



KPMG Taseer Hadi & Co.
Chartered Accountants

Pak China Investment Company Limited

Condensed Interim Financial Statements
(Un-Audited)

For the Period ended
30 June 2019



KPMG Taseer Hadi & Co.

Other matter

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended 30 June 2019 and 30 June 2018, have not been reviewed and we do not express a conclusion on them.

The engagement partner on the audit resulting in this independent auditors' review report is Atif Zamurrad Malik.

A handwritten signature in black ink, appearing to read 'KPMG Taseer Hadi & Co.', written in a cursive style.

**KPMG Taseer Hadi & Co.
Chartered Accountants**

**Islamabad
27 September 2019**



KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Pak China Investment Company Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pak China Investment Company Limited ("the Company") as at 30 June 2019 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditors of the Entity*". A review of interim financial statements 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 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 interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	(Un-Audited) 30 June 2019	(Audited) 31 December 2018
ASSETS			
Cash and balances with treasury banks	6	29,531,544	62,586,073
Balances with other banks	7	1,849,204,086	1,553,209,315
Lendings to financial institutions	8	1,297,315,640	-
Investments	9	6,949,346,196	9,976,198,978
Advances	10	6,013,095,356	7,620,187,771
Fixed assets	11	306,487,770	187,345,540
Intangible assets	12	142,369	239,762
Deferred tax assets	15	-	36,897,187
Other assets	13	338,203,884	325,569,633
		16,783,326,845	19,762,234,259
LIABILITIES			
Bills payable		-	-
Borrowings	14	318,106,791	4,180,682,821
Deposits and other accounts		-	-
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	15	15,299,123	-
Other liabilities	16	336,527,641	220,251,158
		669,933,555	4,400,933,979
NET ASSETS		16,113,393,290	15,361,300,280
REPRESENTED BY			
Share capital		9,116,400,000	9,116,400,000
Reserves		1,337,294,347	1,232,830,002
Surplus on revaluation of assets	17	12,812,432	83,041,146
Unappropriated profit		5,346,886,511	4,929,029,132
Advance against issue of shares	18	300,000,000	-
		16,113,393,290	15,361,300,280

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

CHAIRMAN

MANAGING DIRECTOR

DIRECTOR

DIRECTOR

DIRECTOR

CFO

PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2019

	Note	For the quarter ended		For the half year ended	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
		Rupees		Rupees	
Mark-up/ return/ interest earned	20	402,576,323	329,536,501	796,450,866	625,299,189
Mark-up/ return/ interest expensed	21	(9,449,299)	(19,334,979)	(40,178,146)	(94,864,167)
Net mark-up/ interest income		393,127,024	310,201,522	756,272,720	530,435,022
NON MARK-UP/INTEREST INCOME					
Fee and commission income	22	7,963,916	15,447,946	21,611,401	19,822,282
Dividend income		-	743,593	-	743,593
Foreign exchange income		264,803,343	64,915,903	282,082,017	116,221,698
Income / (loss) from derivatives		-	-	-	-
Gain on securities	23	-	27,700,901	506,000	27,525,746
Other income	24	2,721,053	2,665,045	9,986,242	6,298,000
Total non-markup/ interest income		275,488,312	111,473,388	314,185,660	170,611,319
Share in profit of associated companies		6,853,197	13,154,586	15,648,620	13,154,586
Total income		675,468,533	434,829,496	1,086,107,000	714,200,927
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	25	126,151,240	77,759,553	230,881,070	154,724,968
Workers welfare fund		-	-	-	-
Other charges		-	120,000	-	120,000
Total non-markup/interest expenses		126,151,240	77,879,553	230,881,070	154,844,968
Profit before provisions		549,317,293	356,949,943	855,225,930	559,355,959
Provisions and write offs - net	27	74,998,699	17,246,846	102,458,781	10,796,279
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		474,318,594	339,703,097	752,767,149	548,559,680
Taxation	28	139,744,619	105,911,971	230,394,375	158,141,358
PROFIT AFTER TAXATION		334,573,975	233,791,126	522,372,774	390,418,322
Basic and diluted earnings per share	29	0.37	0.26	0.57	0.43

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

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PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2019

	For the quarter ended		For the half year ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	(Rupees)		(Rupees)	
Profit after taxation for the period	334,573,975	233,791,126	522,372,774	390,418,322
Items that will not be reclassified to profit and loss account in subsequent periods:				
Re-measurement loss on defined benefit plan - net of tax	119,253	-	119,253	-
Share of other Comprehensive profit /(loss) from associates	(92,696)	(3,106,516)	(200,357)	(3,106,516)
Related tax	13,904	469,116	30,054	469,116
	(78,792)	(2,637,400)	(170,303)	(2,637,400)
	334,614,436	231,153,726	522,321,724	387,780,922
Items that may be reclassified to profit and loss account in subsequent periods:				
Net change in fair value of available-for-sale securities - net of tax	(19,901,300)	(41,302,289)	(70,228,714)	1,031,361
Company's share of equity accounted investees' OCI:				
Available-For-Sale securities financial assets - Net change in fair value	-	(202,490)	-	(202,490)
	(19,901,300)	(41,504,779)	(70,228,714)	828,871
Total comprehensive income	314,713,136	189,648,947	452,093,010	388,609,793

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

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PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2019

	Share capital	Statutory reserve	Surplus on revaluation on investments	Advance against issue of shares	Unappropriated profit	Total
	(Rupees)					
Balance as at 01 January 2018	9,116,400,000	1,110,843,079	245,740	-	4,441,081,441	14,668,570,260
Profit after taxation (30 June 2018)	-	-	-	-	390,418,322	390,418,322
Other comprehensive income	-	-	828,871	-	(2,637,400)	(1,808,529)
Total comprehensive income	-	-	828,871	-	387,780,922	388,609,793
Transfer to statutory reserve	-	77,556,184	-	-	(77,556,184)	-
Opening Balance as at 01 July 2018	9,116,400,000	1,188,399,263	1,074,611	-	4,751,306,179	15,057,180,053
Profit after taxation (31 December 2018)	-	-	-	-	231,039,221	231,039,221
Other comprehensive income	-	-	81,966,535	-	(8,885,529)	73,081,006
Total comprehensive income	-	-	81,966,535	-	222,153,692	304,120,227
Transfer to statutory reserve	-	44,430,739	-	-	(44,430,739)	-
Opening Balance as at 01 January 2019	9,116,400,000	1,232,830,002	83,041,146	-	4,929,029,132	15,361,300,280
Profit after taxation	-	-	-	-	522,372,774	522,372,774
Other comprehensive income	-	-	(70,228,714)	-	(51,050)	(70,279,764)
Total comprehensive income	-	-	(70,228,714)	-	522,321,724	452,093,010
Transfer to statutory reserve	-	104,464,345	-	-	(104,464,345)	-
Transaction with owners recognized directly in equity						
Advance against issue of shares				300,000,000		300,000,000
Balance as at 30 June 2019	9,116,400,000	1,337,294,347	12,812,432	300,000,000	5,346,886,511	16,113,393,290

According to BPD Circular No. 15, dated 31 May 2004, issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund, till such time the reserve fund equals the amount of the paid-up capital of the Company, and after that a sum not less than 5% of the profit after tax shall be credited to the said reserve.

