

**PAK CHINA INVESTMENT COMPANY LIMITED**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2023**

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We present the combined Chairman's and Directors' Report of Pak China Investment Company Limited (PCICL – the Company) along with the audited financial statements of the Company and Auditors' report thereon, for the year ended 31 December 2023.

### **Economy overview**

In the fiscal year 2022–23, Pakistan witnessed an economic contraction of 0.17% (6% growth 21–22), primarily stemming from weaknesses in the industrial and services sectors. Despite modest gains in agriculture, the downturn exposed heightened vulnerability to macroeconomic stressors, including inflation and exchange rate volatility.

The challenging environment was further exacerbated by internal instability and external shocks. A restrictive fiscal stance, persistent supply-side disruptions, and the lingering effects of global uncertainties—such as the Russia-Ukraine conflict—collectively strained economic momentum, culminating in a further deterioration of the current account deficit (CAD).

Furthermore, Pakistan faced compounded challenges in the fiscal year 2022–23, as the delay in the resumption of the International Monetary Fund (IMF) program and political instability heightened the nation's vulnerability. This was particularly evident in the depletion of foreign exchange (FX) reserves to critical levels, putting additional strain on the economy. The prolonged delay in engaging with the IMF not only hindered access to crucial financial support but also contributed to a sense of uncertainty and instability. Political factors further exacerbated the situation, creating an environment where economic decision-making became increasingly challenging.

The consequences of these challenges were starkly evident in the depletion of FX reserves to levels deemed critical for sustaining essential imports and meeting external obligations. The subsequent depreciation of the Pakistani Rupee (PKR) not only added to the economic stress but also intensified inflationary pressures. This was a result of the compounding effect, where the depreciation amplified the pass-through of elevated global commodity and oil prices.

Amidst inflationary pressure throughout the year, the central bank continued to tighten monetary policy and, in calendar year 2023, SBP raised the policy rate by 600 basis points from 16.00% to 22.00%. The SBP was of the view that inflation is broad-based and persistent, with core inflation on a rising trend for last many months.



## Chairman's & Directors' Report 2023

### Operating Results

	Dec-23	Dec-22
<b>P&amp;L</b>		
Net Interest Income	4,102	2,376
Non-Interest Income	1,018	817
Total Income	5,120	3,193
Non-Interest Expense	(755)	(604)
Credit loss allowance (net)	(520)	(469)
Profit before tax	3,846	2,119
Profit after tax	2,378	1,325
EPS (Rs)	2.40	1.36
<b>Balance Sheet</b>		
Assets	44,984	94,215
Advances – net	18,855	16,198
Investments – net	18,156	73,441
Net Assets	21,780	19,616

PCICL recorded a profit after tax of Rs. 2.38 billion for financial year 2023, showcasing a notable increase from Rs. 1.33 billion in 2022. Consequently, the Earnings per Share (EPS) for 2023 rose to Rs. 2.40, up from Rs. 1.36 in the previous year.

The escalating inflation experienced throughout the year prompted the State Bank of Pakistan (SBP) to elevate the policy rate from 16% to 22%, thereby influencing the growth of the top line. Notably, the net mark-up income witnessed a substantial increase of 72.67%, from Rs. 2.38 billion in 2022 to Rs. 4.10 billion in 2023. Due to adoption of IFRS 9 and because of one-off advisory income in previous year, there is a 56.80% decline in fee and commission income. Additionally, the value of the PKR witnessed a decline in comparison to USD, resulting in increase of exchange income, rising from Rs. 687.33 million in 2022 to Rs. 813 million in 2023. Performance of Pakistan Stock Exchange remained bullish and KSE 100 index increased by 54.50% from last day of 2022 to last day of 2023, which resulted a net gain on securities amounting to Rs. 121.65 million as compared to net loss of Rs. 19.83 million in 2022.

The impact of high inflation was seen in operating expenses as well which increased by 24.88%. Major contributors to this increase was compensation of newly appointed Managing Director, increase in traveling & conveyance and general inflation.

