



Financial Statements

For the year ended 31 December 2017



KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building No. 5
Jinnah Avenue, Blue Area
Islamabad, Pakistan

Telephone + 92 (51) 282 3558
+ 92 (51) 282 5956
Fax + 92 (51) 282 2671
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed statement of financial position of Pak China Investment Company Limited ("the Company") as at 31 December 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion-
 - i) the statement of financial position and the profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the change as described in note 5 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat is deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980).

Date: 22 March 2018

Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Atif Zamurrad Malik

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan
and a member firm of the KPMG network of independent member
firms affiliated with KPMG International Cooperative
("KPMG International"), a Swiss entity.

PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 -----Rupees-----	2016
ASSETS			
Cash and balances with treasury banks	6	26,529,844	2,080,940,035
Balances with other banks	7	2,168,944,684	3,086,523,031
Lending's to financial institutions	8	-	2,647,918,347
Investments	9	13,848,108,959	7,734,253,189
Advances	10	7,899,991,599	6,039,819,501
Operating fixed assets	11	174,362,497	177,302,573
Deferred tax assets	12	104,637,929	131,269,202
Other assets	13	198,390,647	620,213,706
		24,420,966,159	22,518,239,584
LIABILITIES			
Bills payable		-	-
Borrowings	14	9,576,859,910	8,196,454,866
Deposits and other accounts		-	-
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	15	175,535,989	195,701,401
		9,752,395,899	8,392,156,267
NET ASSETS		14,668,570,260	14,126,083,317
REPRESENTED BY			
Share capital	16	9,116,400,000	9,116,400,000
Reserves	17	1,110,843,079	977,364,488
Unappropriated profit		4,441,081,441	3,907,167,079
		14,668,324,520	14,000,931,567
Surplus on revaluation of assets - net of tax	18	245,740	125,151,750
		14,668,570,260	14,126,083,317
CONTINGENCIES AND COMMITMENTS			
	19		

The annexed notes 1 to 39 form an integral part of these financial statements.


CHAIRMAN


MANAGING DIRECTOR


DIRECTOR


DIRECTOR

WNE-28

PAK CHINA INVESTMENT COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Rupees	2016
Mark-up / return / interest earned	20	1,221,634,298	990,161,388
Mark-up / return / interest expensed	21	(669,157,259)	(293,493,410)
Net mark-up / interest income		552,477,039	696,667,978
Provision against non-performing loans and advances	10.4.1	(32,062,293)	(140,292,676)
(Reversal) / provision for diminution in the value of investments	9.3	(71,805,000)	71,805,000
Bad debts written off directly		-	-
		(103,867,293)	(68,487,676)
Net mark-up / interest income after provisions		656,344,332	765,155,654
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		178,242,678	65,700,276
Dividend income		-	1,000,000
Income from dealing in foreign currency		-	-
Exchange gain		58,884,810	2,736,306
Gain on sale of securities	22	430,881,857	356,628,069
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading		-	-
Other income	23	10,204,645	9,446,952
Share in profit of associated companies	9.5 & 9.6	46,631,684	-
Total non mark-up / interest income		724,845,674	435,511,603
		1,381,190,006	1,200,667,257
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	24	326,916,517	321,626,030
Impairment loss on investments	9.2.2	33,118,151	1,392,956
Other charges	25	51,352,478	19,177,411
Total non mark-up / interest expenses		411,387,146	342,196,397
		969,802,860	858,470,860
Extra ordinary/unusual items		-	-
PROFIT BEFORE TAXATION		969,802,860	858,470,860
Taxation - Current		183,405,985	285,199,975
- Prior years		82,656,601	35,391,315
- Deferred	12	33,145,371	(77,249,821)
	26	299,207,957	243,341,469
PROFIT AFTER TAXATION		670,594,903	615,129,391
Unappropriated profit brought forward		4,029,905,638	3,414,776,247
Profit available for appropriation		4,700,500,541	4,029,905,638
Basic and diluted earnings per share	27	0.74	0.67

The annexed notes 1 to 39 form an integral part of these financial statements.


CHAIRMAN


MANAGING DIRECTOR


DIRECTOR


DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 -----Rupees-----	2016
Profit after taxation for the year		670,594,903	615,129,391
Other comprehensive income:			
<i>Items that will not be reclassified to profit and loss account:</i>			
Re-measurement (loss) / gain on defined benefit plan - net of tax		(2,643,386)	359,149
Company's share of equity-accounted investees' OCI:			
- Re-measurement of defined benefit liability	9.5	(571,350)	-
- Related tax		12,786	-
		(558,564)	-
Comprehensive income - transferred to statement of changes in equity		667,392,953	615,488,540
<i>Components of comprehensive income not reflected in equity:</i>			
Net change in fair value of available-for-sale securities - net of tax		(124,906,010)	(50,610,605)
Company's share of equity-accounted investees' OCI:			
- Available-for-sale financial assets - net change in fair value	9.5 & 9.6	(85,231)	-
Total comprehensive income		542,401,712	564,877,935

Yemstr


The annexed notes 1 to 39 form an integral part of these financial statements.




CHAIRMAN



MANAGING DIRECTOR



DIRECTOR



DIRECTOR


PAK CHINA INVESTMENT COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017


	Note	2017	2016
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		969,802,860	858,470,860
Less: Dividend income		-	(1,000,000)
		969,802,860	857,470,860
Adjustments for:			
Depreciation		9,760,409	16,041,098
Amortization		301,944	181,164
Provision for gratuity		10,339,900	8,564,844
Provision against non-performing loans and advances		(32,062,293)	(140,292,676)
(Reversal) / provision for diminution in value of available-for-sale investments		(71,805,000)	71,805,000
Impairment loss on available-for-sale investments		33,118,151	1,392,956
Exchange gain		(58,884,810)	(2,736,306)
Loss on replacements of fixed assets		122,528	(45,772)
Share in profits of associated companies		(46,631,684)	-
		814,062,005	812,381,168
Decrease / (increase) in operating assets			
Lendings to financial institutions		2,647,918,347	(2,647,918,347)
Advances		(1,828,109,805)	(191,793,389)
Others assets (excluding advance taxation)		444,554,365	(208,007,700)
		1,264,362,907	(3,047,719,436)
Increase / (decrease) in operating liabilities			
Borrowings		1,380,405,044	1,293,229,145
Other liabilities		(35,587,372)	54,622,480
		1,344,817,672	1,347,851,625
Contribution to plan assets		(12,666,855)	(3,826,882)
Income tax paid		(310,592,223)	(303,698,967)
		3,099,983,506	(1,195,012,492)
Net cash generated from / (used in) operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments (made) / realized in available for sale securities - net		(6,144,784,198)	4,218,414,985
Capital expenditure		(7,244,805)	(10,058,338)
Dividend received		21,172,149	1,000,000
Proceeds from sale of fixed assets		-	45,772
Net cash (used in) / generated from investing activities		(6,130,856,854)	4,209,402,419
CASH FLOW FROM FINANCING ACTIVITIES			
Effects of exchange rate changes on cash and cash equivalents		58,884,810	2,736,306
(Decrease) / increase in cash and cash equivalents		(2,971,988,538)	3,017,126,233
Cash and cash equivalents at the beginning of the year	28	5,167,463,066	2,150,336,833
Cash and cash equivalents at the end of the year	28	2,195,474,528	5,167,463,066

The annexed notes 1 to 39 form an integral part of these financial statements.


CHAIRMAN


MANAGING DIRECTOR


DIRECTOR


DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Statutory reserve	Unappropriated profit	Total
	(Rupees)			
Balance as at 01 January 2016	9,116,400,000	854,266,780	3,414,776,247	13,385,443,027
Profit for the year	-	-	615,129,391	615,129,391
Re-measurement gain on defined benefit plan	-	-	359,149	359,149
Total comprehensive income transferred to equity	-	-	615,488,540	615,488,540
Transfer to statutory reserve	-	123,097,708	(123,097,708)	-
Balance as at 31 December 2016	9,116,400,000	977,364,488	3,907,167,079	14,000,931,567
Profit for the year	-	-	670,594,903	670,594,903
Re-measurement loss on defined benefit plan	-	-	(3,201,950)	(3,201,950)
Total comprehensive income transferred to equity	-	-	667,392,953	667,392,953
Transfer to statutory reserve	-	133,478,591	(133,478,591)	-
Balance as at 31 December 2017	9,116,400,000	1,110,843,079	4,441,081,441	14,668,324,520

The annexed notes 1 to 39 form an integral part of these financial statements.

Rizwan
CHAIRMAN

[Signature]
MANAGING DIRECTOR

[Signature]
DIRECTOR

[Signature]
DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Basis of presentation

These financial statements have been presented in accordance with the format prescribed by SBP's BSD Circular No. 4 dated 17 February 2006 and BSD Circular No. 7 dated 20 April 2010.

3 STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984 (the repealed Ordinance), provisions of and directives issued under the Companies Ordinance, 1984 (the repealed Ordinance) and Banking Companies Ordinance, 1962. In case requirements differ, the provisions and directives given in Companies Ordinance, 1984 (the repealed Ordinance) and Banking Companies Ordinance, 1962 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its Circular No. 23 dated 04 October 2017, these financial statements have been prepared in accordance with the applicable provisions of the repealed Companies Ordinance, 1984.

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 and DFI's 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 BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Company believes that as SBP has defined the segment categorization 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.

WMS

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 1, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after January 1, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 1, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. The management has completed an initial assessment of changes required in revenue recognition policies on adoption of the standard and considers that the impact would not be significant.

WMM

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. The Company is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by SBP till further instructions.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company re-measures its previously held interest in a joint operation when it obtains control of the business. A company does not re-measure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
 - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 1, 2019 and are not likely to have an impact on Company's financial statements.

In addition, the Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The State Bank of Pakistan has issued BPRD Circular No. 02 of 2018 dated January 25, 2018, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended 31 December 2018. The 'Revised Forms of Annual Financial Statements' have changed / added certain disclosures. This format incorporates some of the amendments brought about by the Companies Act, 2017. Accordingly to the extent these amendments are incorporated in the new format, the requirements of the Companies Act, 2017 have been followed for 31 December 2017 financial statements. Other amendments, if incorporated in the format of financial statements for DFI's would result in additional disclosures.

komsta

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for certain investments which are revalued to their fair values, the defined benefit plan which is measured at present value and investments at associates which are stated using equity accounting.

Measurement of fair values

The Company has an established control framework with respect to the measurement of fair values. The management regularly reviews significant observable and unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. The valuation of financial assets and financial liabilities are categorized and disclosed keeping in view the measurement requirements specified in note 3.1.

4.1 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in the application of accounting policies are as follows:

a) Classification / valuation of investments

For classification / valuation of investments, the Company follows the guidance provided in SBP circulars:

- Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.
- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.
- The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

b) Provision against non-performing loans and advances

The management reviews the loan portfolio to assess non-performing advances, expected recovery and provision required on a quarterly basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers, payment status of mark-up and principal, expected future cash flows of the business, security position and the requirements of the Prudential Regulations are considered.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in note 10.4.

WMS/20

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

c) Impairment of 'available for sale' equity investments

The management determines that 'available-for-sale' listed equity investments are impaired, when there has been a significant or prolonged decline in market value / fair value below its cost. Further unquoted investments are impaired when the investee's breakup value per share falls below the per share cost of investment. In making this judgment, the management considers, among other factors, the decline in market price below cost by 20%, as significant, and if the decline in market price persists for 9 months, as prolonged. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee and sector performance, changes in technology and operational/financial cash flows. For debt securities impairment loss is determined on the basis of the Prudential Regulations of SBP.

d) Provision for income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues, and the appeals of the department, pending at various levels with the tax authorities.

e) Operating fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The Company reviews the useful lives and residual value of fixed assets on a regular basis and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Any change in estimates in future years might affect the carrying amounts of the respective items of fixed assets, with a corresponding effect on the depreciation charge / amortization and impairment. During the year the Company has revised its estimate for depreciation on the building from 10% to 4%. Had the estimate not been revised the depreciation expense of the year would have increased by Rs. 2.396 million.

f) Contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate provision is made.

g) Provision for staff retirement benefits

Provision for gratuity is determined using actuarial assumptions. Any change in the assumptions from actual results would change the amount of unrecognized gains and losses.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes as indicated below.

Amendments to IAS 7 'Statement of Cash Flow' became effective during the year. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The management has completed an initial assessment of changes required in disclosures on adoption of the standard and considers that the impact would not be significant.

Comments

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

5.1 Functional and presentation currencies

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

5.2 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement consist of cash and balance with treasury banks and balance with other banks in current and deposit accounts.

5.3 Lending's to / borrowings from financial institutions

The Company enters into transactions of reverse repos and repos at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase agreement

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos), continue to be recognized in the statement of financial position, and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between the sale and repurchase price, is amortized as an expense over the term of the repo agreement.

Purchase under resale agreement

Securities purchased under agreement to resell (reverse repo) are included in lending to financial institutions. The difference between the purchase price and the resale price is amortized over the period of the agreement and recorded as income.

Securities held as collateral are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowing from financial institutions.

Other borrowings

These are recorded at the fair value of consideration received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

Other lending's

These are stated net of related provisions. Mark-up on such lending's is recognized in the profit and loss account on a time apportioned basis, except for the mark-up on impaired / delinquent lending's, which is recognized on a receipt basis.

5.4 Investments

Investments of the Company are classified as held to maturity and available for sale.

Investment in associates

Interests in equity-accounted investees: The Company's interests in equity-accounted investees comprise of interests in associate and a joint venture. Associates are those entities in which the Company has significant influence, but not control over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

mmmm

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investee, until the date on which significant influence or joint control ceases.

Held-For-Trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements and dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-To-Maturity

These are securities with fixed or determinable payments and fixed maturities, in respect of which the Company has a positive intent and ability to hold till maturity.

Available-For-Sale

These are investments that do not fall under the held-for-trading or held-to-maturity, and investment in associate categories.

Initial measurement

All regular way purchases and sales of investments are recognized on the trade date i.e., the date that the Company commits to purchase or sell the investment. Regular way purchases or sales of investment that require delivery of investments within the time frame generally established by regulation or convention in the market place.

Investments are initially recognized at fair value which includes transaction costs.

Subsequent measurement

Held-To-Maturity

These are measured at amortized cost using effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

Available-For-Sale

Quoted securities classified as available for sale investments are measured at fair value. Any surplus or deficit arising thereon is kept in a separate account shown in the statement of financial position below equity and is taken to profit and loss account when realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, up to the cost of the investment, is credited to the profit and loss account. Investment in other unquoted securities are valued at cost less impairment, if any.