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

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PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2019

	Note	For the half year ended	
		30 June 2019	30 June 2018
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		752,767,149	548,559,680
Less: Dividend income		-	(743,593)
Share of profit from associate companies		(15,648,620)	(13,154,586)
		737,118,529	534,661,501
Adjustments for:			
Depreciation	25	17,773,018	3,592,724
Amortization	25	97,393	139,028
Provision for gratuity		8,819,114	6,189,678
Provision against non-performing loans and advances		(1,221,733)	7,956,382
Impairment loss on available-for-sale investments		103,680,514	2,839,897
Gain on sale of fixed assets		(4,422,768)	(992,090)
Exchange gain		(282,082,017)	(116,221,698)
		(157,356,479)	(96,496,079)
		579,762,050	438,165,422
(Increase)/ decrease in operating assets			
Lendings to financial institutions		(1,297,315,640)	-
Advances		1,608,314,148	193,061,496
Others assets (excluding advance taxation)		(46,927,537)	(152,241,406)
		264,070,971	40,820,090
Increase/ (decrease) in operating liabilities			
Borrowings from financial institutions		(3,862,576,030)	(8,299,279,159)
Liabilities against assets subject to finance lease		-	-
Others Liabilities (excluding advance taxation)		97,200,033	(21,499,249)
		(3,765,375,997)	(8,320,778,408)
Contribution to plan assets		(4,151,222)	(6,667,687)
Income tax paid		(131,902,915)	(138,696,001)
Net cash flow used in operating activities		(3,057,597,113)	(7,987,156,584)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		2,870,947,817	9,175,493,068
Net investment in held to maturity securities		-	-
Dividends received		-	2,747,285
Investment in operating fixed assets		(136,930,409)	(21,428,307)
Proceeds from sale of fixed assets		4,437,930	992,090
Net cash flow from investing activities		2,738,455,338	9,157,804,136
CASH FLOW FROM FINANCING ACTIVITIES			
Advance against issue of shares		300,000,000	-
Net cash flow from financing activities		300,000,000	-
Effects of exchange rate changes on cash and cash equivalents		282,082,017	116,221,698
Decrease in cash and cash equivalents		262,940,242	1,286,869,250
Cash and cash equivalents at beginning of the period		1,615,795,388	2,195,474,528
Cash and cash equivalents at end of the period	30	1,878,735,630	3,482,343,778

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2019

1 STATUS AND NATURE OF BUSINESS

Pak China Investment Company Limited (the Company) was incorporated in Pakistan as a public limited company on 27 July 2007. The registered office of the Company is situated at 13th Floor, Saudi Pak Tower, Blue Area, Islamabad. The Company is a 50:50 joint venture between the 'Government of China' and 'Government of Pakistan' through China Development Bank and Ministry of Finance, respectively. The main objective of the Company is to invest in the financial sector and infrastructure projects.

The Company commenced business after obtaining the Certificate of Commencement of Business from the Securities and Exchange Commission of Pakistan (SECP) on 02 November 2007, and the permission to commence business from the State Bank of Pakistan (SBP) on 10 January 2008.

2 BASIS OF PRESENTATION

These financial statements have been presented in accordance with the format prescribed by SBP's BPRD Circular letter No. 5 dated 22 March 2019.

2.1 STATEMENT OF COMPLIANCE

2.2 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

Wherever the requirements of the Banking Companies Ordinance 1962, and the Companies Act, 2017 or the directives issued by the State Bank of Pakistan and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

IFRS 8, 'Operating Segments' is effective for the Company's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BPRD Circular No. 2 dated 25 January 2018, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2018. The management of the Company believes that as SBP has defined the segment categorisation in the above mentioned circular, its requirements will prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

2.3 The condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2018.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2019

2.4 Standards, interpretations and amendments to published approved accounting standards that have become effective in the current period

IFRS 16, the accounting standard for leases, became effective for annual reporting periods commencing on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Company's condensed interim financial statements is disclosed in note 3 below.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Company for accounting periods beginning on or after January 1, 2019. These are considered either to not be relevant or not to have any significant impact on the Company's financial statements.

2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
IAS 1 - Presentation of Financial Statements (Amendments)	January 01, 2020
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020
	Effective date (periods ending on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	June 30, 2019

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from the SBP, the requirements of IFRS 9 have not been considered in preparation of these condensed interim financial statements.

IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL has impact on all assets of the Company which are exposed to credit risk.

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in these unconsolidated condensed interim financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements for the year ended 31 December 2018 except for changes as indicated below.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2019

In the current year, the Company, for the first time, has applied IFRS 16 Leases .

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. The impact of the adoption of IFRS 16 on the Company's condensed interim financial statements is described below.

The date of initial application of IFRS 16 for the Company is 01 January 2019. The Company has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information.

Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 01 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 01 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an assessment that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Company.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes right to use assets and corresponding lease liability with respect to all lease arrangements in which it the lessee, except for short term leases (defined as leases with lease term of 12 month or less) and leases of low value assets. For these leases the Company recognizes the lease payments as an operating expense on straight line basis over term of lease unless another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date, discounted at incremental borrowing rate.

Lease payments included in the measurement of lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives;
- Variable lease payments that depends on index or rate, initially measure using the index or rate at commencement
- The amount expected to be paid by lessee under residual value guarantee;
- The exercise price of purchase options , if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.
- The lease liability is presented as a separate line in the condensed interim statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payment made.
- the company remeasures the lease liability (and makes corresponding adjustments to the related right -of-use asset) whenever;
- the lease term has changed or there is a change in the assessment of exercise of purchase option , in which case the lease liability is remeasured using revised lease payments and revised discount rate.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2019

- The lease payments change due to changes in an index or rate or change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which cases revised rate is used).
- a lease contract is modified and lease modification is not accounted for as separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rates.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a part of Fixed assets in the condensed interim statement of financial position.