On the Balance Sheet front, there has been a significant decrease in total assets, which were Rs. 44.98 billion as of the end of 2023, compared to Rs. 94.22 billion as of the end of 2022. This notable decrease was due to maturity of investments in Government Securities. The financing



for these investments was obtained through borrowing from scheduled banks, leading to a corresponding decrease in borrowings by Rs. 54.23 billion.

In alignment with the prevailing economic environment, PCICL maintained its consolidation strategy, directing corporate lending primarily toward low-risk blue-chip entities. Consequently, gross advances registered a measured growth of 16.40% over the previous year. This strategic stance also reinforced the emphasis on closer monitoring of client relationships and prudent portfolio management.

In a noteworthy achievement, PCICL experienced no new Non-Performing Loan (NPLs) during 2023 and successfully recovered Rs. 46.47 million from existing NPLs. Due to these recoveries and adoption of IFRS 9, NPL to advances ratio exhibited a positive trend, decreasing from 8.73% at the previous year-end to 6.51% at the close of the current year. However, impairment on shares of two unlisted companies were booked to the tune of Rs. 380 million, and credit loss allowances of Rs. 139 million was taken against investments, advances, other assets and off-balance sheet instruments.

### **Appropriations**

The Board of Directors recommends the appropriations of Rs. 476 million from unappropriated profit to statutory reserve for the year ended 31 December 2023, as per instructions of SBP.

### **Entity Ratings**

During the year, the Company's long-term entity rating was maintained at 'AAA' by VIS Credit Rating Company Limited. The medium to long-term rating of 'AAA' is the highest rating rank and denotes highest credit quality, with negligible risk factors, being only slightly more than for risk-free debt of Government of Pakistan. The short-term rating of 'A-1+' denotes highest certainty of timely payment, liquidity factors are outstanding and safety is just below risk free short-term obligations of Government of Pakistan. Outlook on the assigned ratings is 'Stable'.

The assigned ratings of PCICL incorporate implicit support of its two sovereign sponsors, Government of Pakistan (GoP) and People's Republic of China (PRC), with equal shareholding held through Ministry of Finance (MoF) and China Development Bank (CDB), respectively. The ratings also take into account strong capitalization, diversified revenue stream, sound liquidity, and conservative risk appetite.

### **Risk Management**

The risk management framework encompasses multi-tier management supervision, efficient monitoring and clearly articulated risk appetite, policies and procedures. The Company is



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exposed to credit risk, market risk, liquidity risk and operational risk over the course of its core operations. Given the current macroeconomic scenario in Pakistan, foreign exchange risk and interest rate risk are also important factors affecting the Company's on and off balance sheet activities. Board Risk Management Committee oversees the overall risk environment in which PCICL operates and its mitigation strategies employed by the Company. Details about these principal risks faced by the company along with their mitigants are given in note 44 of attached financial statements.

The Company remains adequately capitalised as at 31 December 2023 with a capital adequacy ratio reported at 50.20% (2022: 55.64%) and leverage ratio at 24.70% (2023: 15.83%).

### Customer Complaint Management

PCICL has a procedure in place for customer complaints. However, no customer complaint was lodged during the year under review.

### Corporate Governance

The Corporate Governance Regulatory Framework of the State Bank of Pakistan dated November 22, 2021 states that though DFIs are not required to follow the Listed Companies (Code of Corporate Governance) Regulations, but it is expected that DFIs will continue to follow the best practices on corporate governance. The company remained committed to comply with the best practices on Corporate Governance and a statement to this effect is given below:

### Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;





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- There are no significant doubts upon the Company's ability to continue as a going concern;
- Key operating and financial data for the last six years, in a summarized form, is given hereunder;