Provision for diminution in the value of Term Finance Certificates and Sukuks are made as per the ageing criteria prescribed by the Prudential Regulations issued by SBP. Provision for diminution in the value of other securities are made for impairment, if any.

Prumy

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

5.5 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against Consumer and Small Enterprise (SEs) loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Advances are written off when there is no realistic prospect of recovery.

Leases where the Company transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

5.6 Operating fixed assets

Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land, which is stated at cost.

Depreciation is calculated on the straight line method to write off the depreciable amount of each asset, over its estimated useful life, after taking into account residual values, if any. Depreciation on additions during the year is charged from the month of acquisition, or the date the asset is available for use, and on disposals, up to the month of disposal. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

The costs of day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal items of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within "other income" in profit or loss.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets and intangible assets in the course of their acquisition, construction and installation.

Intangible assets

Intangible assets having finite useful lives, are stated at cost less accumulated amortization and impairment, if any. These are amortized using the straight line method over their estimated useful lives. Intangible assets are amortized from the month when these assets are available for use. The useful lives, residual values and amortization methods are reviewed and adjusted, if appropriate, at each reporting date.

Benmy

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

5.7 Impairment

Impairment of available for sale equity investments

Available for sale quoted equity investments are impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price.

Impairment in non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is charged to the profit and loss account.

5.8 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and any adjustments to any tax payable, relating to prior years.

Deferred

The Company accounts for deferred taxation using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization, or settlement, of the carrying amount of assets and liabilities. Deferred tax assets and liabilities, are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax assets and any unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilized.

Deferred tax on surplus / (deficit) on revaluation of investments is charged / (credited) to the same account.

5.9 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events which makes it probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

12/12/2017

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

5.10 Revenue recognition

Advances and investments

Mark-up / return / interest income from loans, term finance certificates, bank deposits, government securities and reverse-repo transactions, is recognized using the effective interest rate method, except where recovery is considered doubtful, in which case the income is recognized on a receipts basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP). Where debt securities are purchased at premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity.

Gain / (loss) on sale of securities, is recognized in the profit and loss account at the time of sale of relevant securities.

Dividend income

Dividend income is recognized when the right to receive the dividend is established.

Fee, brokerage and commission income

Fee, commission and brokerage income is recognized as the services are rendered.

Rental income

Rental income is recognized over the period of the rent agreement.

5.11 Staff retirement benefits

Defined benefit plan

The Company operates an approved funded gratuity scheme for all its regular employees.

The amounts of post-employment benefits are usually dependent on one or more factors such as age, years of service and salary.

The liability recognized in respect of the gratuity scheme is the present value of the defined benefit obligation under the scheme at the balance sheet date.

The gratuity obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. The most recent valuation in this regard was carried out as at 31 December 2017. The present value of the obligation is determined by discounting the estimated future cash outflows, using interest rates of high quality government securities that have terms to maturity approximating the terms of the related obligation.

Re-measurements, comprising of actuarial gains and losses, the return on plan assets excluding amounts included in net interest on the net defined benefit obligation and any changes in the effect of the asset ceiling are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings, through OCI, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss at the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Company recognizes restructuring-related costs.

Upcoming

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

The Company recognizes the following changes in the defined benefit obligation under 'administrative expenses' in the profit and loss account:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense

Defined contribution plan

The Company also operates a recognized provident fund scheme for all its regular employees. Equal monthly contributions are made, both by the Company and by the employees, at the rate of 10% of the basic salary of the employee. Contributions made by the Company are charged to the profit and loss account.

5.12 Foreign currency transaction

Foreign currency transactions are recorded at the rates prevailing on the date of the transactions. Monetary assets and liabilities in foreign currencies are reported in Rupees, at the rates of exchange prevailing on the reporting date. Exchange gains and losses are included in income currently.

5.13 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.14 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities, which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of its revision and future periods, if the revision affects both current and future periods.

5.15 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of Ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to Ordinary shareholders, and the weighted average number of Ordinary shares outstanding for the effects of all dilutive potential Ordinary shares, if any.

5.16 Dividend and appropriations to reserves

Dividend declared and appropriations, except for transfers to the statutory reserve, made subsequent to the balance sheet date, are recognized as a liability and recorded as changes in reserves, respectively, in the period in which these are approved by the directors / shareholders, as appropriate.

10/11/17

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

5.17 Financial instruments

Financial assets and financial liabilities

Financial instruments carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lending's to financial institutions, investments (excluding investment in associates and subsidiaries), advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

5.18 Segment information

A segment is a distinguishable component of the Company that is engaged either in providing particular products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and is subject to risks and rewards that are different from those of other segments.

Business Segments

(a) Corporate Finance

Corporate finance includes services provided in connection with mergers and acquisitions, project finance and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings (IPO's) and private placements.

(b) Trading and Sales

Trading and sales includes fixed income, equity, foreign exchange, credit, funding, own position securities, lending's and borrowings and derivatives for hedging and market making.

(c) Others

Others includes functions which cannot be classified in any of the above segments.

Geographical Segments

All the Company's business segments operate only in Pakistan.

14/11/17

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
	Note	Rupees	
6	CASH AND BALANCES WITH TREASURY BANKS		
In hand			
- Local currency		11,721	50,000
With State Bank of Pakistan (SBP) in:			
- Local currency current accounts	6.1	25,442,262	80,174,943
With National Bank of Pakistan (NBP) in:			
- Local currency current account		1,075,861	715,092
- Local currency deposit account		-	2,000,000,000
		26,529,844	2,080,940,035

6.1 This represents the minimum cash reserve required to be maintained with SBP, in accordance with the requirements of DMMD Circular No. 21, dated 5 October 2012.

		2017	2016
	Note	Rupees	
7	BALANCES WITH OTHER BANKS		
In Pakistan			
- Local currency current accounts		5,296,603	8,079
- Local currency deposit accounts	7.1	1,008,772,875	2,017,888,472
- Foreign currency deposit account	7.2	1,154,875,206	1,068,626,480
		2,168,944,684	3,086,523,031

7.1 These carry interest at rates ranging from 2.4% to 4.13% (2016: 2.40% to 4.25%) per annum. This also includes Term Deposit Receipt amounting to Rs. 1 billion and carry interest rate of 6.70% and has matured on 12 January 2018 (2016: Rs. 2 billion and carry interest rates ranging 6.45% to 6.50%).

7.2 This represents a foreign currency term deposit of USD 10,470,300 (2016: USD 10,216,314) with Habib Bank Ltd. It carries mark-up at a rate of 3.20% (2016: 2.55%) per annum, and will mature on 27 June 2018.

		2017	2016
		Rupees	
8	LENDINGS TO FINANCIAL INSTITUTIONS		
In local currency			
- Repurchase agreement lending's (reverse repo)		-	2,647,918,347
		-	2,647,918,347

kenney

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9 INVESTMENTS

9.1 Investments by type

		2017		2016	
		Held by the Company	Given as collateral	Total	
	Note	Rupees		Rupees	
Available-for-sale securities					
Market treasury bills	9.2.1	5,728,536,380	5,250,320,320	10,978,856,700	4,469,297,000
Pakistan investment bonds	9.2.2	-	-	-	1,224,500,000
Ordinary shares of listed company	9.2.2	57,625,911	-	57,625,911	90,744,062
Ordinary shares of unlisted company	9.6	-	-	-	250,000,000
Listed term finance certificates	9.2.3	374,895,000	-	374,895,000	474,705,100
Unlisted term finance certificates	9.2.3	496,719,393	-	496,719,393	460,948,413
Mutual fund units	9.2.4	132,248	-	132,248	100,000,000
Sukuks - unlisted	9.2.5	912,089,492	-	912,089,492	974,754,382
		7,569,998,424	5,250,320,320	12,820,318,744	8,044,948,957
Associates					
Pakistan Stock Exchange Limited	9.5	1,119,551,591	-	1,119,551,591	-
Central Depository Company of Pakistan Limited	9.6	277,318,603	-	277,318,603	-
		1,396,870,194	-	1,396,870,194	-
Total investments at cost					
		8,966,868,618	5,250,320,320	14,217,188,938	8,044,948,957
Less: Provision for diminution in the value of investments					
	9.3	369,434,062	-	369,434,062	441,239,062
Total investments - net of provision		8,597,434,556	5,250,320,320	13,847,754,876	7,603,709,895
Surplus / (deficit) on revaluation of available-for-sale securities					
	18	713,048	(358,965)	354,083	130,543,294
Total investments at revalued amounts - net of provisions		8,598,147,604	5,249,961,355	13,848,108,959	7,734,253,189

Amir

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
	Note	-----Rupees-----	
9.2 Investment by segments			
Federal Government Securities			
Market treasury bills	9.2.1	10,978,856,700	4,469,297,000
Pakistan investment bonds		-	1,224,500,000
		10,978,856,700	5,693,797,000
Fully paid-up ordinary shares of			
Listed company	9.2.2	57,625,911	90,744,062
Un-listed company		-	250,000,000
		57,625,911	340,744,062
Term finance certificates			
Listed	9.2.3	374,895,000	474,705,100
Unlisted	9.2.3	496,719,393	460,948,413
		871,614,393	935,653,513
Other investments			
Mutual fund units	9.2.4	132,248	100,000,000
Sukuks - unlisted	9.2.5	912,089,492	974,754,382
		912,221,740	1,074,754,382
Associates			
Pakistan Stock Exchange Limited	9.5	1,119,551,591	-
Central Depository Company of Pakistan Limited	9.6	277,318,603	-
		1,396,870,194	-
Total investments - at cost		14,217,188,938	8,044,948,957
Less: provision for diminution in the value of investments	9.3	369,434,062	441,239,062
Total investments - net of provisions		13,847,754,876	7,603,709,895
Surplus on revaluation of available-for-sale securities	18	354,083	130,543,294
Total investments at revalued amounts - net of provisions		13,848,108,959	7,734,253,189

9.2.1 These carry interest at rates ranging between 5.9910% to 5.9950% (2016: 5.8571% to 5.9463%) per annum, with a redemption period of three to six months (2016: three months). These securities have an aggregate face value of Rs. 11,050 million (2016: Rs. 4,500 million).

WATSBY

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9.2.2 This represents an investment in 11,832,836 ordinary shares (of Rs. 10 each) of Agritech Limited, costing Rs. 364.149 million with a market value of Rs. 57.626 million (2016: Rs. 150.040 million) at the year end. During the year, the Company has recognized an impairment loss of Rs. 33.118 million (2016: Rs. 1.393 million) with cumulative impairment loss of Rs. 306.523 million (2016: Rs. 273.405 million), in respect of this investment.

9.2.3	Term Finance Certificates	Note	No. of certificates		Cost	
			2017	2016	2017	2016
	Available-for-sale					
	Listed					
	Bank Alfalah Limited		-	30,000	-	99,740,100
	Standard Chartered Bank Limited	9.2.3.1	40,000	40,000	200,000,000	200,000,000
	Bank Al-Habib Limited - II	9.2.3.1	35,000	35,000	174,895,000	174,965,000
					374,895,000	474,705,100
	Unlisted					
	Fauji Akbar Portia Marine Terminals Limited	9.2.3.3	-	-	127,285,331	91,514,351
	Agritech Limited	9.2.3.2	40,000	40,000	199,760,000	199,760,000
	Agritech Limited	9.2.3.2	1,695	1,695	8,473,305	8,473,305
	Azgard Nine Limited	9.2.3.2	36,000	36,000	115,130,757	115,130,757
	Azgard Nine Limited	9.2.3.2	9,214	9,214	46,070,000	46,070,000
					496,719,393	460,948,413
					871,614,393	935,653,513

9.2.3.1 These listed term finance certificates (TFCs) carry interest rates of 3 months to 6 months KIBOR + 0.75% to 3.25% (2016: 3 months to 6 months KIBOR + 0.75% to 3.25%), per annum with a redemption period of 1 to 9 years (2016: 1 to 10 years).

9.2.3.2 These securities have been classified as non-performing (under the category of loss) in accordance with the requirements of the Prudential Regulations.

9.2.3.3 This represents TFCs issued by Fauji Akbar Portia Marine Terminals Limited (FAPMT) having face value of Rs. 127.285 million (2016: Rs. 91.514 million). Under a restructuring agreement between the Company and FAPMT, the Company is entitled to TFCs of the FAPMT, maturing in 2021. The corresponding effect is included in other liabilities. In accordance with directives of the State Bank of Pakistan, the Company intends to recognize this income in the profit and loss account upon its realization in cash.

[Handwritten signature]

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

9.2.4 Mutual fund units

	2017	2016	2017	2016
	---Number of units---		-----Rupees-----	
HBL PICIC Income Fund	-	932,805	-	100,000,000
HBL Money Market Fund	1,276	-	132,248	-
			<u>132,248</u>	<u>100,000,000</u>

9.2.5 These represent Sukuk Certificates of Liberty Power Technology Limited and Neelum Jhelum Hydro Power Company. These carry mark-up at the rate of 3 months to 6 months KIBOR plus 1.13 % to 3% (2016: 3 months to 6 months KIBOR plus 1.13% to 3%) per annum. The sukuks have a redemption period of 5 to 9 years (2016: 5 to 10 years).

2017	2016
-----Rupees-----	

9.3 Particulars of the provision of investments

Opening balance	441,239,062	369,434,062
Charge for the year	-	71,805,000
Reversal due to reclassification of investment in CDC to equity-accounted associate	(71,805,000)	-
	<u>369,434,062</u>	<u>441,239,062</u>

9.3.1 Particulars of provision in respect of type and segment

Available-for-sale-securities		
Unlisted term finance certificates	369,434,062	369,434,062
Unlisted shares	-	71,805,000
	<u>369,434,062</u>	<u>441,239,062</u>

60mmg

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

9.4 Quality of 'Available For Sale' securities

	Note	2017		2016	
		Market Value ----Rupees----	Credit Rating	Market Value ----Rupees----	Credit Rating
Market Treasury Bills	9.4.1	10,978,856,700	Not Available	4,469,297,000	Not Available
Pakistan Investment Bonds	9.4.1	-	Not Available	1,224,500,000	Not Available
Ordinary shares of a listed company Agritech Limited		57,625,911	D	150,040,360	D
Listed / unlisted term finance certificates					
Bank Alfalah Limited		-	-	100,787,371	AA-
Bank Al-Habib Limited - II		175,069,895	AA	177,049,533	AA
Standard Chartered Bank Limited		200,200,000	AAA	200,800,000	AAA
Fauji Akbar Portia Marine Terminals limited	9.4.2	127,285,331	Unrated	91,514,351	Unrated
Funds					
HBL PICIC Income Fund		-	-	100,447,000	A(f)
HBL Money Market Fund		133,386	AM2+	-	-
Sukuks - unlisted					
Liberty Power Tech. Limited	9.4.2	262,089,492	A+	324,754,382	A+
Neelum Jhelum Hydro Power Company Limited.	9.4.2	650,000,000	AAA	650,000,000	AAA
		<u>12,451,260,715</u>		<u>7,489,189,997</u>	

9.4.1 These are Government of Pakistan guaranteed securities.

9.4.2 Investments in these TFCs and Sukuks are stated at their carrying values.

Kamran

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

9.5 Investment in Pakistan Stock Exchange Limited

Pakistan Stock Exchange Limited (PSX) is an associate of the Company due to common directorship. The Company has acquired 40,073,830 ordinary shares of PSX on 6 March 2017 and concurrently, the Company's director was appointed on the board of PSX on 10 March 2017. Investment of the Company in PSX has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in PSX as at 31 December 2017 amounted to Rs. 898 million.