The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical

Impact on Lessee Accounting

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- recognizes right-of-use assets and lease liabilities in the condensed interim statement of financial position, initially measured at the present value of future lease payments;
- recognizes depreciation on right-of-use assets and interest on lease liabilities in the profit and loss account; and
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortized as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within operating expenses in the profit and loss account.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2019

Financial impact of initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current period.

Impact on profit for the period

	For the half year ended 30 June 2019 Rupees
Increase in depreciation expense	13,201,752
Increase in finance costs	4,688,842
Decrease in operating expenses	(14,387,100)
Decrease in profit for the period	<u>(3,503,494)</u>
Increase / (Decrease) in other comprehensive income for	<u>-</u>

Impact on earnings per share

Decrease in basic and diluted earnings per share (Re.)	(0.004)
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Impact on Assets, Liabilities and Equity as at 30 June 2019

	As if IAS 17 still applied	IFRS 16 adjustments	As presented
Right of use asset (property and equipment)	-	120,857,033	120,857,033
Other assets (prepayments)	15,983,730	(15,983,730)	-
Net impact on total assets		<u>104,873,303</u>	
Lease liabilities		108,376,797	108,376,797
Net impact on total liabilities		108,376,797	12,480,236
Retained earnings		-	-
Total impact on total liabilities and equity		108,376,797	

The application of IFRS 16 has an impact on the condensed interim statement of cash flows of the Company.

Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities (The Company has included these payments as part of payments to suppliers and employees)

Cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 7 (The Company has opted to include the interest paid as part of operating activities); and

Cash payments for the principal portion for leases liability, as part of financing activities.

The adoption of IFRS 16 did not have an impact on net cash flows.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements is the same as that applied in the preparation of the financial statements for the year ended 31 December 2018.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the financial statements for the year ended 31 December 2018.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

		(Un-Audited) 30 June 2019	(Audited) 31 December 2018
	Note	-----Rupees-----	
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		50,000	30,880
With State Bank of Pakistan in			
Local currency current account	6.1	29,140,412	61,128,823
With National Bank of Pakistan in			
Local currency current account		341,132	1,426,370
		<u>29,531,544</u>	<u>62,586,073</u>

- 6.1 This includes the minimum cash reserve required to be maintained with SBP, in accordance with the requirements of DMMD Circular No. 21 dated 05 October 2012.

		(Un-Audited) 30 June 2019	(Audited) 31 December 2018
		-----Rupees-----	
7 BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit account - Local Currency	7.1	18,302,431	56,444,160
In deposit account - Foreign Currency		-	1,496,765,155
In current account - Foreign Currency	7.2	<u>1,830,901,655</u>	<u>-</u>
		<u>1,849,204,086</u>	<u>1,553,209,315</u>

- 7.1 These carry interest rates ranging from 6.26 % to 10.28% (2018 : 2.4 % to 8 %) per annum.

- 7.2 This represents realized amount of foreign currency term deposit of USD 10,164,034, which was subsequently invested in FDR.

		(Un-Audited) 30 June 2019	(Audited) 31 December 2018
		-----Rupees-----	
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lending (Reverse Repo)	8.1	<u>1,297,315,640</u>	<u>-</u>

- 8.1 This is secured against underlying Government securities and carries mark-up at a rate of 12.20% per annum and will mature on 02 July 2019.

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

9	INVESTMENTS	Note	(Un-Audited) 30 June 2019				(Audited) 31 December 2018			
9.1	Investments by type		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
			-----Rupees-----				-----Rupees-----			
	Available-for-sale securities									
	Federal Government Securities									
	Shares		3,043,639,200	-	20,492,325	3,064,131,525	5,872,787,000	-	75,803,375	5,948,590,375
			29,463,745	-	-	29,463,745	54,786,014	-	828,298	55,614,312
	Non Government Debt Securities		3,026,388,697	(369,434,062)	(5,096,360)	2,651,858,275	3,053,557,042	(369,434,062)	21,068,678	2,705,191,658
			6,099,491,642	(369,434,062)	15,395,965	5,745,453,545	8,981,130,056	(369,434,062)	97,700,351	8,709,396,345
	Associates		1,203,892,651	-	-	1,203,892,651	1,266,802,633	-	-	1,266,802,633
	Total Investments		7,303,384,293	(369,434,062)	15,395,965	6,949,346,196	10,247,932,689	(369,434,062)	97,700,351	9,976,198,978
	Federal Government Securities									
	Market Treasury Bills		2,168,639,200	-	(485,800)	2,168,153,400	4,935,287,000	-	(166,000)	4,935,121,000
	Ijarah Sukuks		875,000,000	-	20,978,125	895,978,125	937,500,000	-	75,969,375	1,013,469,375
			3,043,639,200	-	20,492,325	3,064,131,525	5,872,787,000	-	75,803,375	5,948,590,375
	Shares:									
	Listed Companies		29,463,745	-	-	29,463,745	54,786,014	-	828,298	55,614,312
	Non Government Debt Securities									
	Listed		261,165,000	-	-	261,165,000	261,165,000	-	-	261,165,000
	Unlisted		2,765,223,697	(369,434,062)	(5,096,360)	2,390,693,275	2,792,392,042	(369,434,062)	21,068,678	2,444,026,658
			3,026,388,697	(369,434,062)	(5,096,360)	2,651,858,275	3,053,557,042	(369,434,062)	21,068,678	2,705,191,658
	Associates									
	Pakistan Stock Exchange Limited	9.3	891,586,822	-	-	891,586,822	969,610,517	-	-	969,610,517
	Central Depository Company of Pakistan Limited		312,305,829	-	-	312,305,829	297,192,116	-	-	297,192,116
	Total Investments		7,303,384,293	(369,434,062)	15,395,965	6,949,346,196	10,247,932,689	(369,434,062)	97,700,351	9,976,198,978

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

9.1.1 Investments given as collateral

Market Treasury Bills

	(Un-Audited) 30 June 2019	(Audited) 31 December 2018
	-----Rupees-----	
	-	2,814,011,200

9.2 Provision for diminution in value of investments

9.2.1 Opening balance

Charge / (Reversal) for the period
Closing balance

	369,434,062	369,434,062
	-	-
	369,434,062	369,434,062

(Un-Audited)
30 June 2019

(Audited)
31 December 2018

9.2.2 Particulars of provision against debt securities

Category of classification

Domestic

Other assets especially mentioned

Substandard

Doubtful

Loss

Total

-----Rupees-----

	(Un-Audited) 30 June 2019	Provision	NPI	Provision	(Audited) 31 December 2018
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	369,434,062	369,434,062	369,434,062	369,434,062	369,434,062
	369,434,062	369,434,062	369,434,062	369,434,062	369,434,062

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

9.3 Investment in Pakistan Stock Exchange Limited

Pakistan Stock Exchange Limited (PSX) is an associate of the Company due to common directorship. The Company acquired 40,073,830 ordinary shares of PSX on 06 March 2017 and one of the Company's directors was appointed on the board of PSX on 10 March 2017. Investment of the Company in PSX is being accounted for under the equity method of accounting in accordance with International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'.

