance at end of the period	<u>151,975</u>	<u>624,617</u>	<u>148,796</u>	<u>614,528</u>	<u>151,975</u>	<u>624,617</u>	<u>148,796</u>	<u>614,528</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 and six-month periods ended 30 June 2024

16. Lease liabilities

The Company entered into a 10 year land lease term with Sihanoukville Autonomous Port.

	30 June 2024	
	US\$	KHR'000 (Note 4)
Maturity analysis – contractual undiscounted cash flows		
Less than one year	92,045	378,305
One to five years	534,040	2,194,904
More than five years	494,632	2,032,938
Total undiscounted lease liability	<u>1,120,717</u>	<u>4,606,147</u>
Present value of lease liabilities		
Current	30,443	125,121
Non-current	687,578	2,825,946
Total present value of lease liability	<u>718,021</u>	<u>2,951,067</u>

17. Share capital

	30 June 2024		31 December 2023	
	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>

The details of the share holding structure were as follows:

	30 June 2024/31 December 2023			
	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>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

18. Revenue

	For the six-month period ended				For the three-month period ended			
	30 June 2024		30 June 2023		30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Southern line:								
Rail freight	3,096,752	12,619,264	3,003,025	12,294,385	1,551,191	6,328,859	1,551,914	6,369,057
Train related value-added services	406,848	1,657,906	274,676	1,124,524	185,650	757,452	176,014	722,361
Passengers' fare	234,982	957,552	262,891	1,076,276	89,193	363,907	104,461	428,708
Transportation	52,696	214,736	15,523	63,551	37,974	154,934	5,848	24,000
Other revenue	17,500	71,313	-	-	-	-	-	-
	<u>3,808,778</u>	<u>15,520,771</u>	<u>3,556,115</u>	<u>14,558,736</u>	<u>1,864,008</u>	<u>7,605,152</u>	<u>1,838,237</u>	<u>7,544,126</u>
Northern line:								
Rail freight	1,658,995	6,760,405	1,664,446	6,814,242	716,686	2,924,079	759,137	3,115,498
Passengers' fare	81,638	332,675	116,158	475,551	40,549	165,440	59,133	242,682
Train related value-added services	9,326	38,003	15,590	63,825	5,698	23,248	3,560	14,610
Transportation	-	-	5,590	22,885	-	-	5,590	22,941
Other revenue	73,532	299,642	3,500	14,329	1,000	4,080	1,235	5,068
	<u>1,823,491</u>	<u>7,430,725</u>	<u>1,805,284</u>	<u>7,390,832</u>	<u>763,933</u>	<u>3,116,847</u>	<u>828,655</u>	<u>3,400,799</u>
	<u>5,632,269</u>	<u>22,951,496</u>	<u>5,361,399</u>	<u>21,949,568</u>	<u>2,627,941</u>	<u>10,721,999</u>	<u>2,666,892</u>	<u>10,944,925</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 and six-month periods ended 30 June 2024

19. Cost of services

	For the six-month period ended				For the three-month period ended			
	30 June 2024		30 June 2023		30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Staff costs and wages	1,866,336	7,605,319	1,808,739	7,404,977	882,302	3,599,792	906,721	3,721,183
Cost of diesel	2,762,059	11,255,390	2,452,741	10,041,522	1,352,831	5,519,550	1,180,797	4,845,991
Depreciation and amortisation (Note 22)	918,164	3,741,518	561,491	2,298,744	489,376	1,996,654	280,465	1,151,028
Repairs and maintenance	304,251	1,239,823	393,431	1,610,707	130,687	533,203	202,069	829,291
Transportation	246,800	1,005,710	248,657	1,018,002	104,911	428,037	119,139	488,946
Equipment rental	152,872	622,953	156,103	639,086	77,076	314,470	79,027	324,327
Container access charge	152,241	620,382	132,555	542,680	75,475	307,938	70,150	287,896
Provision for employee benefits	89,865	366,200	85,081	348,322	43,588	177,839	42,694	175,216
Warehouse rental	-	-	43,182	176,787	-	-	21,591	88,609
Others	271,211	1,105,186	260,969	1,068,406	136,776	558,047	148,587	609,802
	<u>6,763,799</u>	<u>27,562,481</u>	<u>6,142,949</u>	<u>25,149,233</u>	<u>3,293,022</u>	<u>13,435,530</u>	<u>3,051,240</u>	<u>12,522,289</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