*Rs. in millions*

	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19	Dec-18
<b>P&amp;L</b>						
Net Interest Income	4,102	2,376	1,468	1,439	1,713	1,082
Non-Interest Income	1,018	817	379	284	263	405
Profit before tax	3,846	2,119	1,049	1,166	1,066	912
Profit after tax	2,378	1,325	708	773	760	619
EPS (Re)	2.40	1.36	0.73	0.80	0.78	0.68
<b>Balance Sheet</b>						
Assets	44,984	94,215	37,742	31,231	33,403	19,762
Advances – net	18,855	16,198	15,842	11,550	9,291	7,620
Investments – net	18,156	73,441	12,587	15,464	19,130	9,976
Net Assets	21,780	19,616	18,047	17,304	16,632	15,361

- There are no statutory payments on account of taxes, duties, levies and charges which are overdue outstanding as of 31 December 2023, except as disclosed in annexed financial statements;
- Details of the aggregate remuneration of executives and non-executives Directors are included in note 38 to the financial statements;
- Following is the fair value of investments as at 31 December 2023:
  - Provident Fund: Rs. 137.82 million, based on audited financial statements
  - Gratuity Fund: Rs. 106 million, based on audited financial statements
- During 2023, one Board Audit Committee meeting and one Board of Directors meeting was held.

### Board Structure and Performance Evaluation

Total number of male and female directors, composition of Board into executive and non-executive directors and names of members of Board committees are disclosed in statement of



## Chairman's & Directors' Report 2023

compliance with Code of Corporate Governance, annexed in this annual report. One Board Audit Committee meeting and one Board of Directors meeting was held during the year as Board was not complete for more than considerable time during the year.

The role of Board is evaluated as per SBP guidelines. The Company has put in place an evaluation framework for evaluation of the Board. The performance of the Board is assessed on select parameters, undertaken through a questionnaire, relating to Board's composition, working procedure, role of the Board, Board's oversight and relationship with the management. External performance evaluation of Board was not conducted during 2023 as the level of engagement of Board members throughout the year deemed insufficient for a thorough evaluation of the Board's conduct and the performance of its committees. Extension was sought from SBP and was approved. Hence, internal performance evaluation for 2023 was carried out and approved by the Board later on.

### Pattern of Shareholding

The pattern of shareholding at the close of 31 December 2023 is as under:

Shareholders	Shareholding
Ministry of Finance, Government of Pakistan	50%
China Development Bank	50%

### Statement on Internal Controls

The Board of Directors of the Company is responsible for ensuring that an adequate and effective internal control system exists in the Company and that the management of the Company assumes responsibility of establishing and maintaining effective internal controls throughout the Company and has made a statement on internal control in this regard. The management's statement on internal control is being endorsed by the Board of Directors through this report.

### Auditors

The present auditors, M/s Grant Thornton Anjum Rahman Chartered Accountants have completed their assignment for the year ended 31 December 2023 and shall retire at the conclusion of the Meeting. Being eligible, they have offered themselves for reappointment for audit of year ended 31 December 2024.

### Events after the Date of Statement of Financial Position

There have not been any material events that occurred subsequent to the date of the Statement of Financial Position that require adjustments to the attached financial statements.



### **Looking Ahead**

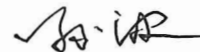
Pakistan's policymakers are currently tasked with the critical objectives of strengthening macroeconomic stability and refining the fiscal architecture. This involves improving the tax-to-GDP ratio, exercising disciplined fiscal management, containing inflationary pressures, and sustaining momentum in enhancing export competitiveness. The economic environment remains complex and uncertain, shaped by both domestic constraints and global volatility, thereby requiring thoughtful and strategic policymaking. In this context, the year 2024 is expected to be a turning point, a period marked by decisive efforts toward fiscal consolidation and macroeconomic balance. Our continued focus lies in building a portfolio of high-quality assets and enterprises, supported by a robust and agile operational framework.

### **Acknowledgements**

The Board expresses its gratitude for the support and commitment extended by our sponsors, Ministry of Finance, Government of Pakistan and China Development Bank. The Board also appreciates the efforts undertaken by the management and employees of the Company for establishing its mark in such a short period. The Board is also grateful for the continuous guidance provided by the State Bank of Pakistan and Securities & Exchange Commission of Pakistan.