The market value of PSX as at 30 June 2019 was Rs. 13 per share, which is below the purchase price of Rs. 28 per share. The management believes that the decline in market value as at the reporting date is significant. The management has conducted an impairment assessment of its equity investment as at 30 June 2019 and recorded further impairment of Rs. 78.35 million in these condensed interim financial statements. The recoverable amount for equity investment in PSX is based on value-in-use calculations which require the use of assumptions.

The following table sets out the key assumptions which were used for the determination of value-in-use of equity investment:

	30 June 2019	31 December 2018
Terminal value growth rate (%)	3%	3%
Discount rate (%)	14.99%	15.18%
Budgeted EBITDA growth rate (average of next five years)	>30%	>30%

The discount rate was pre-tax measure based on the rate of 13.5 % (2018: 12.83%), adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specified investment.

Five years of cash flows were included in the discounted cash flow model.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account future expectations.

Following the impairment loss recognised, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

10 ADVANCES

	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	Total
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	31 December 2018
	Rupees-----				
	Performing				
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	31 December 2018
Loans, cash credits, running finances, etc.	5,409,777,355	6,963,590,249	775,788,564	815,163,564	7,778,753,813
Islamic Financing and related assets	369,612,961	384,739,215	-	-	384,739,215
Advances - gross	5,779,390,316	7,348,329,464	775,788,564	815,163,564	8,163,493,028
	Non Performing				
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	31 December 2018
Provision against advances	-	-	427,959,044	397,439,324	397,439,324
- Specific	114,124,480	145,865,933	-	-	145,865,933
- General	114,124,480	145,865,933	427,959,044	397,439,324	543,305,257
Advances - net of provision	5,665,265,836	7,202,463,531	347,829,520	417,724,240	7,620,187,771

10.1 Particulars of advances (Gross)

In local currency

(Un-Audited)	(Audited)
30 June 2019	31 December 2018
-----Rupees-----	
6,555,178,880	8,163,493,028
6,555,178,880	8,163,493,028

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

10.2 Advances include Rs.775.8 million (2018: Rs.815.2 million) which have been placed under non-performing status as detailed below:-

Category of Classification	(Un-Audited) 30 June 2019		(Audited) 31 December 2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
-----Rupees-----				
Domestic				
Substandard	-	-	190,000,000	47,500,000
Doubtful	502,000,000	154,170,480	312,000,000	36,775,760
Loss	273,788,564	273,788,564	313,163,564	313,163,564
	<u>775,788,564</u>	<u>427,959,044</u>	<u>815,163,564</u>	<u>397,439,324</u>

10.3 Particulars of provision against advances	(Un-Audited) 30 June 2019 (Note 10.3.1)		(Audited) 31 December 2018	
	Specific	Total	Specific	Total
-----Rupees-----				
Opening balance	397,439,324	543,305,257	313,163,564	160,480,893
Charge for the year	69,894,720	69,894,720	84,275,760	84,275,760
Reversals	(39,375,000)	(71,116,453)	-	(14,614,960)
	<u>30,519,720</u>	<u>(1,221,733)</u>	<u>84,275,760</u>	<u>69,660,800</u>
Closing balance	<u>427,959,044</u>	<u>542,083,524</u>	<u>397,439,324</u>	<u>543,305,257</u>

10.3.1 General Provision is maintained at the rate of 2% of performing portfolio of advances.

10.3.2 Details and impact of Forced Sale Value (FSV) benefit

The net FSV benefit already availed during the period has reduced by Rs. 14.9 million (2018: availed Rs. 119.2 million), which has resulted in increased charge for the period by the same amount. Had the FSV benefit not reduced, before and after tax profit would have been higher by Rs. 14.9 million (2018: Lower by Rs. 119.2 million) and Rs. 10.6 million (2018: Lower by Rs. 84.6 million) respectively. Unappropriated profit to that extent is not available for distribution by way of cash or stock dividend.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

	(Un-Audited) 30 June 2019	(Audited) 31 December 2018
	-----Rupees-----	
11 FIXED ASSETS		
Capital work-in-progress	4,500,000	4,500,000
Property and equipment	301,987,770	182,845,540
	<u>306,487,770</u>	<u>187,345,540</u>
11.1 Capital work-in-progress		
Advances to suppliers	4,500,000	4,500,000
	<u>4,500,000</u>	<u>4,500,000</u>

	(Un-Audited) For the Half Year ended 30 June 2019	(Audited) For the Half Year ended 30 June 2018
	-----Rupees-----	
11.2 Additions to fixed assets		
The following additions have been made to fixed assets during the period:		
Right of use assets (leased buildings)	134,058,785	-
Furniture and fixture	2,007,184	40,642
Electrical office and computer equipment	864,440	833,665
	<u>136,930,409</u>	<u>874,307</u>
Total	<u>136,930,409</u>	<u>874,307</u>

	(Un-Audited) 30 June 2019	(Audited) 31 December 2018
	-----Rupees-----	
12 INTANGIBLE ASSETS		
Computer software	<u>142,369</u>	<u>239,762</u>

	(Un-Audited) 30 June 2019	(Audited) 31 December 2018
13 OTHER ASSETS		
Income / mark-up accrued in local currency	248,662,804	217,170,834
Income / mark-up accrued in foreign currency	-	313,905
Advances, deposits, advance rent and other prepayments	16,308,970	43,361,810
Receivable against consultancy services	3,000,000	4,172,474
Advance against shares	56,000,000	11,000,000
Advance taxation (payments less provisions)	14,035,630	48,105,802
Receivable from provident fund	-	1,349,047
Others	196,480	95,761
	<u>338,203,884</u>	<u>325,569,633</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