20. Other operating income

	For the six-month period ended				For the three-month period ended			
	30 June 2024		30 June 2023		30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Warehouse rental	392,577	1,599,752	464,802	1,902,899	226,885	925,691	263,537	1,081,555
Sale of scrap metal	-	-	124,617	510,182	-	-	-	-
Technical assistance reimbursement	-	-	111,878	458,029	-	-	111,878	459,147
Trade payable written off	-	-	73,659	301,560	-	-	73,659	302,297
Others	50,618	206,268	25,586	104,749	48,529	197,998	573	2,352
	<u>443,195</u>	<u>1,806,020</u>	<u>800,542</u>	<u>3,277,419</u>	<u>275,414</u>	<u>1,123,689</u>	<u>449,647</u>	<u>1,845,351</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

21. Operating and administrative expenses

	For the six-month period ended				For the three-month period ended			
	30 June 2024		30 June 2023		30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries and wages	337,239	1,374,249	302,549	1,238,636	176,586	720,471	157,567	646,655
Directors' fee	180,000	733,500	-	-	90,000	367,200	-	-
Other tax expenses	150,822	614,600	163,009	667,359	75,856	309,492	99,999	410,396
Insurance	135,997	554,188	130,553	534,484	72,020	293,842	69,721	286,135
Fuel and utilities	63,465	258,620	59,996	245,624	32,343	131,959	29,228	119,952
Depreciation and amortisation (Note 22)	58,336	237,719	39,728	162,646	31,225	127,398	20,103	82,503
Equipment rental	53,720	218,909	48,090	196,880	26,630	108,650	23,370	95,910
Communication	36,417	148,399	36,546	149,619	18,170	74,134	17,825	73,154
Professional fees	31,109	126,769	33,468	137,018	18,230	74,378	17,278	70,909
Repairs and maintenance	27,514	112,120	26,660	109,146	13,295	54,244	11,905	48,858
Travelling and accommodation	26,401	107,584	21,608	88,463	12,916	52,697	8,778	36,025
Bonus	25,599	104,316	22,997	94,150	11,808	48,177	10,783	44,253
Small value of assets	23,259	94,780	16,037	65,655	8,589	35,043	5,799	23,799
Provision for employee benefits	17,776	72,437	15,921	65,181	8,652	35,300	8,052	33,045
Licensing, registration and permit fee	9,720	39,609	8,247	33,763	3,245	13,240	2,830	11,614
Staff uniform	6,832	27,840	7,139	29,227	1,941	7,919	2,733	11,216
Training and development	1,147	4,674	2,032	8,319	-	-	1,173	4,814
Interest and penalty on tax	-	-	(1,842,973)	(7,545,131)	-	-	-	-
Other expenses	97,659	397,961	289,875	1,186,748	29,484	120,295	165,137	677,723
	<u>1,283,012</u>	<u>5,228,274</u>	<u>(618,518)</u>	<u>(2,532,213)</u>	<u>630,990</u>	<u>2,574,439</u>	<u>652,281</u>	<u>2,676,961</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

22. Depreciation and amortisation

Depreciation and amortisation charges were allocated as follows:

	For the six-month period ended				For the three-month period ended			
	30 June 2024		30 June 2023		30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Depreciation of property and equipment and investment property (Note 8 and 10)	931,792	3,797,052	592,725	2,426,616	498,298	2,033,056	296,288	1,215,966
Amortisation of intangible assets and right-of-use asset (Note 9 and 11)	44,708	182,185	8,494	34,774	22,303	90,996	4,280	17,565
	<u>976,500</u>	<u>3,979,237</u>	<u>601,219</u>	<u>2,461,390</u>	<u>520,601</u>	<u>2,124,052</u>	<u>300,568</u>	<u>1,233,531</u>
Allocated to:								
Cost of services (Note 19)	918,164	3,741,518	561,491	2,298,744	489,376	1,996,654	280,465	1,151,028
Operating and administrative expenses (Note 21)	58,336	237,719	39,728	162,646	31,225	127,398	20,103	82,503
	<u>976,500</u>	<u>3,979,237</u>	<u>601,219</u>	<u>2,461,390</u>	<u>520,601</u>	<u>2,124,052</u>	<u>300,568</u>	<u>1,233,531</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

23. 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 yet.

(b) Minimum tax liability

	For the six-month period ended				For the three-month period ended			
	30 June 2024		30 June 2023		30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the period	9,163	37,431	66,007	271,751	11,482	46,399	11,212	45,453
Minimum tax expense	61,015	248,636	62,268	254,925	29,298	119,536	31,226	128,152
Minimum tax paid	(61,660)	(251,265)	(118,511)	(485,184)	(32,262)	(131,629)	(32,674)	(134,094)
Currency translation differences	-	207	-	(1,167)	-	703	-	814
Balance at the end of the period	<u>8,518</u>	<u>35,009</u>	<u>9,764</u>	<u>40,325</u>	<u>8,518</u>	<u>35,009</u>	<u>9,764</u>	<u>40,325</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

23. Income tax (continued)

(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 six-month period ended				For the three-month period ended			
	30 June 2024		30 June 2023		30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loss before income tax	<u>(3,938,473)</u>	<u>(16,049,277)</u>	<u>(1,598,324)</u>	<u>(6,543,537)</u>	<u>(1,932,077)</u>	<u>(7,882,875)</u>	<u>(1,944,139)</u>	<u>(7,978,747)</u>
Income tax using statutory income tax rate	(787,695)	(3,209,857)	(319,665)	(1,308,709)	(386,415)	(1,576,573)	(388,828)	(1,595,749)
Non-deductible expenses	30,164	122,918	32,602	133,473	15,170	61,894	7,724	31,701
Tax loss not recognised as deferred tax assets	345,973	1,409,840	(505,603)	(2,069,939)	192,853	786,840	(506,178)	(2,077,356)
Deductible temporary difference not recognised as deferred tax assets	<u>411,558</u>	<u>1,677,099</u>	<u>792,666</u>	<u>3,245,175</u>	<u>178,392</u>	<u>727,839</u>	<u>887,282</u>	<u>3,641,404</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Minimum tax at 1% of turnover	<u>61,015</u>	<u>248,636</u>	<u>62,268</u>	<u>254,925</u>	<u>29,298</u>	<u>119,536</u>	<u>31,226</u>	<u>128,152</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 and six-month periods ended 30 June 2024

23. 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.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

24. Finance costs – net

	For the six-month period ended				For the three-month period ended			
	30 June 2024		30 June 2023		30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income cash at bank	190,969	778,199	206,689	846,185	94,560	385,805	146,464	601,088
Interest expense on:								
Debt securities	(1,962,362)	(7,996,625)	(2,283,908)	(9,350,320)	(893,851)	(3,646,912)	(1,389,073)	(5,700,756)
Borrowing	(140,979)	(574,489)	(62,598)	(256,276)	(72,214)	(294,633)	(29,359)	(120,489)
Lease liabilities	(32,317)	(131,692)	-	-	(16,085)	(65,627)	-	-
	<u>(1,944,689)</u>	<u>(7,924,607)</u>	<u>(2,139,817)</u>	<u>(8,760,411)</u>	<u>(887,590)</u>	<u>(3,621,367)</u>	<u>(1,271,968)</u>	<u>(5,220,157)</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

25. 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 and six-month periods ended 30 June 2024