**Song Zhenwen**  
Managing Director  
Pak China Investment Co. Ltd.



**Sun Bo**  
Chairman Board of Directors  
Pak China Investment Co. Ltd.

24 July 2025  
Islamabad





## چیز مین اورڈائریکٹرز کی رپورٹ 2023ء

ہم 31 دسمبر 2023ء کو اختتام پزیر سال کے لئے پاک چائنا انویسٹمنٹ کمپنی لمیٹڈ (PCICL) کے چیز مین اورڈائریکٹرز کی مشترکہ رپورٹ بمعہ کمپنی کی پڑتال شدہ گوشوارے اور ان پر آڈیٹرز کی رپورٹ ازراہ سرٹیفکیشن کرتے ہیں۔

معاشی جائزہ

مالی سال 2022-23 میں، پاکستان کی معیشت 0.17% تک سکڑ گئی (21-22 میں 6% شرح نمو) جسے بنیادی طور پر صنعتی و خدمات کے شعبے کی کمزور کارکردگی سے منسوب کیا جاتا ہے۔ زراعت میں بھاری آمدنی کے باوجود گراف میں تنزلی نے کلی اقتصادی عوامل بشمول مہنگائی اور شرح مبادلہ میں عدم توازن میں عدم استحکام کو بڑھا دیا۔ اندرونی عدم استحکام اور بیرونی دھچکوں نے اس مشکل ماحول کو مزید ابتر کر دیا۔ محدود مالیاتی موقوف، سپلائی میں لگاتار کاٹوں اور عالمی سطح پر غیر یقینی کے اثرات۔ یعنی روس یوکرین تنازعہ۔ نے اقتصادی رفتار کو محدود کر دیا جس سے کرنٹ اکاؤنٹ خسارے (CAD) میں مزید ابتری پیدا ہوئی۔

مزید برآں، پاکستان نے مالیاتی سال 2022-23 میں مزید مشکلات کا سامنا کیا کیونکہ بین الاقوامی مالیاتی فنڈ (IMF) پروگرام کے تسلسل میں تاخیر اور سیاسی عدم استحکام نے ملک کو مزید غیر مضبوط بنا دیا۔ غیر ملکی زرمبادلہ کے ذخائر میں شدید سطح تک کمی سے یہ واضح ہوا جس سے معیشت پر اضافی دباؤ پڑا۔ IMF سے مذاکرات میں طویل تاخیر نے نہ صرف اہم مالیاتی امداد میں رکاوٹ پیدا کی بلکہ عدم استحکام اور غیر یقینی کی صورتحال کو بھادی۔ سیاسی عوامل نے حالات کو مزید بگاڑ دیا جس سے ایسا ماحول پیدا ہوا کہ اقتصادی فیصلہ سازی کی مشکلات میں اضافہ ہوا۔

ان چیلنجز کے نتائج غیر ملکی زرمبادلہ کے ذخائر میں کمی سے عیاں ہیں جس سے ضروری درآمدات کو برقرار رکھنا اور بیرونی قرضوں کی ادائیگی مشکل ہو گئی۔ پاکستانی روپے کی قدر میں کمی نے نہ صرف معیشت پر دباؤ بڑھایا بلکہ افراط زر کے دباؤ میں بھی مزید اضافہ ہوا۔ یہ مشترکہ اثرات کا نتیجہ تھا کہ قدر میں کمی نے عالمی سطح پر اشیائے ضروریہ اور کھانے کے تیل کی قیمت میں اضافہ کر دیا۔

سال بھر میں افراط زر کے دباؤ کے باعث مرکزی بینک نے مانیٹری پالیسی کو مزید سخت کر دیا اور سال 2023ء میں SBP نے پالیسی ریٹ کو 600 بیس پوائنٹس تک بڑھا دیا جو 16.00% سے بڑھ کر 22.00% تک ہو گیا۔ اسٹیٹ بینک آف پاکستان کا نظریہ تھا کہ افراط زر کی شرح میں اضافہ طویل مدت تک اور مسلسل رہے گا کیونکہ گذشتہ گیارہ ماہ سے مہنگائی بڑھنے کا رجحان جاری ہے۔