14	BORROWINGS	Note	(Un-Audited) 30 June 2019	(Audited) 31 December 2018
	Secured		-----Rupees-----	
	Borrowings from State Bank of Pakistan Renewable Energy Power Projects	14.1	118,106,791	123,475,281
			118,106,791	123,475,281
	Repurchase agreement borrowings		-	2,813,207,540
	Other borrowings	14.2	200,000,000	200,000,000
	Total secured		318,106,791	3,136,682,821
	Unsecured			
	Call money borrowing from financial institutions		-	1,044,000,000
	Total unsecured		-	1,044,000,000
			318,106,791	4,180,682,821

14.1 This represents SBP Refinance Facility under Finance Scheme for Renewable Energy Power Projects (REPP) for developing and encouraging the private sector participation in small renewable energy power projects. The loan availed under the said scheme shall be payable in a maximum of 10 years with an inclusive grace period of maximum of 2 years at a concessional SBP service rate of 2.00%.

14.2 This represents first draw down from Term Loan Facility of Rs. 2 billion from a commercial bank payable in maximum of 4 years with an inclusive grace period of maximum of 2 years. Markup payable is on quarterly basis at the rate of 3MK + 0.15% p.a. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company for Rs. 2,667 million inclusive of 25% margin.

15	DEFERRED TAX (LIABILITIES) / ASSETS	(Un-Audited) 30 June 2019	(Audited) 31 December 2018
	Deductible Temporary Differences on	-----Rupees-----	
	- Post retirement employee benefits	7,395,663	5,833,630
	- Provision for diminution in the value of available-for-sale investments	107,135,878	103,441,537
	- Provision against advances, off balance sheet etc.	39,743,900	38,715,507
	- Liabilities against assets subject to finance lease	31,429,271	-
	- Impairment loss on available for sale investments	89,318,002	68,591,175
		275,022,714	216,581,849
	Taxable Temporary Differences on		
	- Surplus on revaluation of investments	(2,455,135)	(14,530,808)
	- Accrued Interest on Market Treasury Bills	(4,304,340)	(7,121,550)
	- Share of profit of associated companies	(10,353,036)	(8,035,797)
	- Unrealized exchange gain	(242,460,445)	(155,116,775)
	- Accelerated tax depreciation	(30,748,881)	5,120,268
		(290,321,837)	(179,684,662)
		(15,299,123)	36,897,187

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PAK CHINA INVESTMENT COMPANY LIMITED
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FOR THE PERIOD ENDED 30 JUNE 2019

		(Un-Audited) 30 June 2019	(Audited) 31 December 2018
16	OTHER LIABILITIES	Rupees	
	Mark-up / return / interest payable in local currency	183,413,263	164,566,067
	Accrued expenses	16,419,397	31,847,425
	Withholding tax / sales tax payable	381,133	987,089
	Payable to defined benefit plan	25,502,285	20,834,393
	Payable to Employees Old Age Benefit Institution	-	29,640
	Lease liability against right-of-use assets	108,376,797	-
	Others	2,434,766	1,986,544
		<u>336,527,641</u>	<u>220,251,158</u>

16.1 LEASE LIABILITY AGAINST RIGHT OF USE ASSETS

	(Un-Audited) 30 June 2019			(Audited) 31 December 2018		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees			Rupees		
Not later than one year	57,754,815	7,288,819	50,465,996	-	-	-
Later than one year and up to five years	62,525,302	4,614,501	57,910,801	-	-	-
Over five years	-	-	-	-	-	-
	<u>120,280,117</u>	<u>11,903,320</u>	<u>108,376,797</u>	<u>-</u>	<u>-</u>	<u>-</u>

		(Un-Audited) 30 June 2019	(Audited) 31 December 2018
17	SURPLUS ON REVALUATION OF ASSETS	Rupees	
	Surplus on revaluation of		
	- Available for sale securities	15,395,965	97,700,351
	Deferred tax on surplus on revaluation of:		
	- Available for sale securities	(2,455,135)	(14,530,807)
		<u>12,940,830</u>	<u>83,169,544</u>
	Company's share of equity-accounted investees' OCI:		
	- Change in fair value of available-for-sale financial assets - net of tax	(128,398)	(128,398)
		<u>12,812,432</u>	<u>83,041,146</u>

18 ADVANCE AGAINST ISSUE OF SHARES

This represents amount contributed by Ministry of Finance (MOF), Government of Pakistan in the month of June 2019. The Joint Venture agreement between Ministry of Finance (MOF) and China Development Bank (CDB) requires that shares are to be issued in the ratio of 50:50 to both the sponsors. The contribution from CDB has been received subsequent to 30 June 2019.

		(Un-Audited) 30 June 2019	(Audited) 31 December 2018
19	CONTINGENCIES AND COMMITMENTS	Rupees	
	Guarantees	671,900,000	816,765,400
	Commitments	1,772,231,167	2,872,062,860
		<u>2,444,131,167</u>	<u>3,688,828,260</u>
19.1	Guarantees		
	Financial guarantees	671,900,000	816,765,400
19.2	Commitments		
	Documentary credits and short term trade related transactions		
	Letters of credit	25,209,179	14,563,142
	Underwriting	-	-
	Commitments in respect of forward government securities transactions		
	Purchase	-	2,814,011,200
	Sale	1,298,761,264	-
	Commitments in respect of forward lending		
	Undrawn formal standby facilities, credit lines and other commitments to lend	446,760,724	41,988,518
	Commitment for acquisition of intangible assets	1,500,000	1,500,000
		<u>1,772,231,167</u>	<u>2,872,062,860</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

19.2.1 Commitments to extend credits

The Company makes commitments to extend credit in the normal course of its business, but these being revocable commitments, normally do not attract any significant penalty or expense if the facility is unilaterally withdrawn. As at date of statement of financial position, however, the Company's outstanding irrevocable commitments amount to Rs. 446.8 million (2018: Rs. 42.0 million).