25. Related party transactions and balances (continued)

(b) Transactions with related parties

	For the six-month period ended				For the three-month period ended			
	30 June 2024		30 June 2023		30 June 2024		30 June 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Property rental</i>								
GSS Global Security Solutions Co., Ltd.	17,569	71,594	19,112	78,245	8,721	35,582	9,901	40,634
CamGSM Co., Ltd.	90,000	366,750	-	-	72,000	293,760	-	-
J Trust Royal Bank Plc.	214,008	872,083	150,678	616,876	107,004	436,576	106,985	439,066
<i>Insurance</i>								
Infinity General Insurance Plc.	72,645	296,028	134,222	549,505	65,602	267,656	70,101	287,695
<i>Telephone expense</i>								
CamGSM Co., Ltd.	10,558	43,024	8,306	34,005	5,538	22,595	4,068	16,695
<i>Security fee</i>								
GSS Global Security Solutions Co., Ltd.	16,830	68,582	13,860	56,743	11,440	46,675	9,240	37,921
<i>Cleaning service</i>								
GSS Global Security Solutions Co., Ltd.	2,123	8,651	-	-	440	1,795	-	-
<i>Internet service fee</i>								
EZECOM Co.,Ltd	29,256	119,218	29,355	120,179	14,628	59,682	14,644	60,099
<i>Interest expense</i>								
Wing Bank (Cambodia) Plc.	20,891	85,131	17,356	71,055	10,267	41,889	8,726	35,810
SKTM Investment Co., Ltd	69,425	282,907	-	-	34,904	142,408	-	-
<i>Borrowing</i>								
Neak Oknha Kith Meng	1,057,000	4,307,275	-	-	1,057,000	4,312,560	-	-

The total remuneration of key management for the six-month period ended 30 June 2024 including salaries and benefits was US\$316,604 (six-month period ended 30 June 2023: US\$358,860).

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

25. Related party transactions and balances (continued)

(c) Balances with related parties

	30 June 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Amount due from related parties (Note 6)				
<i>Trade related:</i>				
GSS Global Security Solutions Co., Ltd.	9,624	39,555	10,995	44,915
<i>Non-trade related:</i>				
Royal Coffee	38,939	160,039	37,938	154,976
	<u>48,563</u>	<u>199,594</u>	<u>48,933</u>	<u>199,891</u>
Amounts due to related parties (Note 12)				
<i>Trade related:</i>				
Infinity General Insurance Plc.	264,131	1,085,579	257,055	1,050,070
CamGSM Co., Ltd	3,747	15,400	1,622	6,626
EZECOM Co.,Ltd	4,876	20,040	-	-
	<u>272,754</u>	<u>1,121,019</u>	<u>258,677</u>	<u>1,056,696</u>
Borrowings (Note 13)				
Neak Oknha Kith Meng	2,264,700	9,307,917	1,207,700	4,933,455
SKTM Investment Co., Ltd	2,000,000	8,220,000	2,000,000	8,170,000
Wing Bank (Cambodia) Plc.	438,638	1,802,802	480,045	1,960,984
	<u>4,703,338</u>	<u>19,330,729</u>	<u>3,687,745</u>	<u>14,064,439</u>

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

26. Lease and Capital commitments

Lease commitment

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

	30 June 2024		31 December 2023	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one year	105,673	434,316	157,061	641,594
Between two to five years	31,398	129,046	8,994	36,740
	<u>137,071</u>	<u>563,362</u>	<u>166,055</u>	<u>678,334</u>
Capital commitment				
<i>In respect of property and equipment:</i>				
Contracted but not yet provided	4,331,939	17,804,269	2,414,698	9,864,041
	<u>4,331,939</u>	<u>17,804,269</u>	<u>2,414,698</u>	<u>9,864,041</u>

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

27. 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.

The Company's management is continuing its negotiation with the GKC represented by MPWT on the new amended Railway Concession Agreement which has not been finalised as at the date of these condensed interim financial statements yet.

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.

2. Sub-lease agreement with CAMGSM PLC.

On 29 February 2024, the Company sub-leased the available space approximating 2,705sqm 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 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 27.1 above.

28. 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.

Royal Railway Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2024

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

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.

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.

29. 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 84% and 87% 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 periods.

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