Pakistan Stock Exchange is engaged in conducting, regulating and controlling the trade or business of buying, selling and dealing in shares, scripts, participation term certificates, mudarbah certificates, stocks, bonds, debentures stock, government papers, loans and any other instruments and securities of like nature including but not limited to, special national fund bonds, bearer national fund bonds, foreign exchange bearer certificates and documents of similar nature, issued by the Government of Pakistan or any other agency authorized by the Government of Pakistan.

The reconciliation of carrying amount is as follows:

	2017	2016
	-----Rupees-----	
Opening balance	-	-
Purchase of ordinary shares (40,073,830 shares of Rs. 28/- each)	1,122,067,240	-
Share of profit for the year before tax	10,092,750	-
Dividend from associate	(12,022,149)	-
	(1,929,399)	-
	(586,250)	-
Share of other comprehensive income	1,119,551,591	-
Closing balance		
Share of other comprehensive income		
Unrealized deficit on available for sale securities - net of tax	(14,900)	-
Actuarial loss of employee gratuity fund of associate - net of tax	(571,350)	-
	(586,250)	-

The following table summarizes the financial information of PSX as included in its financial statements for the un-audited condensed financial information for the period ended 31 December 2017, adjusted for difference in accounting policies in respect of revaluation of fixed assets. The financial year-end of PSX is 30 June.

10/11/17

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	-----Rupees-----	
Percentage of ownership (%)	5%	-
Total assets	9,603,868,000	-
Total liabilities	1,538,604,000	-
Net assets	8,065,264,000	-
Company's share of net assets (5%)	403,263,200	-
Excess of cost over net assets at the date of investment	716,288,391	-
Carrying amount of interest in associates	1,119,551,591	-
Net income	753,650,000	-
Profit after tax (100%)	201,855,000	-
Company's share of net profit for the year (5%)	10,092,750	-
Other Comprehensive Income (OCI):		
- loss on re-measurement of defined benefit liability	(11,427,000)	-
- change in surplus on revaluation of available-for-sale investments	(298,000)	-
Total OCI (100%)	(11,725,000)	-
Company's share of OCI (5%)	(586,250)	-

The market value of PSX as at 31 December 2017 was Rs. 22.4 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 neither significant nor prolonged. In addition the management also has carried out an impairment analysis using discounted cash flows and concluded that no impairment is required to be recognized.

9.6 Investment in Central Depository Company of Pakistan Limited

Central Depository Company of Pakistan Limited (CDC) is an associate of the Company due to common directorship. During the previous year, the Company acquired 3,250,000 ordinary shares of CDC from Citi Overseas Investment Corporation at Rs. 76.92 per share. Subsequently, the Company also received 304,470 (2016: 1,750,000) as bonus shares. The investment in the CDC was classified as available-for-sale investment. Due to the appointment of the Company's nominee director on the board of the CDC the investment has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) "Accounting for Investments in Associates". The related impacts have been accounted for from 01 January 2017.

CDC is recognized as the infrastructure backbone of the Pakistan's capital market and it is the sole securities depository in the country. In the past two decades, CDC has also evolved as one of the leading and most prestigious infrastructure institutions in Pakistan with a focus on the capital market. CDC is principally engaged in to act as a depository of securities, open securities accounts and act as a registrar to issues of securities.

KOMTD

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

The reconciliation of carrying amount is as follows:

	2017	2016
	-----Rupees-----	
Carrying value as at 1 January 2017	178,195,000	-
Reversal due to reclassification of investment in CDC to equity-accounted associate	71,805,000	
	<u>250,000,000</u>	
Transfer from available-for-sale investment (5,000,000 shares of Rs. 76.92 each)	250,000,000	-
Share of profit for the year before tax	36,538,934	-
Dividend from associate	(9,150,000)	-
	27,388,934	-
Share of other comprehensive income:		-
Unrealized deficit on assets - net of tax	(70,331)	-
Closing balance	<u>277,318,603</u>	<u>-</u>

The following table summarizes the financial information of CDC as included in its financial statements for the un-audited condensed financial information for the period ended 31 December 2017. The financial year-end of CDC is 30 June.

	2017	2016
	-----Rupees-----	
Percentage of ownership (%)	5%	-
Total assets	4,617,482,208	-
Total liabilities	742,193,925	-
Net assets	3,875,288,283	-
Company's share of net assets (5%)	193,764,414	-
Excess of cost over net assets at the date of investment	83,554,189	-
Carrying amount of interest in associates	<u>277,318,603</u>	<u>-</u>
Net income	2,045,440,850	-
Profit after tax (100%)	730,778,693	-
Company's share of net profit (5%)	<u>36,538,934</u>	<u>-</u>
Other Comprehensive Income (OCI):		
- change in surplus on revaluation of available-for-sale investments	(1,406,627)	-
Total OCI (100%)	<u>(1,406,627)</u>	<u>-</u>
Company's share of OCI (5%)	<u>(70,331)</u>	<u>-</u>

12/11/17

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

10	ADVANCES		2017	2016
		Note	-----Rupees-----	
	In Pakistan			
	Advances		8,219,858,050	6,448,339,327
	Staff loans	10.1	37,091,419	35,866,924
			8,256,949,469	6,484,206,251
	Net investment in finance lease	10.2	116,686,587	61,320,000
	Advances - gross		8,373,636,056	6,545,526,251
	Less: Provisions against non-performing loans and advances			
	Specific provision	10.4	313,163,564	383,163,564
	General provision	10.4.1	160,480,893	122,543,186
			473,644,457	505,706,750
	Advances - net of provisions		7,899,991,599	6,039,819,501
10.1	Staff loans			
	Opening balance		35,866,925	25,972,799
	Amounts disbursed / adjusted during the year		7,701,175	11,610,314
	Amounts recovered during the year		(6,476,681)	(1,716,188)
			37,091,419	35,866,925

10.2 This represents lease finance facility, extended to Securlog (Private) Limited for leasing of Prime Movers and Trailers. The Company's share in this investment is 70% whereas Securlog (Private) Limited has contributed 30%, which also represents its residual value. The lease finance facility is for 5 years and priced at 3 months KIBOR + 2.75% (2016: 5 years and priced at 3 months KIBOR + 3.75%) per annum.

Net investment in finance lease

	2017			
	Not later than one year	Later than one and less than five years	Over five years	Total
	-----Rupees-----			
Lease rentals receivable	44,698,152	118,768,783	-	163,466,935
Minimum lease payments	44,698,152	118,768,783	-	163,466,935
Finance charges for future periods	(15,526,506)	(31,253,842)	-	(46,780,348)
Present value of minimum lease payments	29,171,646	87,514,941	-	116,686,587

Company

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Net investment in finance lease (continued)

	2016			
	Not later than one year	Later than one and less than five years	Over five years	Total
	-----Rupees-----			
Lease rentals receivable	6,046,153	85,521,177	-	91,567,330
Minimum lease payments	6,046,153	85,521,177	-	91,567,330
Finance charges for future periods	(6,046,153)	(24,201,177)	-	(30,247,330)
Present value of minimum lease payments	-	61,320,000	-	61,320,000

		2017	2016
		Rupees	
10.3	Particulars of advances - gross	Note	
	In local currency	10.3.1	
		8,373,636,056	6,545,526,251
10.3.1	Short-term (for upto one year)	1,050,000,000	400,000,000
	Long-term (for over one year)	7,323,636,056	6,145,526,251
		8,373,636,056	6,545,526,251

WORTH

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

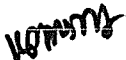
10.4 Advances include Rs. 313,164 million (2016: Rs. 383,164 million) which have been placed under non-performing status as detailed below:

Category of classification	2017			2016		
	Classified advances		Provision required Rupees	Provision held		
	Domestic	Overseas		Domestic	Overseas	Total
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	313,163,564	-	313,163,564	313,163,564	-	313,163,564
	313,163,564	-	313,163,564	313,163,564	-	313,163,564

10.4.1.1 General provision is maintained at the rate of 2% of the performing portfolio of advances. Further, reversal has been made in the provision due to recovery of classified advances.

10.4.2 Particulars of provision against non-performing advances

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of any financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended 31 December 2017 is given at Annexure I.



PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11 OPERATING FIXED ASSETS

Capital work-in-progress
Property and equipment
Intangible assets

Note	2017	2016
	Rupees	
11.1	4,500,000	4,415,592
11.2	169,523,393	172,245,933
11.3	339,104	641,048
	174,362,497	177,302,573
11.1.1	4,500,000	4,415,592

Advances to suppliers and contractors

11.1.1 This represents Rs. 4.5 million advance payment for development and installation of software, for use in the Company's Credit Administration, Corporate Finance and Risk Management Departments.

11.2 PROPERTY AND EQUIPMENT

	COST		DEPRECIATION		NET BOOK VALUE		Rate of depreciation per annum %
	As at 01 January, 2017	Additions / (deletions)	As at 31 December, 2017	As at 01 January, 2017	As at 31 December, 2017	As at 31 December, 2017	
Freehold land (refer note 11.2.1)	136,000,000	-	136,000,000	-	-	136,000,000	-
Building (refer note 11.2.1)	39,951,307	76,500 (76,500)	39,951,307	14,635,935	16,204,308	23,746,999	4%
Leasehold improvements	12,219,340	94,785 (37,260)	12,276,865	12,219,338	12,186,535	90,330	20%
Electrical fittings	5,519,035	-	5,519,035	5,519,034	5,519,034	1	20%
Furniture and fixtures	14,293,256	347,958	14,641,214	13,824,512	14,212,072	429,142	20%
Computers and office equipment	44,277,589	2,726,368 (241,936)	46,762,021	37,577,044	40,628,732	6,133,289	33%
Vehicles	40,431,609	3,914,786 (1,187,786)	43,158,609	36,670,340	40,034,977	3,123,632	20%
	292,692,136	7,160,397 (1,543,482)	298,309,051	120,446,203	128,785,658	169,523,393	

KPMG

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	COST			DEPRECIATION		NET BOOK VALUE		Rate of depreciation per annum %
	As at 01 January, 2016	Additions / (deletions)	As at 31 December, 2016	As at 01 January, 2016	Charge during the year (on deletions)	As at 31 December, 2016	As at 31 December, 2016	
Rupees								
Freehold land	136,000,000	-	136,000,000	-	-	-	136,000,000	-
Building	39,951,307	-	39,951,307	10,640,799	3,995,136	14,635,935	25,315,372	10%
Leasehold improvements	12,219,340	-	12,219,340	12,219,338	-	12,219,338	2	20%
Electrical fittings	5,519,035	-	5,519,035	5,519,034	-	5,519,034	1	20%
Furniture and fixtures	14,293,256	-	14,293,256	13,442,057	382,455	13,824,512	468,744	20%
Computers and office equipment	38,151,055	6,666,908 (540,374)	44,277,589	33,925,495	4,191,923 (540,374)	37,577,044	6,700,545	33%
Vehicles	40,431,609	-	40,431,609	29,198,756	7,471,584	36,670,340	3,761,269	20%
	286,565,602	6,666,908 (540,374)	292,692,136	104,945,479	16,041,098 (540,374)	120,446,203	172,245,933	

11.2.1 The Company's freehold land and building is situated in Karachi, Pakistan and the related rental income is included in note 23 of these financial statements.

11.2.2 Included in the cost of property and equipment, are fully depreciated items still in use and with costs of:

	2017	2016
	Rupees	
Leasehold improvements	12,276,865	12,219,340
Electrical fittings	5,519,035	5,519,035
Furniture and fixtures	12,732,374	12,384,416
Computers and office equipment	34,676,584	31,477,463
Vehicles	40,431,609	3,073,716
	105,636,467	64,673,970

Accountant

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	-----Rupees-----	
	339,104	641,048
	339,104	641,048

11.3 Intangible assets

COST			AMORTISATION		NET BOOK VALUE	
As at 01 January, 2017	Additions / (deletions)	As at 31 December, 2017	As at 01 January, 2017	Charge during the year (on deletions)	As at 31 December, 2017	Rate of amortization per annum %
-----Rupees-----						
5,580,292	-	5,580,292	4,939,244	301,944	5,241,188	33%

Computer software

COST			AMORTISATION		NET BOOK VALUE	
As at 01 January, 2016	Additions / (deletions)	As at 31 December, 2016	As at 01 January, 2016	Charge during the year (on deletions)	As at 31 December, 2016	Rate of amortization per annum %
-----Rupees-----						
5,104,454	475,838	5,580,292	4,758,080	181,164	4,939,244	33%

Computer software

Kamran

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

12 DEFERRED TAX ASSETS / (LIABILITIES)

	01 January, 2017	Recognized in profit and loss account	Recognized in equity	31 December, 2017
		Rupees		
	6,128,938	(320,979)	-	5,807,959
	(57,204,105)	(19,307,226)	-	(76,511,331)
	2,461,709	(698,087)	1,132,880	2,896,502
	14,800,931	5,781,728	-	20,582,659
	125,191,219	(14,361,000)	-	110,830,219
	45,282,054	2,754,946	-	48,037,000
	(5,391,544)	-	5,368,432	(23,112)
	-	(6,994,753)	12,786	(6,981,967)
	131,269,202	(33,145,371)	6,514,098	104,637,929

Difference between accounting book value and tax base of operating fixed assets
 Unrealized exchange gain
 Provision for staff retirement gratuity
 Provision against non-performing advances
 Provision for diminution in the value of available-for-sale investments
 Impairment loss on available-for-sale investments
 Surplus on revaluation of available-for-sale securities
 Share of profit of associated companies