	Note	(Un-Audited)	
		For the half year ended	
		30 June 2019	30 June 2018
		-----Rupees-----	
20 MARK-UP/RETURN/INTEREST EARNED			
On loans and advances		396,103,915	365,091,976
On Investments		258,503,155	206,322,323
On balances with banks		81,970,121	26,751,073
On securities purchased under resale agreement		59,873,675	27,133,817
		<u>796,450,866</u>	<u>625,299,189</u>
21 MARK-UP/RETURN/INTEREST EXPENSED			
On borrowings		33,759,867	26,165,477
On securities sold under repurchase agreements		1,729,437	68,698,690
On liabilities against assets subject to finance lease		4,688,842	-
		<u>40,178,146</u>	<u>94,864,167</u>
22 FEE AND COMMISSION INCOME			
Credit related fee		9,787,256	12,758,722
Commission on letter of credits		1,344,295	-
Commission on guarantees		1,500,000	1,495,000
Investment banking fees		8,979,850	5,568,560
		<u>21,611,401</u>	<u>19,822,282</u>
23 GAIN ON SECURITIES			
Realized	23.1	<u>506,000</u>	<u>27,525,746</u>
23.1 Realized gain on:			
Federal Government Securities		506,000	(106,697)
Shares		-	27,631,589
Non Government Debt Securities		-	854
		<u>506,000</u>	<u>27,525,746</u>
24 OTHER INCOME			
Rent on property		5,563,474	5,305,910
Gain on sale of fixed assets-net		4,422,768	992,090
		<u>9,986,242</u>	<u>6,298,000</u>
25 OPERATING EXPENSES			
Total Compensation expenses		158,085,510	105,899,371
Property expense			
Rent and taxes		7,284,994	14,621,619
Insurance		43,200	44,058
Utilities cost		2,331,876	2,135,001
Security		1,538,758	1,521,010
Repair and maintenance		3,388,503	731,922
Depreciation		14,000,779	799,026
		<u>28,588,110</u>	<u>19,852,636</u>
Information technology expenses			
Software maintenance		504,875	462,212
Amortization		97,393	139,028
Network charges		673,020	583,020
		<u>1,275,288</u>	<u>1,184,260</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FIN
FOR THE PERIOD ENDED 30 JUNE 2019

Note	(Un-Audited) For the half year ended	
	30 June 2019	30 June 2018
	-----Rupees-----	
Other operating expenses		
Directors' fees and allowances	1,444,740	373,100
Legal and professional charges	4,862,520	1,264,022
Outsourced services costs	3,429,028	2,913,606
Travelling and conveyance	16,150,008	10,766,498
Insurance	2,437,074	1,075,231
Repair and maintenance	1,018,691	531,426
Depreciation	3,772,239	2,793,698
Training and development	667,063	449,833
Utilities	380,089	184,679
Communication	1,543,450	1,385,865
Stationery and printing	2,173,020	1,595,721
Marketing, advertisement and publicity	833,672	684,611
Auditors remuneration	806,996	720,000
Bank charges	186,746	260,382
Entertainment	1,708,576	1,141,821
Miscellaneous	1,518,250	1,648,208
	42,932,162	27,788,701
	<u>230,881,070</u>	<u>154,724,968</u>
26 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	-	120,000
	<u>-</u>	<u>120,000</u>
27 PROVISIONS AND WRITE OFFS - NET		
Provisions against loans & advances 10.3	(1,221,733)	7,956,382
Impairment loss on shares	103,680,514	2,839,897
	<u>102,458,781</u>	<u>10,796,279</u>
28 TAXATION		
For the Year		
Current	165,973,086	99,744,075
Deferred	64,421,289	33,077,451
For the prior year		
Current	-	25,319,832
	<u>230,394,375</u>	<u>158,141,358</u>
28.1 Tax status		
28.1.1	For the Tax Year 2011, a tax demand of Rs. 109.219 million was raised by Assistant Commissioner Inland Revenue (the "ACIR") by disallowing provision for bad debts, provision against non-performing loan and advances, credit for an installment of advance tax and Worker's Welfare Fund. Subsequently, the assessment was rectified. The Company had paid Rs. 15.109 million under protest and preferred an appeal before CIR(A). The CIR (A) decided the appeal in the favor of the Company and the tax deposited under protest returned to refund. The instant refund was adjusted against tax demand for tax year 2014. However, the department has filed an appeal before ATIR against appellate order of CIR(A). The hearing of this appeal is yet to be fixed by ATIR.	
28.1.2	For the Tax Year 2013, a tax demand of Rs. 95.01 million was raised by the Taxation Officer by disallowing provision for non performing loans, profit on debt, other provisions and charging Workers Welfare Fund. The CIR (A) upheld the orders of the assessing officer. The Company filed appeal before ATIR against the order of CIR (A) and ATIR upheld the contentions of the appellate orders of the CIR (A). Returned refund of Rs. 15 million pertaining to tax year 2011 was adjusted against the instant demand and PCICL paid balance amount of Rs. 49 million under protest. The Company filed writ petition before High Court, which is yet to be fixed for hearing.	

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- 28.1.3** For the Tax Year 2014 and 2015, assessment was amended by the ACIR in terms of Section 122 of the Ordinance, creating an aggregate tax demand amounting PKR 128 million on Provisions, Apportionment, super tax and default surcharge. PCICL submitted appeal before the CIR(A) on the amended assessment order which has been disposed of in favor of tax department. Later PCICL attained stay from tax department and upon the expiry of stay, payment of Rs. 38.5 million was made to tax department as a cumulative payment for all the pending issues pertaining to tax year 2014 and 2015. PCICL pleaded for further stay and a stay of 40 days was extended by ATIR. PCICL filed writ petition for interim relief before High court. The High Court has granted the stay recovery for outstanding demand and also restrained the tax department to take extreme measures. However, the main appeal is pending for fixation by ATIR and the order is expected to be partially in favor of PCICL.
- 28.1.4** For the Tax Year 2016, a tax demand of Rs. 82.54 million has been raised by the Taxation Officer mainly by disallowing provision against non-performing loans, suspended markup, disallowance of expenses attributable to capital gain, contending short payment of super tax and claim of tax credit. The CIR(A) has disposed of the appeal and major portion of the demand has been confirmed while disallowance of the tax credits is remanded back. Therefore, an appeal effect order from the assessing officer is awaited.
- 28.1.5** On the basis of opinion of its tax advisor and appellate history, the Company's management is confident of a favorable resolution of these matters and hence no provision has been made in these condensed interim un-audited financial statements.