آپریٹنگ نتائج

دسمبر 2022ء	دسمبر 2023ء	
		نفع و نقصان
2,376	4,102	خالص سودی آمدنی
817	1,018	غیر سودی آمدنی
3,193	5,120	کل آمدنی
(604)	(755)	غیر سودی اخراجات
(469)	(520)	کریڈٹ خسارہ الاؤنس (خالص)
2,119	3,846	نفع مجموعی
1,325	2,378	نفع علاوہ ٹیکس
1.36	2.40	فی حصص آمدنی (روپے)
		بیلنس شیٹ
94,215	44,984	اثاثہ جات
16,198	18,855	ایڈوانسز - خالص
73,441	18,156	انویسٹمنٹس - خالص
19,616	21,780	خالص اثاثہ جات

PCICL نے مالیاتی سال 2023 کے لئے 2.38 بلین روپے کا منافع علاوہ ٹیکس درج کیا جو سال 2022 میں 1.33 بلین روپے کی نسبت نمایاں اضافہ ہے۔ اس کے نتیجے میں، سال 2023ء کے

لئے فی حصص آمدنی (EPS) گزشتہ برس میں 1.36 روپے کی نسبت 2.40 روپے تک بڑھ گئی۔

سال بھر مہنگائی بڑھتی رہی جس سے اسٹیٹ بینک آف پاکستان (SBP) کو پالیسی ریٹ 16% سے 22% تک بڑھانا پڑا جس کے نتیجے میں ٹاپ لائن کی نمو متاثر ہوئی۔ قابل ذکر امر یہ ہے کہ، خالص مارک اپ آمدنی میں 72.67% کا نمایاں اضافہ دیکھنے کو لا جو سال 2022ء میں 2.38 بلین روپے سے سال 2023ء میں 4.10 بلین روپے تک بڑھی۔ IFRS 9 اپنانے اور گزشتہ برس کی دن آف اینڈ وائزری آمدنی کے باعث فیس اور کمیشن آمدنی میں 56.80% تک کی واقع ہوئی۔

مزید برآں، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی بھی محسوس کی گئی جس کے نتیجے میں مبادلہ آمدنی میں اضافہ ہوا جو سال 2022ء میں 687.33 بلین روپے سے بڑھ کر سال 2023ء میں 813 بلین روپے ہو گئی۔ پاکستان اسٹاک ایکسچینج کی کارکردگی بھی ٹی جلی رہی اور KSE 100 انڈیکس میں سال 2022ء کے آخری یوم سے سال 2023ء کے اختتام تک 54.50% تک اضافہ ہوا۔ جس کے باعث سکیورٹیز پر خالص آمدنی 121.65 بلین روپے ہو گئی جب کہ سال 2022ء میں یہی 19.83 بلین روپے کا خسارہ تھا۔

مہنگائی کے اثرات کے باعث آپریٹنگ اخراجات میں بھی 24.88% تک اضافہ دیکھا گیا۔ اس اضافے کی بنیادی وجوہات میں نئے تعینات مینجمنٹ ڈائریکٹر کے معاوضہ میں اضافہ، سفری و دیگر اخراجات میں اضافہ اور عوامی مہنگائی شامل ہیں۔

بیلنس شیٹ کو اگر دیکھا جائے تو کل اثاثہ جات میں نمایاں کمی ہوئی جو سال 2022ء کے اختتام پر 94.22 بلین روپے کے مقابلے میں سال 2023ء کے اختتام پر 44.98 بلین روپے رہے۔ یہ نمایاں کمی گورنمنٹ سکیورٹیز میں سرمایہ کاری کی پیچورٹی کے باعث تھی۔ ان انویسٹمنٹس کے لئے سرمایہ شدہ و لڈ بنکوں سے قرض کے ذریعے حاصل کیا گیا جس سے متعلقہ قرضوں میں 54.23 بلین روپے کی کمی واقع ہوئی۔