	01 January, 2016	Recognized in profit and loss account	Recognized in equity	31 December, 2016
		Rupees		
	4,754,905	1,374,033	-	6,128,938
	(110,005,931)	52,801,826	-	(57,204,105)
	1,148,065	1,313,644	-	2,461,709
	15,000,000	(199,069)	-	14,800,931
	110,830,219	14,361,000	-	125,191,219
	37,683,668	7,598,386	-	45,282,054
	(53,805,899)	-	48,414,355	(5,391,544)
	5,605,027	77,249,820	48,414,355	131,269,202

Difference between accounting book value and tax base of operating fixed assets
 Unrealized exchange gain
 Provision for staff retirement gratuity
 Provision against non-performing advances
 Provision for diminution in the value of available-for-sale investments
 Impairment loss on available-for-sale investments
 Surplus on revaluation of available-for-sale securities

Summa

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 -----Rupees-----	2016
13 OTHER ASSETS			
Income / mark-up accrued in local currency		150,790,603	167,540,348
Income / mark-up accrued in foreign currency		513,277	302,777
Advances, deposits and prepayments		14,512,812	27,496,364
Earnest money paid		-	424,782,598
Receivable against consultancy services		7,672,741	-
Advance taxation (payments less provision)		23,463,634	-
Others		1,437,580	91,619
		<u>198,390,647</u>	<u>620,213,706</u>
14 BORROWINGS			
In Pakistan		<u>9,576,859,910</u>	<u>8,196,454,866</u>
14.1 Particulars of borrowings with respect to currencies			
In local currency		<u>9,576,859,910</u>	<u>8,196,454,866</u>
14.2 Details of borrowings - secured / unsecured			
Secured			
Short-term			
Repurchase agreement borrowings		5,248,321,120	-
Long-term			
Borrowing from SBP under FFSAP	14.2.1	8,221,059	24,663,175
Borrowing from SBP under PPRE	14.2.2	150,317,731	171,791,691
		<u>5,406,859,910</u>	<u>196,454,866</u>
Unsecured			
Short-term			
Call money borrowing from financial institutions		4,170,000,000	8,000,000,000
		<u>9,576,859,910</u>	<u>8,196,454,866</u>

14.2.1 This represents a Financing Facility for Storage of Agricultural Produce (FFSAP) obtained on concessional rates, for the objectives of developing agricultural produce, marketing it and the enhancement of storage capacities for agriculture produce. The loan availed under the facility is repayable within a maximum period of seven years, including a maximum grace period of six months and mark-up payable at 2.5% (2016: 2.5%) per annum. The Company has utilized the funds under this facility, by disbursing advances to an entity undertaking the relevant project.

14.2.2 This represents a SBP Refinance Facility under Finance Scheme for Renewable Energy Power Projects (PPRE) 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 3.00% per annum.

10/11/17

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		-----Rupees-----	
15 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		136,514,970	131,479,795
Accrued liabilities		11,866,478	10,990,192
Advance rent received		-	850,306
Provision for tax - (provision less payments)		-	21,066,003
Withholding tax / sales tax payable		1,776,219	6,871,058
Payable to provident fund		-	181,820
Payable to gratuity fund	30.3	9,655,007	8,205,695
Salary payable		14,418,332	15,479,435
Others		1,304,983	577,097
		<u>175,535,989</u>	<u>195,701,401</u>
16 SHARE CAPITAL			
16.1 Authorised capital		2017	2016
		-----Rupees-----	
		2017	2016
		Number of shares	
	Ordinary shares of Rs. 10 each		
		<u>1,214,000,000</u>	<u>1,214,000,000</u>
		<u>12,140,000,000</u>	<u>12,140,000,000</u>
16.2 Issued, subscribed and paid-up share capital			
		2017	2016
		Number of shares	
	Ordinary shares of Rs. 10 each, issued for cash		
		<u>911,640,000</u>	<u>911,640,000</u>
		<u>9,116,400,000</u>	<u>9,116,400,000</u>
16.3	The Ministry of Finance, Government of Pakistan, and the China Development Bank on behalf of the Government of Pakistan and the Government of China, respectively, each hold 455,820,000 (2016: 455,820,000) ordinary shares of the Company, at the year end.		
		2017	2016
		-----Rupees-----	
17 RESERVES			
Statutory reserve		<u>1,110,843,079</u>	<u>977,364,488</u>
At the beginning of the year		977,364,488	854,266,780
Add: transfer during the year		<u>133,478,591</u>	<u>123,097,708</u>
		<u>1,110,843,079</u>	<u>977,364,488</u>

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.

remy

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
	Note	-----Rupees-----	
18 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX			
Market Treasury Bills		(21,950)	(44,000)
Pakistan Investment Bonds		-	66,912,192
Shares of Agritech Limited, a listed company		-	59,296,298
		(21,950)	126,164,490
Term finance certificates			
Bank Al-Falah Limited		-	1,047,271
Bank Al-Habib Limited - II		174,895	2,084,533
Standard Chartered Bank Limited		200,000	800,000
		374,895	3,931,804
Mutual fund units			
HBL PCIC Income Fund		-	447,000
HBL Money Market Fund		1,138	-
		1,138	447,000
		354,083	130,543,294
Deferred tax		(23,112)	(5,391,544)
		330,971	125,151,750
Company's share of equity-accounted investees' OCI			
Change in fair value of available-for-sale financial assets - net of tax	9.5 & 9.6	(85,231)	-
		245,740	125,151,750
		2017	2016
19 CONTINGENCIES AND COMMITMENTS		-----Rupees-----	
Transaction related contingent liabilities			
Letters of guarantees		645,000,000	613,500,000
Trade related contingent liabilities			
Letters of credit		122,958,539	36,900,798
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 the balance sheet date, however, the Company's outstanding irrevocable commitments amounts to Rs. 947.813 million (2016: Rs.1,235.852 million).			
For tax related contingencies, please refer note 26.2 to these financial statements.			
		2017	2016
		-----Rupees-----	
20 MARK - UP / RETURN / INTEREST EARNED			
On loans and advances		576,981,352	448,887,027
On investments			
- Available-for-sale		476,426,128	448,037,356
On deposits with banks		117,344,751	46,145,429
On securities purchased under resale agreements		50,882,067	47,091,576
		1,221,634,298	990,161,388

12/11/2017

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		-----Rupees-----	
21 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		1,356,164	-
Borrowings		528,539,469	134,195,447
Securities sold under repurchase agreements		139,261,626	159,297,963
		<u>669,157,259</u>	<u>293,493,410</u>
22 GAIN ON SALE OF SECURITIES			
Federal Government Securities			
Market Treasury Bills		401,953,810	147,020,000
Pakistan Investment Bonds		25,379,000	106,232,300
		<u>427,332,810</u>	<u>253,252,300</u>
Shares			
Listed		3,020,053	-
Mutual fund units		<u>528,994</u>	<u>103,375,769</u>
		<u>430,881,857</u>	<u>356,628,069</u>
23 OTHER INCOME			
Rent income	11.2.1	10,153,282	9,401,185
Gain on sale of operating fixed assets		-	45,767
Miscellaneous income		51,363	-
		<u>10,204,645</u>	<u>9,446,952</u>
24 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits		204,525,918	194,564,359
Directors' fee		1,050,123	2,617,170
Gratuity		10,339,900	8,564,844
Employer's contribution to the provident fund		7,247,061	6,344,140
Traveling, conveyance, boarding and lodging		19,375,719	22,008,945
Rent, rates and taxes		31,151,315	29,189,096
Utilities		4,842,555	4,523,189
Communication		4,129,017	3,281,746
Office security charges		2,978,104	3,724,870
Professional training and staff welfare		2,065,987	4,553,277
Advertisements, periodicals and membership fees		1,572,181	1,390,823
Printing and stationery		2,763,805	3,691,526
Depreciation	11.2	9,760,409	16,041,098
Amortization	11.3	301,944	181,164
Auditors' remuneration	24.1	1,548,400	1,538,400
Legal, consultancy and other professional services		7,114,744	2,524,842
Repairs and maintenance		1,815,944	2,082,749
Insurance		2,200,394	2,746,617
Entertainment		1,878,591	2,149,390
Bank charges		230,009	390,896
Contractual payments		5,745,284	4,854,942
Loss on replacements of fixed assets		122,528	-
Miscellaneous		<u>4,156,585</u>	<u>4,661,947</u>
		<u>326,916,517</u>	<u>321,626,030</u>

legends

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		-----Rupees-----	
24.1 Auditors' remuneration			
Audit fee		600,000	600,000
Half yearly review		200,000	200,000
Special certifications and sundry services		600,000	600,000
Out of pocket expenses		148,400	138,400
		<u>1,548,400</u>	<u>1,538,400</u>
25 OTHER CHARGES			
Advisory services		<u>51,352,478</u>	<u>19,177,411</u>
26 TAXATION			
For the year			
- Current		183,405,985	285,199,975
- Deferred		33,145,371	(77,249,821)
For the prior year			
- Current		<u>82,656,601</u>	<u>35,391,315</u>
	26.1	<u>299,207,957</u>	<u>243,341,469</u>
26.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>969,802,860</u>	<u>858,470,860</u>
Tax at applicable rate of 30% (2016: 31%)		290,940,858	266,125,967
Tax effects of - income taxable at reduced rates		(69,711,526)	(59,391,596)
Other temporary differences		(4,677,976)	1,215,783
Prior year current tax charge		<u>82,656,601</u>	<u>35,391,315</u>
		<u>299,207,957</u>	<u>243,341,469</u>

26.2 Tax related contingencies

26.2.1 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 in protest on the issue of disallowing "provision against non-performing loan and advances" and submitted appeal before CIR(A). The appeal was decided in the favor of the Company and the tax deposited earlier was therefore turned into adjustable tax. 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.

26.2.2 For the Tax Year 2014, demand of Rs. 18.23 million was raised by the Taxation Officer by charging Worker's Welfare Fund. The Company filed an appeal before CIR(A) which was decided in favor of the Company. However, the department has filed an appeal before ATIR against the order of CIR(A) hearing of which is yet to be fixed.

Kamran

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

- 26.2.3 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
- 26.2.4 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 financial statements.

27	BASIC AND DILUTED EARNINGS PER SHARE	2017	2016
	Net profit for the year (Rupees)	670,594,903	615,129,391
	Weighted average number of ordinary shares (Number)	911,640,000	911,640,000
	Basic earnings per share (Rupees)	0.74	0.67

There were no convertible dilutive potential ordinary shares outstanding as on 31 December, 2017 and 2016.

	Note	2017	2016
		-----Rupees-----	
28	CASH AND CASH EQUIVALENTS		
	Cash and balances with treasury banks	6 26,529,844	2,080,940,035
	Balances with other banks	7 2,168,944,684	3,086,523,031
		2,195,474,528	5,167,463,066

29	STAFF STRENGTH	Number of employees	Number of employees
	Permanent	43	41
	Temporary / on contractual basis	-	-
	The Company's own staff strength at the end of the year	43	41
	Outsourced	10	10
	Total staff strength	53	51
	Average number of employees during the year	42	49

Wameng

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

30 DEFINED BENEFIT PLAN

30.1 General description

The Company operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with an actuarial valuation. The latest actuarial valuation was carried out as at 31 December 2017.

The benefits under the gratuity scheme are payable on retirement, at the age of 60 years, or on earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn gross salary for each year of eligible service or part thereof, subject to a minimum of one year of service.

30.2	Principal actuarial assumptions		2017	2016
	Discount rate used for Profit and Loss		9.50%	9.50%
	Discount rate used for year end obligation		9.50%	9.50%
	Salary increase rate - long term		9.50%	9.50%
	Salary increase rate - short term next one year		9.50%	6.50%
	Average remaining working lives of employees		5.30%	5.27%
	Normal retirement age		60 years	60 years
			2017	2016
30.3	Reconciliation of amount payable to defined benefit plan	Note	-----Rupees-----	
	Present value of defined benefit obligation	30.5	47,806,901	35,722,683
	Fair value of plan assets	30.6	(38,151,894)	(27,516,987)
			9,655,007	8,205,696
30.4	Movement in payable to defined benefit plan			
	Opening balance		8,205,696	3,826,882
	Charge for the year		10,339,900	8,564,844
	Remeasurements loss / (gain) chargeable to the other comprehensive income		3,776,266	(359,149)
	Benefits paid on behalf of trust		(4,857,160)	(1,876,500)
	Company's contributions for the year		(7,809,695)	(1,950,381)
			9,655,007	8,205,696

19/11/17

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

30.5 The movement in the present value of the defined benefit obligation over the year is as follows:

	2017	2016
	-----Rupees-----	
Opening balance	35,722,683	27,133,286
Current service cost	9,928,469	8,357,246
Interest cost	3,162,940	2,619,504
Benefits paid	(4,857,160)	(1,876,500)
Remeasurement gain	3,849,969	(510,853)
Closing balance	<u>47,806,901</u>	<u>35,722,683</u>

30.6 The movement in the fair value of plan assets for the year is as follows:

Opening balance	27,516,987	23,306,403
Interest income on plan assets	2,751,509	2,411,906
Contributions	7,809,695	1,950,382
Benefits paid on behalf of trust	-	1,876,500
Benefits paid	-	(1,876,500)
Return on plan assets excluding interest income	73,703	(151,704)
Closing balance	<u>38,151,894</u>	<u>27,516,987</u>
Actual return on plan assets	<u>2,825,212</u>	<u>2,260,202</u>

30.7 The amounts recognized in profit and loss are as follows:

Current service cost	9,928,469	8,357,246
Interest cost	3,162,940	2,619,504
Interest income on plan assets	(2,751,509)	(2,411,906)
	<u>10,339,900</u>	<u>8,564,844</u>

30.8 The amounts recognized in the other comprehensive income are as follows:

	2017	2016
	-----Rupees-----	
Remeasurement (loss) / gain:		
Actuarial (loss) / gain - experience adjustment	(3,849,969)	510,853
Return on plan assets, excluding interest income	73,703	(151,704)
	<u>(3,776,266)</u>	<u>359,149</u>

	2017	2016		
	-----%-----			
30.9 Plan assets comprise of the following:				
National Savings Certificates	99.92	90.50	38,122,441	19,370,518
Bank balances	0.08	9.50	29,453	2,033,973
	<u>100</u>	<u>100</u>	<u>38,151,894</u>	<u>21,404,491</u>

Wanna

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	-----Rupees-----	
30.10 Experience adjustment		
Defined benefit obligation	47,806,901	35,722,683
Fair value of plan assets	(38,151,894)	(27,516,987)
Net defined benefit liability	<u>9,655,007</u>	<u>8,205,696</u>
Remeasurement loss / (gain) on obligations	3,849,969	(510,853)
Remeasurement loss on plan assets	(73,703)	151,704
Other comprehensive income	<u>3,776,266</u>	<u>(359,149)</u>
30.11 Year end sensitivity analysis (+/- 100 bps) on the defined benefit obligation		
Current liability	<u>47,806,901</u>	<u>35,722,683</u>
Discount rate +100 bps	<u>(43,518,844)</u>	<u>(31,863,994)</u>
Discount rate -100 bps	<u>52,787,784</u>	<u>40,273,144</u>
Average salary increase +100 bps	<u>52,849,598</u>	<u>40,431,867</u>
Average salary increase -100 bps	<u>43,382,497</u>	<u>31,669,581</u>

30.12 Risk associated with defined benefit plan

The defined benefit plan exposes the Company to the following risks:

Investment risk

The risk arises when the actual performance of the investments is lower than expectation, which may result in shortfall in funds needed to meet the related liabilities.