		(Un-Audited)	
		For the half year ended	
		30 June 2019	30 June 2018
		-----Rupees-----	
29	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period - Rupees	<u>522,372,774</u>	<u>390,418,322</u>
	Weighted average number of ordinary shares - Numbers	<u>916,640,000</u>	<u>911,640,000</u>
	Basic earnings per share - Re	<u>0.57</u>	<u>0.43</u>
30	CASH AND CASH EQUIVALENTS		
	Cash and balance with treasury banks	<u>29,531,544</u>	<u>63,145,036</u>
	Balance with other banks	<u>1,849,204,086</u>	<u>3,419,198,742</u>
		<u>1,878,735,630</u>	<u>3,482,343,778</u>



PAK CHINA INVESTMENT COMPANY LIMITED
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31 FAIR VALUE MEASUREMENTS

The fair value of quoted securities is based on quoted market price. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits, cash & bank balances and borrowings can not be calculated with sufficient reliability due to the absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

31.1 Fair value of financial assets

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

31.2 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

Half Year Ended 30 June 2019 (Un-Audited)					
Carrying value	Level 1	Level 2	Level 3	Total	
-----Rupees-----					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	3,064,131,525	-	3,064,131,525	-	3,064,131,525
Shares	29,463,745	29,463,745	-	-	29,463,745
Non-Government Debt Securities	1,130,678,640	261,165,000	869,513,640	-	1,130,678,640
	4,224,273,910	290,628,745	3,933,645,165	-	4,224,273,910

As of 31 December 2018 (Audited)					
	Carrying value	Level 1	Level 2	Level 3	Total
		-----Rupees-----			
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	5,948,590,375	-	5,948,590,375	-	5,948,590,375
Shares	55,614,312	55,614,312	-	-	55,614,312
Non-Government Debt Securities	1,157,018,678	261,165,000	895,853,678	-	1,157,018,678
	7,161,223,365	316,779,312	6,844,444,053	-	7,161,223,365

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3.

Federal Government securities	The fair value of Federal Government securities is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP).
Non-Government debt securities	The fair value of Non-Government securities is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP).

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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32 SEGMENT INFORMATION

32.1 Segment Details with respect to Business Activities

Half Year Ended 30 June 2019 (Un-Audited)

	Corporate Finance	Trading & Sales	Others	Total
Profit and Loss	-----Rupees-----			
Net mark-up/return/profit	589,289,982	170,266,040	(3,283,302)	756,272,720
Inter segment revenue - net	-	-	-	-
Non mark-up income	37,260,021	282,588,017	9,986,242	329,834,280
Total Income	626,550,003	452,854,057	6,702,940	1,086,107,000
Segment direct expenses	(26,846,954)	(8,783,892)	(195,250,224)	(230,881,070)
Provisions	(102,458,781)	-	-	(102,458,781)
Profit before tax	497,244,268	444,070,165	(188,547,284)	752,767,149

As of 30 June 2019 (Un-Audited)

	Corporate Finance	Trading & Sales	Others	Total
Balance Sheet	-----Rupees-----			
Cash and Bank balances	6,597,185	1,872,088,445	50,000	1,878,735,630
Lendings to financial institutions	-	1,297,315,640	-	1,297,315,640
Investments	4,781,192,796	2,168,153,400	-	6,949,346,196
Advances				
Performing	5,163,476,931	-	73,829,861	5,237,306,792
Non-performing	775,788,564	-	-	775,788,564
Others	336,833,042	1,370,842	306,630,139	644,834,023
Total Assets	11,063,888,518	5,338,928,327	380,510,000	16,783,326,845
Borrowings	318,106,791	-	-	318,106,791
Liabilities against assets subject to finance lease	-	-	-	-
Others	183,413,263	-	168,413,501	351,826,764
Total liabilities	501,520,054	-	168,413,501	669,933,555
Equity	-	-	16,113,393,290	16,113,393,290
Total Equity and liabilities	501,520,054	-	16,281,806,791	16,783,326,845
Contingencies and Commitments	2,444,131,167	-	-	2,444,131,167

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Half Year Ended 30 June 2018 (Un-Audited)

	Corporate Finance	Trading & Sales	Others	Total
Profit and Loss	-----Rupees-----			
Net mark-up/return/profit	410,160,361	119,440,017	834,644	530,435,022
Inter segment revenue - net	-	-	-	-
Non mark-up income	33,720,461	143,747,444	6,298,000	183,765,905
Total Income	443,880,822	263,187,461	7,132,644	714,200,927
Segment direct expenses	(44,935,294)	(6,141,574)	(103,768,100)	(154,844,968)
Provisions	(10,796,279)	-	-	(10,796,279)
Profit before tax	388,149,249	257,045,887	(96,635,456)	548,559,680

As of 31 December 2018 (Audited)

	Corporate Finance	Trading & Sales	Others	Total
Balance Sheet	-----Rupees-----			
Cash and Bank balances	1,623,813	1,614,140,695	30,880	1,615,795,388
Investments	5,041,077,978	4,935,121,000	-	9,976,198,978
Advances				
Performing	6,749,327,834	-	55,696,373	6,805,024,207
Non-Performing	815,163,564	-	-	815,163,564
Others	237,319,207	315,890	312,417,025	550,052,122
Total Assets	12,844,512,396	6,549,577,585	368,144,278	19,762,234,259
Borrowings	323,475,281	3,857,207,540	-	4,180,682,821
Others	163,497,009	1,069,058	55,685,091	220,251,158
Total liabilities	486,972,290	3,858,276,598	55,685,091	4,400,933,979
Equity	-	-	15,361,300,280	15,361,300,280
Total Equity and liabilities	486,972,290	3,858,276,598	15,416,985,371	19,762,234,259
Contingencies and Commitments	3,688,828,260	-	-	3,688,828,260

PAK CHINA INVESTMENT COMPANY LIMITED
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33 RELATED PARTY TRANSACTIONS

The Company has related party relationships with entities in which its shareholders have any interest, key management personnel, directors and employees' funds. The Government of Pakistan (Ministry of Finance) is a related party of the Company, therefore all government authorities, agencies, affiliates and other organizations ("state-controlled entities") are related parties of the Company. Transactions with these state-controlled entities are not very significant and impracticable to quantify, for disclosure in these financial statements. Other entities which for its business acquisition or provision of services relies / depends to a greater extent on the Company / DFI i.e. major portion (50% or more) of its business (upstream or downstream) is also a related party.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment.