موجودہ معاشی ماحول کے پیش نظر، PCICL نے اپنی استحکام کی پالیسی کو برقرار رکھا جس سے کاروباری قرضے کم خطرہ بلیو چپ اور لوں کی جانب چل پڑے۔ اس کے نتیجے میں، گزشتہ برس کے دوران، مجموعی ایڈوانسز نے 16.40% کی نمو درج کی۔ اس حکمت عملی نے کلائنٹ تعلقات اور قابل پورٹ فولیو مینجمنٹ کی مربوط نگرانی پر دباؤ ڈالا۔

ایک قابل ذکر کامیابی یہ ہے کہ PCICL نے سال 2023ء میں کسی نئے ٹان پر فارمینگ لون (NPLs) کو محسوس نہ کیا اور موجودہ NPLs سے 46.47 بلین روپے وصول کئے۔ ان وصولیوں اور IFRS 9 کے اطلاق کے باعث NPL اور ایڈوانس کے تناسب نے مثبت رجحان ظاہر کیا جس سے گزشتہ برس کے اختتام پر 8.73% کے مقابلے میں حالیہ برس کے اختتام پر 6.51% تک کمی دیکھنے کو ملی۔ البتہ، دو ان لیسڈ کمپنیوں کے حصص کی پیچورٹی 380 بلین روپے تک رہی اور سرمایہ کاری، ایڈوانسز اور دیگر اثاثہ جات اور آف بیلنس شیٹ انویسٹمنٹس کے عوض 139 بلین روپے تک کریڈٹ خسارہ والاؤنسز حاصل کئے گئے۔

#### تحصیلات

بورڈ آف ڈائریکٹرز نے اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق 31 دسمبر 2023ء کو اختتام پزیر سال کے لئے غیر تخصیصی منافع سے 476 بلین روپے کی تحصیلات لازمی ذخائر میں مختص کرنے کی سفارش کی۔

#### ادارہ جاتی درجہ بندی

سال بھر میں، VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے کمپنی کی طویل مدتی ادارہ جاتی درجہ بندی کو 'AAA' پر برقرار رکھا۔ 'AAA' وسط تا طویل مدتی ریٹنگ اعلیٰ ترین درجہ ہے جو معمولی رسک عوامل کے ساتھ بلند کریڈٹ کوالٹی کو ظاہر کرتا ہے جو حکومت پاکستان کے رسک فری قرضہ کے مقابلہ میں معمولی زیادہ ہے۔ 'A-1+' کی قلیل مدتی ریٹنگ بروقت ادائیگیوں کی بلند یقینی صورتحال، بہترین لیکویڈٹی عوامل اور حفاظت کو ظاہر کرتی ہے جو حکومت پاکستان کے خطروں سے پاک قلیل مدتی قرضوں سے معمولی کم ہے۔ مقررہ درجہ بندی پر آڈٹ لک 'مستحکم' ہے۔

PCICL کو تفویض کردہ درجہ بندی اپنے دو خود مختار سپانسر حکومت پاکستان (GoP) اور عوامی جمہوریہ چین (PRC) کی سپورٹ سے ممکن ہوئی جب کہ وزارت خزانہ (MoF) اور چین ڈیولپمنٹ بینک (CDB) بالترتیب مساوی شیئرز ہولڈنگ کے مالک ہیں۔ مضبوط سرمایہ، متنوع آمدنی کے ذرائع، مربوط لکویڈٹی اور محدود رسک کو مد نظر رکھ کر درجہ بندی کی گئی ہے۔