Mortality risks

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Salary increase risk

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Withdrawal risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

Handwritten signature

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	-----Rupees-----	
30.13 Maturity profile	Undiscounted payments	
Particulars		
Year 1	4,369,102	1,860,871
Year 2	4,803,923	1,677,190
Year 3	5,003,442	1,548,144
Year 4	8,553,003	3,272,715
Year 5	5,178,213	1,346,368
Year 6 to Year 10	32,319,978	7,449,658
Year 11 and above	674,056,251	124,929,744

At 31 December 2017, the weighted-average duration of the defined benefit obligation was 10 years (2016: 10 years).

30.14 Historical information of the defined benefit plan

	2017	2016	2015	2014	2013
	-----Rupees-----				
Present value of defined benefit obligations	47,806,901	35,722,682	27,133,286	30,071,994	24,751,685
Fair value of plan assets	(38,151,894)	(27,516,987)	(23,306,403)	(22,311,371)	(11,987,167)
Deficit / (surplus)	9,655,007	8,205,695	3,826,883	7,760,623	12,764,518
Experience adjustments					
- on obligations	(3,849,969)	510,853	4,185,830	1,711,129	(3,531,433)
- on plan assets	73,703	(151,704)	(1,514,996)	656,280	53,390

30.15 Based on actuarial advice, the management estimates that the gratuity charge for the next year would be Rs. 12.379 million.

31 DEFINED CONTRIBUTION PLAN

The Company also operates a recognized contributory provident fund scheme for all its regular employees, where contributions are made by the Company and employees at 10% per annum (2016: 10% per annum) of the employees' basic salary. During the year the company contributed Rs. 7.247 million (2016: Rs. 6.344 million) in respect of this fund.

Contributions made to the provident fund, during the year, are as follows:

	2017 (un-audited)	2016 (audited)
	-----Rupees-----	
Contribution from the Company	7,247,061	6,344,140
Contribution from the employees	7,247,061	6,344,140
	14,494,122	12,688,280

Kamran

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	(un-audited)	(audited)
	Rupees	
31.1 Provident fund trust		
Size of the trust (Rupees)	71,995,835	59,727,460
Cost of investments made (Rupees)	63,331,376	57,495,772
Percentage of investment made (%)	87.96%	96.26%
Fair value of investment made (Rupees)	63,331,376	57,495,772
	2017	2016
	Rupees	
Break-up of investments		
With a scheduled bank	5.85	9.73
In savings accounts	82.11	86.53
	87.96	96.26

31.2 Investments out of the provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for that purpose.

32 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	Rupees					
Fee	-	-	1,050,123	2,617,170	-	-
Managerial remuneration	35,258,225	38,677,687	23,233,607	21,528,917	138,746,928	126,131,642
Charge for defined benefit plan	1,345,037	1,395,417	1,541,868	1,410,049	7,374,871	5,631,544
Contribution to defined contribution plan	971,077	980,120	1,275,887	1,161,600	4,992,523	4,158,389
Rent and house maintenance	1,264,728	1,594,527	-	-	-	-
Utilities	231,791	251,926	566,335	750,624	-	-
Medical	247,557	597,995	411,891	474,771	5,140,456	4,713,996
Travelling and conveyance	2,372,724	2,480,797	937,895	2,773,971	-	-
Boarding and lodging	469,247	442,900	288,999	599,332	-	-
Daily allowance	615,500	885,870	67,500	784,200	-	-
Others	588,313	704,103	484,270	3,733,305	-	-
	43,364,199	48,011,342	29,858,375	35,833,939	156,254,778	140,635,571
Number of persons	1	1	3	3	45	39

32.1 The Chief Executive and a Director are also provided with free use of Company maintained cars.

32.2 Executive represents all staff of the Company with gross salary exceeding Rs. 500,000.

32.3 Pursuant to the Company's Article of Association "The remuneration to be paid to any Director for attending the meetings of the Directors or a committee of Directors shall not exceed the limit approved by the Board of Directors".

Signature

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

33 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity as carried at cost. 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 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.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values. Since these are either short term in nature or, in the case of deposits, are frequently pre-priced.

On balance sheet financial instruments

	2017									
	BOOK VALUE					FAIR VALUE				
	Available for sale	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Securities not at fair value	Total
Rupees										
Investments	10,978,856,700	-	-	-	10,978,856,700	-	10,978,834,750	-	-	10,978,834,750
Government Securities (T bills and PIBs)	57,625,911	-	-	-	57,625,911	57,625,911	-	-	-	57,625,911
Ordinary shares of listed companies	-	-	-	-	-	-	-	-	-	-
Ordinary shares of unlisted companies	1,414,269,823	-	-	-	1,414,269,823	5,835,833	-	-	1,039,374,823	1,045,210,656
Debt securities (TFCs and Sukuks)	132,248	-	-	-	132,248	133,386	-	-	-	133,386
Investment in mutual fund units	-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value	-	-	26,529,844	-	26,529,844	-	-	-	-	-
Cash and bank balances with treasury banks	-	-	2,168,944,684	-	2,168,944,684	-	-	-	-	-
Balances with other banks	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	7,899,991,599	-	-	7,899,991,599	-	-	-	-	-
Advances	-	169,037,633	2,731,209	-	171,768,842	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Associates	277,318,603	-	-	-	277,318,603	-	-	-	277,318,603	277,318,603
Unlisted shares	1,119,551,591	-	-	-	1,119,551,591	-	-	-	1,119,551,591	1,119,551,591
Listed shares	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value	-	-	-	-	-	-	-	-	-	-
Borrowings	9,576,859,910	-	-	-	9,576,859,910	-	-	-	-	-
Other liabilities	-	-	-	175,535,989	175,535,989	-	-	-	-	-

Note

2017

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

On balance sheet financial instruments (continued)

2016																			
BOOK VALUE					FAIR VALUE														
Available for sale		Loans and receivables		Other financial assets		Other financial liabilities		Total		Level 1		Level 2		Level 3		Securities not at fair value		Total	
Rupees																			

Rupees

Financial assets measured at fair value

Investments	5,693,797,000	-	-	-	5,693,797,000	-	5,760,665,192	-	-	5,760,665,192
Government Securities (T bills and PIBs)	90,744,062	-	-	-	90,744,062	150,040,360	-	-	-	150,040,360
Ordinary shares of listed companies	178,195,000	-	-	-	178,195,000	-	-	178,195,000	-	178,195,000
Ordinary shares of unlisted companies	1,540,973,833	-	-	-	1,540,973,833	478,636,904	-	-	1,066,268,733	1,544,905,637
Debt securities (TFCs and Sukuks)	100,000,000	-	-	-	100,000,000	100,447,000	-	-	-	100,447,000
Investment in mutual fund units	-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value	-	-	-	-	-	-	-	-	-	-
Cash and bank balances with treasury banks	-	-	2,080,940,035	-	2,080,940,035	-	-	-	-	-
Balances with other banks	-	-	3,086,523,031	-	3,086,523,031	-	-	-	-	-
Lending to financial institutions	-	-	2,647,918,347	-	2,647,918,347	-	-	-	-	-
Advances	-	6,039,819,501	-	-	6,039,819,501	-	-	-	-	-
Other assets	-	506,389,987	90,894,555	-	597,284,542	-	-	-	-	-
Associates	-	-	-	-	-	-	-	-	-	-
Unlisted shares	-	-	-	-	-	-	-	-	-	-
Listed shares	-	-	-	-	-	-	-	-	-	-

Financial liabilities not measured at fair value

Borrowings	8,196,454,866	-	-	-	8,196,454,866	-	-	-	-	-
Other liabilities	-	-	-	195,701,401	195,701,401	-	-	-	-	-

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

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

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

Level 3: Fair value measurements using inputs for the assets and liabilities that are not based on observable market data (i.e. unobservable inputs).

33.1 The Company has not disclosed the fair value for these financial assets and liabilities, as these are for short term and or re-priced over short term. Therefore their carrying amounts are reasonable approximation of fair value.

33.2 The Company's policy is to recognize transfer into and out of the different fair value hierarchy levels at the date, the event or change in circumstances, that caused the transfer occurred. There were no transfers between level 1 and level 2 during the year.

33.3 Currently no financial instruments are classified in level 3.

[Signature]

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

34 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	2017		
	Corporate Finance	Trading & Sales	Others Total
	(Rupees)		
Total income	909,655,932	1,025,179,087	11,644,953
Total expenses	14,321,752	(664,082,347)	(326,916,517)
Profit / (loss) before taxation	923,977,684	361,096,740	(315,271,564)
Segment assets - gross	11,738,056,333	13,175,523,065	350,465,273
Segment non-performing assets	682,597,626	-	-
Segment provision including general provision	(843,078,519)	-	-
Segment liabilities	(290,472,377)	(9,422,335,939)	(39,587,583)
Segment return on net assets	8.71%	9.62%	-101.41%
Segment cost of funds	2.75%	5.90%	0.00%
			6.61%
			4.33%

	2016		
	Corporate Finance	Trading & Sales	Others Total
	(Rupees)		
Total income	620,274,674	795,951,365	9,446,952
Total expenses	42,507,849	(288,083,950)	(321,626,030)
Profit / (loss) before taxation	662,782,523	507,867,415	(312,179,078)
Segment assets - gross	9,401,482,168	13,730,955,694	332,747,534
Segment non-performing assets	752,597,626	-	-
Segment provision including general provision	(946,945,812)	-	-
Segment liabilities	(284,463,447)	(8,034,323,288)	(73,369,532)
Segment return on net assets	8.11%	8.92%	-120.36%
Segment cost of funds	4.63%	5.94%	0.00%
			6.08%
			5.29%

Total income
 Total expenses
 Profit / (loss) before taxation
 Segment assets - gross
 Segment non-performing assets
 Segment provision including general provision
 Segment liabilities
 Segment return on net assets
 Segment cost of funds

1,425,672,991	1,425,672,991
(567,202,131)	(567,202,131)
858,470,860	858,470,860
23,465,185,396	23,465,185,396
752,597,626	752,597,626
(946,945,812)	(946,945,812)
(8,392,156,267)	(8,392,156,267)
6.08%	6.08%
5.29%	5.29%

Handwritten signature

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

35. 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 / DF1 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 balances outstanding at year end and transactions with related parties are as follows:

	2017					
	Key Management Personnel	Directors	Companies with having equity 50% and above	Associated companies	Employees	Employees
					benefit plans	Provident Trust
Rupees						
Balances outstanding as at 31 December 2017						
- Advances	1,000,000	-	30,000,000	-	-	-
- Investments	-	-	-	1,396,870,194	-	-
- Receivables / markup	-	-	1,423,505	-	-	-
- Borrowings	-	-	-	1,159,928,000	-	-
- Payables / markup	-	-	164,000	3,324,706	9,655,007	-
Transactions during the year ended						
- Net mark-up / interest earned	-	-	12,946,626	86,416,270	-	-
- Net mark-up / interest received	-	-	11,552,591	86,416,270	-	-
- Dividend received	-	-	-	21,172,149	-	-
- Net mark-up / interest expensed	-	-	-	4,996,015	-	-
- Investments made	-	-	-	-	-	-
- Payments made to	-	-	44,270,833	45,742,923,184	-	-
- Payments received from	-	-	52,136,241	54,174,470,644	-	-
- Payment of rent expense to Saudi Pak	-	-	-	-	-	-
- Remuneration and allowances	72,172,451	1,050,123	-	-	-	-
- Payments to employees benefit plans	-	-	-	-	12,666,855	7,247,061
- Charge for the year relating to employees benefit plans	-	-	-	-	10,339,900	7,247,061
- Fee and commission income	-	-	6,000,000	-	-	-
- Fee and commission expensed	-	-	44,268,181	786,267	-	-
- Rent expensed	-	-	-	18,205,088	-	-
- Provision	-	-	-	(71,805,000)	-	-
- Share of profit in associated companies	-	-	-	46,631,684	-	-

Signature

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 Related party transactions (continued)

	2016				
	Key Management Personnel	Directors	Companies with having equity 50% and above	Associated companies	Employees benefit plans
					Employees Provident Trust
Balances outstanding as at 31 December 2016					
- Advances	-	-	264,631,510	15,601,718	-
- Investments	-	-	-	250,000,000	-
- Receivables / markup	-	-	2,996,309	-	-
- Borrowings	-	-	-	-	-
- Payables / markup	-	-	164,400	-	8,205,695
Transactions during the year ended					
- Net mark-up / interest earned	-	-	-	6,588,864	-
- Net mark-up / interest received	-	-	26,572,056	6,588,864	-
- Dividend received	-	-	-	1,000,000	-
- Net mark-up / interest expensed	-	-	-	1,206,109	-
- Investments made	-	-	-	-	-
- Payments made to	-	-	-	33,625,394,523	-
- Payments received from	567,545	-	5,368,490	29,428,844,523	-
- Payment of rent expense to Saudi Pak	-	-	-	35,774,640	-
- Remuneration and allowances	80,014,491	3,830,790	-	-	-
- Payments to employees benefit plans	-	-	-	-	3,826,882
- Charge for the year relating to employees benefit plans	-	-	-	-	8,564,844
- Fee and commission income	-	-	6,500,000	-	-
- Fee and commission expensed	-	-	4,606,895	532,134	-
- Rent expensed	-	-	-	17,887,320	-
- Provision	-	-	-	71,805,000	-
- Share of profit in associated companies	-	-	-	-	-

Summarized

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

36 CAPITAL ADEQUACY

36.1 Scope of application

The Basel III framework has been applied in accordance with BPRD Circular No. 6, dated 15 August, 2013. The Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risks while the Basic Indicator Approach (BIA) is used for calculating the Capital Adequacy for Operational risk.

36.2 Capital structure

For the main features of capital structure of the Company, please refer to note 36.7.

36.3 Capital management

The Company's objectives when managing capital risks are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to shareholders, return of capital to shareholders, issue new shares or sell assets to reduce debt. The Company has implemented the capital adequacy framework under the Basel - III regime. The Company, in line with the SBP guidelines, has adopted the standardized approach for credit, market risks and BIA approach for operational risk.