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements are as follows:

	30 June 2019 (Un-Audited)				31 December 2018 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Lendings to financial institutions								
Opening balance	-	-	-	-	-	-	-	-
Addition during the period / year	-	-	-	17,121,226,153	-	-	-	48,473,938,289
Repaid during the period / year	-	-	-	(17,121,226,153)	-	-	-	(48,473,938,289)
Closing balance	-	-	-	-	-	-	-	-
Investments								
Opening balance	-	-	1,383,067,240	-	-	-	1,383,067,240	-
Investment made during the period / year	-	-	45,000,000	-	-	-	-	-
Investment disposed off during the period / year	-	-	-	-	-	-	-	-
Closing balance	-	-	1,428,067,240	-	-	-	1,383,067,240	-
Advances								
Opening balance	-	24,513,896	-	-	-	14,631,586	-	30,000,000
Addition during the period / year	-	15,642,935	-	-	-	11,211,996	-	-
Repaid during the period / year	-	(1,007,765)	-	-	-	(1,329,686)	-	(30,000,000)
Closing balance	-	39,149,066	-	-	-	24,513,896	-	-

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

	30 June 2019 (Un-Audited)				31 December 2018 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	Rupees							
Other Assets								
Interest / mark-up accrued	-	-	-	-	-	-	-	-
Receivable from staff retirement fund	-	-	-	-	-	-	-	1,349,047
Other receivable	249,994	1,747,810	-	1,697,850	512,277	1,980,186	-	19,468,680
	249,994	1,747,810	-	1,697,850	512,277	1,980,186	-	20,817,727
Borrowings								
Opening balance	-	-	-	-	-	-	-	1,159,928,000
Borrowings during the period / year	-	-	-	-	-	-	-	16,645,644,066
Settled during the period / year	-	-	-	-	-	-	-	(17,805,572,066)
Closing balance	-	-	-	-	-	-	-	-
Other Liabilities								
Interest / mark-up payable	-	-	-	-	-	-	-	-
Payable to staff retirement fund	-	-	-	25,502,285	-	-	-	20,834,393
Other liabilities	-	-	33,179	83,435,608	-	-	112,522	-
	-	-	33,179	108,937,893	-	-	112,522	20,834,393
Contingencies and Commitments								
Letter of guarantee	-	-	-	-	-	-	-	300,000,000
Other contingencies	-	-	-	-	-	-	-	300,000,000

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FOR THE PERIOD ENDED 30 JUNE 2019

	30 June 2019 (Un-Audited)				30 June 2018 (Un-Audited)			
	Director	Key management personnel	Associates	Other related parties	Director	Key management personnel	Associates	Other related parties
Rupees								
Income								
Mark-up / return / interest earned	-	758,854	-	8,537,006	-	352,255	-	-
Fee and commission income	-	-	-	5,729,850	-	-	-	-
Dividend income	-	-	-	-	-	-	-	-
Net gain on sale of securities	-	-	-	-	-	-	-	(71,354)
Share of profit of associates	-	-	-	-	-	-	-	-
Expense								
Mark-up / return / interest paid	124,045	-	-	3,820,524	-	-	-	2,768,316
Operating expenses								
Charge for defined benefit plan	1,301,682	2,638,117	-	-	1,728,168	1,267,840	-	-
Charge for contribution Plan	1,323,059	1,003,991	-	-	1,034,486	784,789	-	-
Salaries	20,552,696	17,261,347	-	-	18,795,526	12,949,016	-	-
Bonuses	3,486,237	2,717,288	-	-	-	-	-	-
Overseas allowances	2,754,020	-	-	-	2,192,888	-	-	-
Leave fair assistance & Encashment	3,402,745	2,528,457	-	-	2,093,970	743,500	-	-
Tax borne by employer	8,274,405	-	-	-	4,800,471	-	-	-
Others	13,178,620	7,142,929	-	879,920	4,017,596	4,893,707	-	736,224
Rent	416,291	-	-	-	-	-	-	10,187,100
Depreciation expense on lease hold building	440,196	-	-	-	-	-	283,525	-
CDC Charges paid	-	-	419,221	-	-	-	-	-

33.1 MD & DMD have been provided with company maintained vehicle and MD is also been provided with furnished and company maintained house as per their terms of employment.

33.2 MD/DMD and key management personals are also entitled to the benefit of defined benefit plan.

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FOR THE PERIOD ENDED 30 JUNE 2019

	(Un-Audited)	(Audited)
	30 June 2019	31 December 2018
	-----Rupees-----	
34 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
34.1 Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>9,116,400,000</u>	<u>9,116,400,000</u>
34.2 Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	14,108,438,000	13,546,919,000
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>14,108,438,000</u>	<u>13,546,919,000</u>
Risk Weighted Assets (RWAs):		
Credit Risk	9,327,110,000	11,158,217,000
Market Risk	2,453,476,000	2,172,891,000
Operational Risk	2,186,352,000	2,186,352,000
Total	<u>13,966,938,000</u>	<u>15,517,460,000</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>101.01%</u>	<u>87.30%</u>
Tier 1 Capital Adequacy Ratio	<u>101.01%</u>	<u>87.30%</u>
Total Capital Adequacy Ratio	<u>101.01%</u>	<u>87.30%</u>
34.3 Leverage Ratio (LR):		
Eligible Tier-1 Capital	14,108,438,000	13,546,919,000
Total Exposures	18,367,708,000	23,505,949,000
Leverage Ratio	<u>76.81%</u>	<u>57.63%</u>
34.4 Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	5,164,818,634	4,973,038,330
Total Net Cash Outflow	23,317,768	833,378,271
Liquidity Coverage Ratio	<u>22150%</u>	<u>597%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	16,237,543,621	15,824,253,281
Total Required Stable Funding	8,582,599,812	7,231,224,214
Net Stable Funding Ratio	<u>189%</u>	<u>219%</u>

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2019

35 GENERAL

35.1 Events after the reporting date

There are no adjusting events after that the balance sheet date that may have an impact on the condensed interim financial statements.

35.2 Captions, as prescribed by BPRD Circular letter No. 5 of 2019 issued by the SBP, for which there are no amounts, have not been reproduced in these condensed interim financial statements except for the condensed interim statement of financial position and condensed interim profit and loss account.

35.3 Figures have been rounded off to the nearest Rupee, unless otherwise stated.

35.4 The VIS has issued a long term credit rating of AAA, and the short term rating of A1+, for the Company.

36 RECLASSIFICATION OF COMPARATIVE FIGURES

36.1 There have been no significant reclassifications in these condensed interim financial statements except an amount Rs.145 million for the period ended 30 June 2018, which has been reclassified from Non-Interest Income to Interest Income.

37 DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue in the Board of Directors meeting held on

25 SEP 2019

CHAIRMAN

MANAGING DIRECTOR

DIRECTOR

DIRECTOR

DIRECTOR

CFO