The Company's objectives when managing its capital are:

- a) To comply with the capital requirements set by the SBP;
- b) To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders; and
- c) To maintain a strong capital base to support the development of its business.

The growth prospects of the Company are linked with the macroeconomic environment, industry conditions and its ability to attract quality assets. At present, the Company has restricted its market risk by not participating in secondary stock trading. It is engaged in disbursing quality assets in the loan segment.

The risk-weighted assets are measured by means of a hierarchy of five risk weights, classified according to the nature of, and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

36.4 Regulatory capital requirements

The SBP, vide BSD Circular No.19, dated 05 September, 2008, has set the Minimum Capital Requirement (MCR) for DFIs, up to Rs.6 billion. Further, the Company is also required to maintain a Capital Adequacy Ratio (CAR) of at least 10% of its risk weighted assets.

The paid up capital of the Company, as of 31 December, 2017, amounted to Rs. 9,116 million (2016: 9,116 million) while CAR stands at 93.68% (2016: 103.86%) as of that date.

The leverage ratio of the Company is 45.79% (2016: 57.56%). The total Tier 1 capital is Rs. 14,375.182 million (2016: 13,997.291 million) and the total exposure is Rs. 31,391.699 million (2016: Rs. 24,316.492 million)



PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

36.5 Capital Adequacy Ratio (CAR) disclosure

	2017	2016
	-----Rupees ('000)-----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital / Capital deposited with SBP	9,116,400	9,116,400
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General / Statutory Reserves	1,110,843	977,364
6 Gain / (losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated / unremitted profits / (losses)	4,441,082	3,907,167
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 CET 1 before Regulatory Adjustments	14,668,325	14,000,931
10 Total regulatory adjustments applied to CET1 (Note 36.5.1)	293,057	3,641
11 Common Equity Tier 1	14,375,268	13,997,290
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium		
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 36.5.2)	-	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	14,375,268	13,997,290

Reshma

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	-----Rupees ('000)-----	
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23 Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	148,346	122,543
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	219	97,618
29 of which: Unrealized gains/losses on AFS	-	-
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	148,565	220,161
33 Total regulatory adjustment applied to T2 capital (Note 36.5.3)	56,383	-
34 Tier 2 capital (T2) after regulatory adjustments	92,182	220,161
35 Tier 2 capital recognized for capital adequacy	92,182	220,161
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	92,182	220,161
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	14,467,450	14,217,451
39 Total Risk Weighted Assets (RWA) {for details refer Note 36.8}	15,444,020	13,688,604

Capital Ratios and buffers (in percentage of risk weighted assets)

40 CET1 to total RWA	93.08%	102.26%
41 Tier-1 capital to total RWA	93.08%	102.26%
42 Total capital to total RWA	93.68%	103.86%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	1.28%	-
44 of which: capital conservation buffer requirement	1.28%	-
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-

16/01/2018

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	-----Rupees ('000)-----	
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	6.00%	6.00%
49 Tier 1 minimum ratio	7.50%	7.50%
50 Capital Conservation Buffer	1.28%	0.00%
51 Total capital minimum ratio	11.28%	10.00%

Regulatory Adjustments and Additional Information

Amount
Amounts
subjects to pre
- Basel III
treatment

-----Rupees ('000)-----

36.5.1 Common Equity Tier 1 capital: Regulatory adjustments

1	Goodwill (net of related deferred tax liability)	-	-
2	All other intangibles (net of any associated deferred tax liability)	4,839	3,641
3	Shortfall in provisions against classified assets	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	83,710	-
5	Defined-benefit pension fund net assets	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-
7	Cash flow hedge reserve	-	-
8	Investment in own shares / CET1 instruments	-	-
9	Securitization gain on sale	-	-
10	Capital shortfall of regulated subsidiaries	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets / AFS	-	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	204,508	-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-

legumy

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	-----Rupees ('000)-----	
15 Amount exceeding 15% threshold		
16 of which: significant investments in the common stocks of financial entities	-	-
17 of which: deferred tax assets arising from temporary differences	-	-
18 National specific regulatory adjustments applied to CET1 capital	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-
20 Any other deduction specified by SBP	-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-
22 Total regulatory adjustments applied to CET1	293,057	3,641
36.5.2 Additional Tier-1 and Tier-1 Capital: regulatory adjustments		
23 Investment in mutual funds exceeding the prescribed limit	-	-
24 Investment in own AT1 capital instruments	-	-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
28 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional Tier-1 capital	-	-
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
30 Total regulatory adjustment applied to AT1 capital	-	-
36.5.3 Tier 2 Capital: regulatory adjustments		
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-

Handwritten signature

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	-----Rupees ('000)-----	
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33 Investment in own Tier 2 capital instrument	-	-
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	56,383	-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36 Total regulatory adjustment applied to T2 capital	56,383	-

36.5.4 Additional Information

Risk Weighted Assets subject to pre-Basel III treatment		
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
(i) of which: deferred tax assets	-	-
(ii) of which: Defined-benefit pension fund net assets	-	-
(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
38 Non-significant investments in the capital of other financial entities	-	-
39 Significant investments in the common stock of financial entities	-	-
40 Deferred tax assets arising from temporary differences (net of related tax liability)	-	131,269
Applicable caps on the inclusion of provisions in Tier 2		
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42 Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

16/06/2018

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

36.6 Capital Structure Reconciliation

Step 1	Balance sheet of the published financial statements as at December 31, 2017	Under regulatory scope of consolidation as at December 31, 2017
	-----Rupees ('000)-----	
Assets		
Cash and balances with treasury banks	26,530	26,530
Balanced with other banks	2,168,945	2,168,945
Lending to financial institutions	-	-
Investments	13,848,109	13,848,109
Advances	7,899,992	7,899,992
Operating fixed assets	174,362	174,362
Deferred tax assets	104,638	104,638
Other assets	198,391	198,391
Total assets	24,420,967	24,420,967
Liabilities and Equity		
Bills payable	-	-
Borrowings	9,576,860	9,576,860
Deposits and other accounts	-	-
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	175,536	175,536
Total liabilities	9,752,396	9,752,396
Share capital / Head office capital account	9,116,400	9,116,400
Reserves	1,110,843	1,110,843
Unappropriated / Unremitted profit / (losses)	4,441,082	4,441,082
Minority Interest	-	-
	14,668,325	14,668,325
Surplus on revaluation of assets - net of tax	246	246
Total liabilities & equity	24,420,967	24,420,967

Step 2	Balance sheet of the published financial statements as at December 31, 2017	Under regulatory scope of consolidation as at December 31, 2017	Reference
	-----Rupees ('000)-----		
Assets			
Cash and balances with treasury banks	26,530	26,530	
Balanced with other banks	2,168,945	2,168,945	
Lending to financial institutions	-	-	
Investments	13,848,109	13,848,109	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others (see note 9)	13,848,109	13,848,109	e

Kamran

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Step 2 continued	Balance sheet of the published financial statements as at December 31, 2017	Under regulatory scope of consolidation as at December 31, 2017	Reference
	-----Rupees ('000)-----		
Advances	7,899,992	7,899,992	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	148,346	148,346	g
Fixed Assets	174,362	174,362	
of which: Intangibles	339	339	k
Deferred Tax Assets	104,638	104,638	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	104,638	104,638	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	198,391	198,391	
of which: Goodwill	-	-	j
of which: Intangibles	-	-	
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	24,420,967	24,420,967	
Liabilities and Equity			
Bills payable	-	-	
Borrowings	9,576,860	9,576,860	
Deposits and other accounts	-	-	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities			
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	175,536	175,536	
Total liabilities	9,752,396	9,752,396	
Share capital	9,116,400	9,116,400	
of which: amount eligible for CET1	9,116,400	9,116,400	s
of which: amount eligible for AT1	-	-	t
Reserves	1,110,843	1,110,843	
of which: portion eligible for inclusion in CET1 - Statutory	1,110,843	1,110,843	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	4,441,082	4,441,082	w

60/11/2018

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Step 2 continued	Balance sheet of the published financial statements as at December 31, 2017	Under regulatory scope of consolidation as at December 31, 2017	Reference
	-----Rupees ('000)-----		
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	246	246	
of which: Revaluation reserves on Fixed Assets	-	-	
of which: Unrealized Gains/Losses on AFS	246	246	aa
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	24,420,967	24,420,967	

Step 3	Component of regulatory capital reported by DFI ----Rupees ('000)---	Source based on reference number from step 2
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	9,116,400	
2 Balance in Share Premium Account		(s)
3 Reserve for issue of Bonus Shares		
4 General/ Statutory Reserves	1,110,843	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	4,441,082	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	14,668,325	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	4,839	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	83,710	{(h) - (r)} * x% {(l) - (q)} * x%
13 Defined-benefit pension fund net assets	-	
14 Reciprocal cross holdings in CET1 capital instruments	-	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from Company's holdings of fixed assets/ AFS	-	(ab)

Wamson

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Step 3 continued		Component of regulatory capital reported by DFI ---Rupees ('000)---	Source based on reference number from step 2
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	204,508	
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of	-	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	Investment in TFCs of other banks exceeding the prescribed limit	-	
28	Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30	Total regulatory adjustments applied to CET1	293,057	
31	Common Equity Tier 1	14,375,268	
32	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	(t)
33	of which: Classified as equity	-	(m)
34	of which: Classified as liabilities	-	
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	AT1 before regulatory adjustments	-	
38	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	

14,375,268

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Step 3 continued		Component of regulatory capital reported by DFI ---Rupees ('000)---	Source based on reference number from step 2
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45	Total of Regulatory Adjustment applied to AT1 capital	-	
46	Additional Tier 1 capital	-	
47	Additional Tier 1 capital recognized for capital adequacy	-	
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	14,375,268	
Tier 2 Capital			
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	(n)
50	Capital instruments subject to phase out arrangement from tier 2	-	
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	148,346	(g)
54	Revaluation Reserves		
55	of which: Revaluation reserves on fixed assets	-	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	219	
57	Foreign Exchange Translation Reserves		(v)
58	Undisclosed/Other Reserves (if any)		
59	T2 before regulatory adjustments	148,565	
Tier 2 Capital: regulatory adjustments			
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	

148,565

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Step 3 continued		Component of regulatory capital reported by DFI ---Rupees ('000)---	Source based on reference number from step 2
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	56,383	(ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	Amount of Regulatory Adjustment applied to T2 capital	56,383	
66	Tier 2 capital (T2)	148,565	
67	Tier 2 capital recognized for capital adequacy	92,182	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	92,182	
70	TOTAL CAPITAL (T1 + admissible T2)	14,467,450	

146ms70

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

36.7 Main Features of Regulatory Capital Instruments

1	Issuer	Pak China Investment Co Ltd.
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	NA
3	Governing law(s) of the instrument	Applicable Laws of Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier I
5	Post-transitional Basel III rules	Common Equity Tier I
6	Eligible at solo/ group/ group&solo	Stand Alone
7	Instrument type	Ordinary shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	9,116,400
9	Par value of instrument	PKR 10 per share
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	2008
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	N/A
18	Coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	N/A
	Convertible or non-convertible	
23	If convertible, conversion trigger (s)	N/A
24	If convertible, fully or partially	N/A
25	If convertible, conversion rate	N/A
26	If convertible, mandatory or optional conversion	N/A
27	If convertible, specify instrument type convertible into	N/A
28	If convertible, specify issuer of instrument it converts into	N/A
	Write-down feature	
29	If write-down, write-down trigger(s)	N/A
30	If write-down, full or partial	N/A
31	If write-down, permanent or temporary	N/A
32	If temporary write-down, description of write-up mechanism	N/A
33	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common Equity (Ranks after all creditors and depositors)
34	Non-compliant transitioned features	No
35	If yes, specify non-compliant features	N/A

legum

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

36.8 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories has been indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2017	2016	2017	2016
	-----Rupees ('000)-----		-----Rupees ('000)-----	
Credit Risk				
Portfolios subject to standardized approach (Simple or Comprehensive)				
On-Balance sheet				
Cash and cash equivalents	-	-	-	-
Sovereign	-	-	-	-
Public Sector entities	13,096	13,117	130,960	131,170
Banks/ DFI	152,330	133,917	1,523,298	1,339,173
Corporate portfolio	680,700	523,862	6,806,996	5,238,617
Retail	433	271	4,328	2,708
Residential Mortgages	1,275	1,385	12,750	13,849
Past due loans	-	-	-	-
Operating Fixed Assets	16,952	17,666	169,521	176,662
Other assets	2,239	44,610	22,391	446,104
Significant Investment in DTAs above 15% threshold	2,093	32,817	20,928	328,173
	869,118	767,645	8,691,172	7,676,456
Off-Balance sheet				
Non-market related	153,705	146,441	1,537,053	1,464,411
Market related	-	-	-	-
	153,705	146,441	1,537,053	1,464,411
Equity Exposure Risk in the Banking Book				
Listed, Unlisted	163,946	84,142	1,639,458	841,417
Total Credit risk	1,186,769	998,228	11,867,683	9,982,284
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	17,353	7,729	173,525	77,286
Equity position risk	11,525	30,601	115,250	306,013
Foreign Exchange risk	148,578	138,243	1,485,775	1,382,425
Total Market Risk	177,456	176,573	1,774,550	1,765,724
Operational Risk				
Capital Requirement for operational risks	180,179	194,060	1,801,787	1,940,596
Total	1,544,404	1,368,860	15,444,020	13,688,604
Capital Adequacy Ratios				
	2017		2016	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	93.08%	6.00%	102.26%
Tier-1 capital to total RWA	7.50%	93.08%	7.50%	102.26%
Total capital to total RWA	10.00%	93.68%	10.00%	103.86%
Total capital plus CCB to total RWA	11.28%	93.68%	10.00%	103.86%

* As SBP capital requirement plus CCB of 11.28% (10% in 2016) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

100mm

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

37 RISK MANAGEMENT

Risk is an integral part of business and the Company aims at delivering superior shareholder value, by achieving an appropriate trade-off between risk and returns. Risk Management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The risks that the Company takes are reasonable, controlled within its financial resources and credit competence. The primary objective of this risk management is to ensure that the process of achieving an appropriate balance between risks the Company wishes to accept (at a price that is commensurate to that risk) and risks the Company wishes to mitigate, or whenever capital is put at risk, is done in an objective, documented and transparent fashion and also to ensure that these risks are taken within predefined and pre-approved tolerance limits / levels.

The ultimate responsibility for risk management and setting of the risk management policy rests with the Board of Directors. The Board of Directors approves a policy framework and oversees the Risk Management function of the Company through the Risk Management Committee (RMC). RMC of the Board has been constituted to facilitate focused oversight of various risks. The main goals of Risk Management are to oversee the enterprise-wide risk policies and guidelines under the guidance of the Board of Directors and RMC, to establish and monitor limits, to set and manage decision processes and to implement risk assessment methods. Functional level committees oversee the implementation of risk management practices and exposure levels. Market and Liquidity Risks are managed by a well-represented Asset Liability Committee (ALCO), the Credit Management Committee, and Credit Risk Review Committee over see Credit Risk.

The Group Head of Risk Management and the Risk Management Function works with the Senior Management, ALCO and the Credit Management Committee on a day to day basis to address issues directly related to the policy as well as improve and refine the policy based on experiences and market

37.1 Credit risk

Credit risk is the potential for financial loss arising from borrower's or counterparty's inability to meet its obligations under a contract.

Credit Risk is the predominant risk type faced by the Company in its lending activities. All credit risk related aspects are governed by a credit policy approved by the Board of Directors. The policy outlines the type of products that can be offered, targeted customer profile, approval limits, and lending criteria. In order to assess the credit risk associated with any corporate financing proposal, variety of risks relating to the borrower and relevant industry are assessed.

coming

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

A structured and standardized credit approval process is followed which includes a well established procedure of comprehensive credit appraisal and credit rating. The credit evaluation system comprises of well-designed credit appraisal, review and approval procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. Each credit proposal is evaluated on standalone basis as well as its implication on the Company’s portfolio in terms of portfolio pricing and rating is also assessed. The internal credit rating methodologies have been developed for rating obligors. The rating serves as the key input in the approval as well as post approval credit monitoring. All credit applications and reviews are thoroughly analyzed by Credit Risk Management Function. The application approval process is further supplemented by regular review of the existing credit limits, overall credit portfolio and the monitoring of early warning indicators that can trigger a tightening of lending standards and an increase in the frequency and depth of credit portfolio review.

The Company is using Basel-III standardized approach to calculate risk weighted assets against credit risk.

37.1.1 Segment by class of business

	2017			
	Advances - Gross		Contingencies and commitments	
	----Rupees----	%	----Rupees----	%
Fertilizer	-	-	-	-
Power	2,433,030,505	29.06	113,780,664	19.00
Steel	242,330,786	2.89	-	-
Sugar	842,500,000	10.06	-	-
Telecommunication	236,058,283	2.82	-	-
Storage	482,907,189	5.77	-	-
Real estate	-	-	-	-
Cement	863,265,000	10.31	-	-
Textile	187,500,000	2.24	-	-
Engineering	400,000,000	4.78	-	-
Financials	480,000,000	5.73	-	-
Petroleum	374,999,999	4.48	-	-
Food & Beverages	493,579,888	5.89	331,438,955	55.00
Electronics	800,000,000	9.55	-	-
Plastic & Rubber	303,686,400	3.63	136,313,600	23.00
Others	233,778,006	2.79	16,279,778	3.00
	<u>8,373,636,056</u>	<u>100.00</u>	<u>597,812,997</u>	<u>100.00</u>

Wang

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2016				
	Advances - Gross		Contingencies and commitments	
	Rupees	%	Rupees	%
Fertilizer	25,000,000	0.38	-	-
Power	2,659,800,881	40.64	748,012,891	73.14
Steel	264,122,487	4.04	-	-
Sugar	282,500,000	4.32	-	-
Telecommunication	251,617,559	3.84	-	-
Storage	536,344,521	8.19	-	-
Real estate	70,000,000	1.07	-	-
Cement	346,940,000	5.30	53,060,000	5.19
Glass	312,500,000	4.77	-	-
Textile	462,500,000	7.07	-	-
Engineering	170,000,000	2.60	-	-
Financial	38,888,879	0.59	-	-
Petroleum	275,000,000	4.20	-	-
Food & Beverages	500,000,000	7.64	150,000,000	14.67
Others	350,311,924	5.35	71,680,000	7.01
	6,545,526,251	100.00	1,022,752,891	100.00

37.1.2 Segment by sector

2017				
	Advances - Gross		Contingencies and commitments	
	----Rupees----	%	----Rupees----	%
Public / Government	-	-	-	-
Private	8,373,636,056	100	597,812,997	100
	8,373,636,056	100	597,812,997	100

2016				
	Advances - Gross		Contingencies and commitments	
	----Rupees----	%	----Rupees----	%
Public / Government	-	-	-	-
Private	6,545,526,251	100	1,022,752,891	100
	6,545,526,251	100	1,022,752,891	100

37.1.3 Details of non-performing advances and specific provisions by class of business

	2017		2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	-----Rupees-----			
Cement	200,000,000	200,000,000	200,000,000	200,000,000
Real Estate	-	-	70,000,000	70,000,000
Sugar	112,500,000	112,500,000	112,500,000	112,500,000
Others	663,564	663,564	663,564	663,564
	313,163,564	313,163,564	383,163,564	383,163,564

2017

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

37.1.4 Details of non-performing advances and specific provisions by sector

	2017		2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	-----Rupees-----			
Public / Government	-	-	-	-
Private	313,163,564	313,163,564	383,163,564	383,163,564
	<u>313,163,564</u>	<u>313,163,564</u>	<u>383,163,564</u>	<u>383,163,564</u>

37.1.5 Geographical segment analysis

	2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees) -----			
In Pakistan	969,802,860	24,420,966,159	14,668,570,260	597,812,997
	<u>969,802,860</u>	<u>24,420,966,159</u>	<u>14,668,570,260</u>	<u>597,812,997</u>
	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees) -----			
In Pakistan	858,470,860	22,518,239,584	14,126,083,317	1,022,752,891
	<u>858,470,860</u>	<u>22,518,239,584</u>	<u>14,126,083,317</u>	<u>1,022,752,891</u>

37.2 Liquidity risk

Liquidity risk is the potential loss to the Company, arising from either its inability to meet its obligation, or to arrange the requisite funding for its assets at a reasonable price.

This risk arises from mismatches in the timing of cash flows. The objective of the Company's liquidity management is to ensure that all foreseeable funding commitments can be met when due. The Company's Asset and Liability Committee is primarily responsible for the formulation of the overall strategy and oversight of liquidity management. The Company manages its liquidity risk by diversifying and ensuring the stability of its liability structure (funding mix). The risk management function generates and monitors the daily liquidity position of the Company.

The maturity profile of assets and liabilities is prepared based on their contractual maturity, except for assets and liabilities that do not have contractual maturity. In this regard, assumptions for the Company's maturity profile in respect of allocation of non-contractual items, based on their expected maturities, are deliberated, presented to and approved by the ALCO.

Wamsh

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

37.2.1 Maturities of assets and liabilities

	2017									
	Total	Up to one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
Assets										
Cash and balances with treasury banks	26,529,844	26,529,844	-	-	-	-	-	-	-	-
Balances with other banks	2,168,944,684	1,014,069,478	-	1,154,875,206	-	-	-	-	-	-
Lending's to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	13,848,108,959	4,038,200,086	6,940,803,050	17,447,166	55,513,245	164,396,111	513,832,522	1,636,946,884	480,969,895	-
Advances	7,899,991,599	793,924,051	387,007,844	295,203,355	1,426,190,605	1,741,751,664	1,236,338,168	1,152,927,829	835,982,334	30,665,749
Operating fixed assets	174,362,497	720,057	1,440,116	2,160,173	8,514,938	4,909,006	1,609,559	3,219,118	8,023,048	143,766,482
Deferred tax assets	104,637,929	-	104,637,929	-	-	-	-	-	-	-
Other assets	198,390,647	111,051,306	45,862,196	31,949,245	4,805,650	4,722,243	-	-	-	-
	24,420,966,159	5,984,494,822	7,479,751,135	1,501,635,145	1,495,024,438	1,915,779,024	1,751,780,249	2,793,093,831	1,324,975,277	174,432,231
Liabilities										
Borrowings	9,576,859,910	9,431,910,669	5,368,490	5,368,490	10,736,980	21,473,960	21,473,960	42,947,920	37,579,441	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Other liabilities	175,535,989	28,069,406	1,304,983	18,876,269	-	-	-	127,285,331	-	-
	9,752,395,899	9,459,980,075	6,673,473	24,244,759	10,736,980	21,473,960	21,473,960	170,233,251	37,579,441	-
Net assets	14,668,570,260	(3,475,485,253)	7,473,077,662	1,477,390,386	1,484,287,458	1,894,305,064	1,730,306,289	2,622,860,580	1,287,395,836	174,432,231

-----Rupees-----

Share capital
Reserve
Unappropriated profit
Surplus on revaluation of assets

9,116,400,000
1,110,843,079
4,441,081,441
245,740
14,668,570,260

Kamran

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Maturities of assets and liabilities (continued)

2016										
Total	Up to one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years	
(Rupees)										
Assets										
Cash and balances with treasury banks	2,080,940,035	-	-	-	-	-	-	-	-	-
Balances with other banks	3,086,523,031	1,000,000,000	1,068,626,480	-	-	-	-	-	-	-
Lendings to financial institutions	2,647,918,347	-	-	-	-	-	-	-	-	-
Investments	7,734,253,189	2,985,394,827	65,238,989	811,758,444	264,369,196	909,035,979	425,582,438	673,629,316	-	-
Advances	6,039,819,501	136,526,359	322,434,227	1,045,899,983	1,335,681,309	1,069,580,664	1,168,276,634	589,032,797	162,054,381	-
Operating fixed assets	177,302,573	1,270,603	4,811,803	6,913,226	7,518,015	4,502,167	7,990,272	5,339,693	136,000,000	-
Deferred tax assets	131,269,202	-	131,269,202	-	-	-	-	-	-	-
Other assets	620,213,706	472,545,244	30,971,994	6,994,634	3,659,424	927,295	2,550,062	5,907,182	-	-
	22,518,239,584	7,956,341,139	4,360,925,963	1,557,769,369	1,871,566,287	1,611,227,944	1,984,046,105	1,604,399,406	1,273,908,988	298,054,381
Liabilities										
Borrowings	8,196,454,866	13,589,548	5,368,490	8,005,368,490	18,958,038	29,695,019	21,473,960	42,947,920	59,053,401	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Other liabilities	195,701,401	39,399,388	26,272,684	38,514,978	-	91,514,351	-	-	-	-
	8,392,156,267	52,988,936	31,641,174	8,043,883,468	18,958,038	121,209,370	21,473,960	42,947,920	59,053,401	-
Net assets	14,126,083,317	7,903,352,204	4,329,284,789	(6,486,114,099)	1,852,608,249	1,490,018,574	1,962,572,145	1,561,451,486	1,214,855,587	298,054,381

Share capital	9,116,400,000
Reserves	977,364,488
Unappropriated profit	3,907,167,079
Surplus on revaluation of assets	125,151,750
	14,126,083,317

Amended

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

37.2.2 Basel III liquidity requirement

The Basel Committee for Banking Supervision (BCBS) has introduced Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) under its BASEL III reforms. As part of Basel III implementation in Pakistan, SBP issued guidelines on 23 June 2016 via BPRD Circular No. 08 to implement liquidity standards in line with BCBS timelines, keeping in view the conditions as applicable in Pakistan. The Company is maintaining both the liquidity ratios, under Basel III, with a considerable cushion over and above the regulatory requirement to mitigate any liquidity risk.

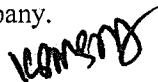
a) Liquidity Coverage Ratio (LCR)

Liquidity Coverage Ratio (LCR) aims to ensure that Company maintains an adequate level of unencumbered High Quality Liquid Assets (HQLA) which can easily be converted into cash at little or no loss of value in private markets, to withstand an acute liquidity stress scenario lasting for a period of 30 days horizon. LCR is defined as ratio of stock of HQLA to the total net cash outflows estimated for the next 30 calendar days.

The Company has been computing its LCR on monthly basis as per the instructions set out in SBP's guidelines issued on June 23, 2016.

Governance of liquidity risk management

Liquidity and related risks are managed through standardized processes established in the Company. Board and senior management are apprised about liquidity profile of the Company on periodic basis so as to ensure proactive liquidity management and to avoid abrupt shocks. The management of liquidity risk within the Company is undertaken within limits and other policy parameters set by ALCO, which meets monthly and reviews compliance with policy parameters. Day to day monitoring is done by the treasury while overall compliance is monitored and coordinated by the ALCO and includes reviewing the actual and planned strategic growth of the business and its impact on the statements of financial position and monitoring the Company's liquidity profile and associated activities. Company's treasury function has the primary responsibility for assessing, monitoring and managing Company's liquidity and funding strategy. Market, Operational & Liquidity Risk Management Division being part of risk management group is responsible for the independent identification, monitoring & analysis of risks inherent in treasury exposures. The Company has in place duly approved treasury investments policy and strategy along with risk tolerance/appetite levels. These are communicated at various levels so as to ensure effective liquidity management for the Company.



PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Funding strategy

The Company is a non deposit taking DFI and demand deposits remain nil, and thus is primarily equity driven presently. Dependence on COI is also low currently. Further, Company relies on short term interbank borrowing for stop gap funding arrangements but, it is less preferred source of liquidity. Within borrowing, source of funding are also diversified to minimize concentration. Usually interbank borrowing is for short term. However, going forward may move towards medium to long term borrowing following centralized funding strategy so as to ensure achievement of strategic and business objectives of the Company.

Liquidity risk mitigation techniques

Being DFI, the Company is a non deposit taking DFI and demand deposits remain nil. Dependence on COI is also low currently. Various tools are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like cash to Total Assets, financing to Total Assets, liquid assets to total Assets, borrowing to Total Assets as the company presently is primarily dependent on own equity and short term borrowing, and communicated to senior management and to ALCO forum regularly. Further, the Company also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time buckets. For maturity analysis, behavioral study techniques are also used to determine the behavior of non-contractual assets and liabilities based on historic data and statistical techniques. The Company also ensures to maintain statutory cash and liquidity requirements all times.

Liquidity stress testing

As per SBP BSD Circular No. 1 of 2012, Liquidity stress testing is being conducted under various stress scenarios applicable to DFIs. Shocks include withdrawals of wholesale/large deposits & borrowing. Results are escalated at the senior level to enable the senior management to take proactive actions to avoid any possible liquidity risk challenges for the Company.

Contingency funding plan

Contingency Funding Plan (CFP) is a part of liquidity management framework of the Company which identifies the triggers events that could cause a liquidity crises and describes the actions to be taken to manage the crises. At PCICL, a comprehensive liquidity contingency funding plan is prepared which highlights liquidity management chain that needs to be followed. Responsibilities and crises management phases are also incorporated in order to tackle the liquidity crises. Moreover, CFP highlights possible funding sources, in case of a liquidity crises.

16/08/2017

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Main drivers of LCR results

Main drivers of LCR results are High Quality Liquid Assets (HQLA) and net cash outflows. Net cash outflows are mainly expected maturities of borrowings and financing commitments net of cash inflows which consist of inflows from financing and fully performing exposure up to one month. The inputs for calculation of LCR are prescribed by the regulator.

Composition of High Quality Liquid Asset-HQLA

High Quality Liquid Assets composed of Level-1 asset which can be included in the stock of liquid assets at 100% of their market value. As at 31 December 2017, Company maintained average HQLA of Rs. 8.896 million. Company's total HQLA constituted on Level 1, Level 2A and Level 2B assets. Average level 1 assets of the Company primarily include Cash & Treasury Balances (including balances held with SBP) and unencumbered investment in government securities.

Concentration of funding sources

At 31 December 2017, top liabilities and their percentage contribution to Total Liabilities of the Company were borrowings 98%.

Currency mismatch in the LCR

During the year 2017, other than Pak Rupee, Company does not have any significant foreign currency constituting more than 5.00% of the balance sheet size of the Company. Currency mismatch is not the main driver of Company's LCR.

Intra-period changes (In LCR) as well as changes in liquidity risk over time

Company's LCR as at 31 December 2017 is 224.02%, with the maximum and minimum ratios of 14,007% & 90.56% during the year respectively.

Other inflows and outflows

There are no other inflows and outflows in the calculations of LCR other than those that are already covered in the disclosure of LCR.

Derivative exposures and potential collateral calls

The Company has no exposure to any counter party that could lead to a potential collateral call arising out of derivative transactions.

10/11/2018

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

	Total	
	Unweighted Value (average) a	Weighted Value (average) b
	----- (Rupees) -----	
High quality liquid assets		
Total high quality liquid assets (HQLA)	8,895,704	8,636,706
Cash outflows		
Retail deposits and deposits from small business customers of which:	-	-
Stable deposit	-	-
Less stable deposit	-	-
Unsecured wholesale funding of which:	4,170,000	4,170,000
Operational deposits (all counterparties)	-	-
Non-operational deposits (all counterparties)	-	-
Unsecured debt	4,170,000	4,170,000
Secured wholesale funding	-	-
Additional requirements of which:	1,070,772	107,077
Outflows related to derivative exposures and other collateral requirements	-	-
Outflows related to loss of funding on debt products	-	-
Credit and liquidity facilities	1,070,772	107,077
Other contractual funding obligations	13,590	13,590
Other contingent funding obligations	695,000	32,250
Total cash outflows		<u>4,322,917</u>
Cash inflows		
Secured lending	-	-
Inflows from fully performing exposures	892,185	467,517
Other cash inflows	-	-
Total cash inflows		<u>467,517</u>
Total high quality liquid assets (HQLA)		8,636,706
Total net cash outflows		<u>3,855,400</u>
Liquidity Coverage Ratio		<u>224.02%</u>

12/01/2018

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

b) Net Stable Funding Ratio (NSFR)

The objective of Net Stable Funding Ratio (NSFR) is to reduce funding risk over a longer time horizon by requiring Company's to fund their activates with sufficiently stable sources of funding on ongoing basis. DFIs are required to maintain NSFR requirement of at least 100% on an ongoing basis.

	Unweighted value by residual maturity			Weighted value
	No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr
				(Rupees)
Available stable funding (ASF) item				14,467,439
Capital:				
Regulatory capital	14,467,439	-	-	-
Other capital instruments	-	-	-	-
				14,467,439
Retail deposits and deposit from small business customers:				-
Stable deposits	-	-	-	-
Less stable deposits	-	-	-	-
				-
Wholesale funding:				150,318
Operational deposits	-	-	-	-
Other wholesale funding	-	-	-	150,318
				150,318
Other liabilities:				-
NSFR derivative liabilities	-	-	-	-
All other liabilities and equity not included in other categories	-	9,602,078	-	-
Total ASF				14,617,757

Handwritten signature

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

Required stable funding (RSF) item
 Total NSFR high-quality liquid assets (HQLA)
 Deposits held at other financial institutions for operational purposes

Performing loans and securities:
 Performing loans to financial institutions secured by Level 1 HQLA
 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions
 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central Company's and PSEs, of which:
 With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk
 Securities that are not in default and do not qualify as HQLA including exchange-traded equities.

Other assets:
 Physical traded commodities, including gold
 Assets posted as initial margin for derivative contracts
 NSFR derivative assets
 NSFR derivative liabilities before deduction of variation margin
 All other assets not included in the above categories

Off-balance sheet items

Total RSF

Net Stable Funding Ratio (%)

* The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio are applicable from 2017 onward, therefore, comparative information is not applicable.

No Maturity	Unweighted value by residual maturity			Weighted value
	< 6 months	6 months to < 1 yr	≥ 1 yr	
	(Rupees)			

-	7,924,348	-	916,890	229,265
-	-	-	-	-

-	-	-	-	-	7,052,320
-	-	82,191	385,120	41,095	
-	-	-	6,975,468	4,852,313	
-	-	-	1,266,864	823,462	
1,177,178	-	-	393,940	1,335,450	

-	-	-	-	-	6,207,150
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
136,000	1,487,604	5,327,348	-	6,207,150	

-	1,420,772	345,000	-	88,289
---	-----------	---------	---	--------

13,577,023

108%

leamsa

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

37.3 Market risk

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. Market risk pertaining to the trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. The Company does not have a defined trading book and all investments are classified as Available-For-Sale or Held-to-Maturity. Due to diversified nature of investments in banking book, the Company is primarily subject to interest rate risk. The Company, in accordance with its Joint Venture agreement, is not allowed to engage in secondary market equity trading. The Company is using Basel-III standardized approach to calculate risk weighted assets against market risk exposure.

37.3.1 Interest rate risk

Interest rate risk is the risk that assets value will change due to change in the market interest rates. The Company manages its interest rate risk by entering into floating rate agreements with its customers. Major portion of the credit portfolio is linked to floating rate. To further keep the Company abreast of the interest rate risk, an Asset and Liability Committee (ALCO) meets regularly to discuss the interest rate risk strategy. Interest rate risk profile is also prepared on a monthly basis to ascertain the interest rates movements with regard to the portfolio while also anticipating policy rate movements.

	Effective yield / interest rate	2017										Not exposed to yield / interest rate risk
		Exposed to yield / profit risk										
		Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years	
Rupees												
On balance sheet financial instruments												
Financial assets												
Cash and balances with treasury banks	0.00%	26,529,844	-	-	-	-	-	-	-	-	-	26,529,844
Balances with other banks	4.00%	2,168,944,684	1,014,069,478	-	1,154,875,206	-	-	-	-	-	-	-
Lendings to financial institutions	0.00%	-	-	-	-	-	-	-	-	-	-	-
Investments	8.00%	13,848,108,959	4,038,200,086	6,940,803,050	17,447,166	55,513,245	164,396,111	178,888,008	390,109,962	480,969,895	-	1,581,781,436
Advances	8.00%	7,899,991,599	793,924,051	387,007,844	295,203,355	1,426,190,605	1,741,751,664	1,236,338,168	1,152,927,829	835,982,334	30,665,749	-
Other assets		171,768,842	-	-	-	-	-	-	-	-	-	171,768,842
		24,115,343,928	5,846,193,615	7,327,810,894	1,467,525,727	1,481,703,850	1,906,147,775	1,415,226,176	1,543,037,791	1,316,952,229	30,665,749	1,780,080,122
Financial liabilities												
Borrowings	4.00%	9,576,859,910	9,431,910,669	5,368,490	5,368,490	10,736,980	21,473,960	21,473,960	42,947,920	37,579,441	-	-
Other liabilities	0.00%	175,535,989	-	-	-	-	-	-	-	-	-	175,535,989
		9,752,395,899	9,431,910,669	5,368,490	5,368,490	10,736,980	21,473,960	21,473,960	42,947,920	37,579,441	-	175,535,989
On balance sheet gap		14,362,948,029	(3,585,717,054)	7,322,442,404	1,462,157,237	1,470,966,870	1,884,673,815	1,393,752,216	1,500,089,871	1,279,372,788	30,665,749	1,604,544,133
Off-balance sheet financial instruments												
Commitments to extend credits (In case these materialize)		947,812,997	-	-	-	-	-	-	-	-	-	947,812,997
		947,812,997	-	-	-	-	-	-	-	-	-	947,812,997
Off-balance sheet gap - net		(3,585,717,054)	7,322,442,404	1,462,157,237	1,470,966,870	1,884,673,815	1,393,752,216	1,500,089,871	1,279,372,788	30,665,749	2,552,357,130	-
Total yield / interest risk sensitivity gap		(3,585,717,054)	3,736,725,350	5,198,882,587	5,198,882,587	6,669,849,456	8,554,523,272	9,948,275,488	11,448,365,359	12,727,738,147	12,758,403,896	15,310,761,026
Cumulative yield / interest rate sensitivity gap												

1000000

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Effective yield / interest rate	2016										Not exposed to yield / interest rate risk
		Exposed to yield / profit risk										
		Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years	
Rupees												
%												
On balance sheet financial instruments												
Financial assets												
Cash and balances with treasury banks	6.45%	2,080,940,035	2,000,000,000	-	-	-	-	-	-	-	-	80,940,035
Balances with other banks	4.00%	3,086,523,031	1,017,896,551	1,000,000,000	1,068,626,480	-	-	-	-	-	-	-
Lendings to financial institutions	5.73%	2,647,918,347	2,647,918,347	-	-	-	-	-	-	-	-	-
Investments	8.00%	7,734,253,189	1,599,244,000	2,985,394,827	65,238,989	811,758,444	114,328,836	730,840,979	1,007,697,403	-	-	419,749,711
Advances	8.00%	6,039,819,501	136,526,359	210,333,146	322,434,227	1,045,899,973	1,335,681,309	1,069,580,664	1,759,922,692	159,441,130	-	-
Other assets		597,284,542	-	-	-	-	-	-	-	-	-	597,284,542
		22,186,738,645	7,401,585,257	4,195,727,973	1,456,299,696	1,857,638,417	1,450,010,145	1,800,421,643	2,767,620,095	159,441,130	-	1,097,974,288
Financial liabilities												
Borrowings	3.77%	8,196,454,866	13,589,548	5,368,490	8,005,368,490	18,958,038	29,695,019	21,473,960	42,947,920	59,053,401	-	-
Other liabilities		195,701,401	-	-	-	-	-	-	-	-	-	195,701,401
		8,392,156,267	13,589,548	5,368,490	8,005,368,490	18,958,038	29,695,019	21,473,960	42,947,920	59,053,401	-	195,701,401
On balance sheet gap												
		13,794,582,378	7,387,995,709	4,190,359,483	(6,549,068,794)	1,838,700,379	1,420,315,126	1,778,947,683	2,724,672,175	100,387,729	-	902,272,887
Off-balance sheet financial instruments												
Commitments to extend credits (In case these materialize)		1,235,852,093	-	-	-	-	-	-	-	-	-	1,235,852,093
Off-balance sheet gap - net												
		1,235,852,093	-	-	-	-	-	-	-	-	-	1,235,852,093
Total yield / interest risk sensitivity gap												
		7,387,995,709	4,190,359,483	(6,549,068,794)	1,838,700,379	1,420,315,126	1,778,947,683	2,724,672,175	100,387,729	-	-	2,138,124,980
Cumulative yield / interest rate sensitivity gap												
		7,387,995,709	11,578,355,192	5,029,286,397	6,867,986,777	8,288,301,903	10,067,249,586	12,791,921,761	12,892,309,490	12,892,309,490	-	15,030,434,471

15,030,434,471

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

37.3.2 Foreign exchange risk

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position, when there is adverse exchange rate movement. The Company has the following exposure in this category of market risk.

2017				
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	-----Rupees-----			
Pakistan Rupee	22,987,090,527	9,752,395,899	-	13,234,694,628
United States Dollar	1,154,875,206	-	-	1,154,875,206
	24,141,965,733	9,752,395,899	-	14,389,569,834
2016				
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	-----Rupees-----			
Pakistan Rupee	21,141,041,329	8,392,156,267	-	12,748,885,062
United States Dollar	1,068,626,480	-	-	1,068,626,480
	22,209,667,809	8,392,156,267	-	13,817,511,542

37.3.3 Equity risk

Equity price risk is the risk to the earnings or capital resulting from an adverse change in the value/ price of equity. The Company's exposure in the equity market is classified in Available-For-Sale category, as the Company intends to earn profit based on fundamentals.

37.4 Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and system of the Company.

The risk management function in the Company monitors operational risk, in order to ensure the safeguarding of assets, and to mitigate other related risks.

The Company has engaged consultancy services to implement a comprehensive Operational Risk Framework in light of the SBP BPRD Circular No 04 of 2014.

37.4.1 Operational risk - disclosures Basel III Specific

The Company has adopted the Basic Indicator Approach for ascertaining capital requirements for its operational risk. Up to the year end, the Company has not incurred any significant loss owing to operational risk.

16/04/2018

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

38 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue in the Board of Directors meeting held on
~~22 MAR 2018~~

39 GENERAL

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

39.2 Captions, as prescribed by BSD Circular No. 4, dated 17 February, 2006, issued by the SBP, for which there are no amounts, have not been reproduced in these financial statements except for the statement of financial position and profit and loss account.

39.3 Figures have been rounded off to the nearest Rupees, unless otherwise stated. *amr*

Aijaz Khan
CHAIRMAN

蔡 鹏
MANAGING DIRECTOR

Blw
DIRECTOR

3/12
DIRECTOR

Statement in terms of sub-section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of Rs. 500,000 or above allowed to a persons(s) during the period ended December 31, 2017

Rupees in millions										
Name & Address of the borrower	Name o Individual / Partners/ Directors (with NIC/CNIC)	Fathers' / Husband Name	Outstanding Principal	Liabilities at Markup	The Beginning of Other	The Year Total	Principal Written Off	Markup Waived	Other Financial Relief Principal	Total
Maymar Holding (Private) Limited	Abdul Rashid 42201-4954977-9	Hashim Muhammad Shamim	-	50.5560	-	50.5560	-	20.5560	-	20.5560
	Zubair Ahmed Khan 42101-1232074-5	Kabir Ahmed Khan								
	Muhammad Zafar 42201-0465645-3	Muhammad Rafiq Ahmed								
	Abdul Rehman 42201-0258222-9	Abdul Rashid								
	Faisal 42301-0800381-7	Ghulam								
	Rukhsana Abdul Rashid 42201-2453376-4	Wife of Abdul Rashid								
			-	50.5560	-	50.5560	-	20.5560	-	20.5560

Handwritten signature