#### رسک مینجمنٹ

رسک مینجمنٹ فریم ورک کثیر جہتی انتظامی اور کارکردگی سے بھرپور نگرانی اور خطرے سے نبرد آزما ہونے کی صلاحیت، پالیسیوں اور طریقہ ہائے کار پر مشتمل ہے۔ کمپنی اپنے بنیادی کاروباری امور کے دوران کریڈٹ رسک، مارکیٹ رسک، لکویڈٹی رسک اور آپریٹنگ رسک کا شکار ہو سکتی ہے۔ پاکستان کے موجودہ کئی اقتصادی تاثر میں، غیر ملکی زرمبادلہ کا خطرہ، شرح سود کا خطرہ کمپنی کی بیلنس شیٹ سرگرمیوں پر کمپنی اہم عوامل کو بھی متاثر سکتا ہے۔ بورڈ رسک مینجمنٹ کمیٹی مجموعی رسک ماحول پر نظر رکھتی ہے جس میں PCICL کام کرتی ہے اور جس پر کمپنی نبرد آزما ہونے کی حکمت عملیوں کو لا کر کرتی ہے۔ کمپنی کو درپیش ان بنیادی خطرات کی تفصیلات اور ان سے نمٹنے کے اقدامات منسلک مالیاتی انویسٹمنٹس کے نوٹ 44 میں درج کئے گئے ہیں۔

کمپنی میں 31 دسمبر 2023 کو سرمایہ لگایا گیا جب کہ سرمایہ کی موزونیت کا تناسب 50.20% رپورٹ ہوا (2022: 55.64%) اور لیوریج تناسب 24.70% (2023: 15.83%) رہا۔

صارف کی شکایات کا ازالہ

PCICL نے صارف شکایات پر ایک طریقہ کار وضع کیا ہے۔ البتہ، زیر جائزہ سال کے دوران کوئی صارف شکایت درج نہ ہوئی۔

کاروباری نظم و ضبط

اسٹیٹ بینک آف پاکستان کا کاروباری نظم و ضبط ریگولیٹری فریم ورک مؤرخہ 22 نومبر 2021ء کے مطابق DFIs کے لئے سیکرٹیز (کوڈ آف کارپوریٹ گورننس) ضوابط کی پیروی لازم نہیں لیکن DFIs سے کاروباری نظم و ضبط پر بہترین عمل داری کی توقع کی جاتی ہے۔ کمپنی کاروباری نظم و ضبط پر بہترین عمل داری پر یقین رکھتی ہے اور اس بابت اعلامیہ حسب ذیل ہے:

کارپوریٹ وفاق پمٹل رپورٹنگ فریم ورک

• کمپنی انتظامیہ کی تیار کردہ مالیاتی اسٹیٹمنٹس اس کے امور کی صورتحال، آپریشنز کے نتائج، یکیش فلو اور ایکوینیٹی میں تبدیلی کی بھرپور نمائندگی کرتی ہیں۔

• کمپنی کے کھاتوں کی باقاعدہ کتابیں تیار کی گئی ہیں؛

• ان مالیاتی اسٹیٹمنٹس کی تیاری میں معقول اکاؤنٹنگ پالیسیوں کا متواتر اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات معقول اور قابل فیصلوں کی بنیاد رکھے گئے ہیں؛

• مالیاتی اسٹیٹمنٹس کی تیاری میں پاکستان میں نافذ انٹرنیشنل فائنیشیل رپورٹنگ اسٹینڈرڈز کا بھرپور اطلاق کیا گیا ہے اور ان میں کسی بھی قسم کے سقم کو غلط اور واضح کیا گیا ہے۔

• داخلی کنٹرول کا ایک مربوط نظام موجود ہے اور جس کا باقاعدہ اطلاق اور نگرانی کی جاتی ہے۔

• کمپنی کی کاروبار کرنے کی صلاحیت پر کوئی نمایاں ابہام موجود نہیں ہے۔

• گزشتہ چھ برسوں کے اہم آپریشننگ اور مالیاتی اعداد و شمار کا خلاصہ حسب ذیل ہے:

ملین روپوں میں

نفع و نقصان	دسمبر-23	دسمبر-22	دسمبر-21	دسمبر-20	دسمبر-19	دسمبر-18
خالص سودی آمدنی	4,102	2,376	1,468	1,439	1,713	1,082
غیر سودی آمدنی	1,018	817	379	284	263	405
نفع بعد ٹیکس	3,846	2,119	1,049	1,166	1,066	912
نفع علاوہ ٹیکس	2,378	1,325	708	773	760	619
فی حصص آمدنی (روپے)	2.40	1.36	0.73	0.80	0.78	0.68
بیلنس شیٹ						
اثاثہ جات	44,984	94,215	37,742	31,231	33,403	19,762
ایڈوانسز-خالص	18,855	16,198	15,842	11,550	9,291	7,620
انویسٹمنٹس-خالص	18,156	73,441	12,587	15,464	19,130	9,976
خالص اثاثہ جات	21,780	19,616	18,047	17,304	16,632	15,361

• ٹیکسوں، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی لازمی واجبات نہیں ہیں جو کہ 31 دسمبر 2023ء تک واجب الادا ہوں۔ ماسوائے ان کے جن کو مالیاتی اسٹیٹمنٹس میں ظاہر کیا گیا ہے۔

• ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز کے کل منافع کی تفصیلات کو مالیاتی اسٹیٹمنٹس کے نوٹ 38 میں شامل کیا گیا ہے۔

• 31 دسمبر 2023ء کو سرمایہ کاری کی فیئر ویلیو حسب ذیل ہے:

- پراڈیونٹ فنڈ: 137.82 ملین روپے برطانی پرنٹال شدہ مالیاتی اسٹیٹمنٹس

- گرینجائی فنڈ: 106 ملین روپے برطانی پرنٹال شدہ مالیاتی اسٹیٹمنٹس

• 2023ء کے دوران بورڈ آؤٹ کمیٹی اور بورڈ آف ڈائریکٹرز کا ایک ایک اجلاس منعقد ہوا۔

بورڈ کاڈھانچہ اور کارکردگی کا جائزہ

خاتون و مرد ڈائریکٹرز کی کل تعداد، بورڈ میں ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز کی ترکیب اور بورڈ کمیٹیوں کے اراکین کے نام کوڈ آف کارپوریٹ گورننس کے تعمیلی اعلامیہ میں درج کئے گئے ہیں۔ جو کہ

سالانہ رپورٹ کے ساتھ لف ہے۔ سال بھر میں بورڈ آف ڈائریکٹرز کا ایک ایک اجلاس منعقد ہوا۔ کیونکہ مذکورہ سال کے دوران بورڈ مکمل نہ تھا۔ بورڈ کی کارکردگی کا جائزہ اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق لگایا جاتا ہے۔ کمپنی نے بورڈ کے جائزہ کے لئے ایک جائزہ کارفرم ورک وضع کیا ہے۔ بورڈ کی کارکردگی کا جائزہ منتخب ممبرز، سوالنامے، بورڈ کی ترکیب، کام کے طریقہ کار، بورڈ کے کردار، بورڈ کا نظریہ اور تعلق بابت انتظامیہ کے ذریعے لیا جاتا ہے۔ بورڈ کی بیرونی کارکردگی کا جائزہ سال 2023ء میں نہیں لیا گیا کیونکہ بورڈ کے عمل اور آڈٹ کمیٹی کی کارکردگی کے جامع تعین کے لئے بورڈ اراکین کے آپس میں روابط نا کافی تھے۔ اسٹیٹ بینک آف پاکستان سے توسیع طلب کی گئی جو کہ منظور ہوئی۔ لہذا، سال 2023ء کے لئے اندرونی کارکردگی کا جائزہ عمل میں لایا گیا اور جسے بعد ازاں بورڈ نے منظور کیا۔

شیئر حالمین کی ترتیب

31 دسمبر 2023ء تک شیئر ہولڈنگ کا پیٹرن حسب ذیل ہے:

شیئر ہولڈرز	شیئر ہولڈنگ
وزارت خزانہ، حکومت پاکستان	50%
چائنا ڈیولپمنٹ بینک	50%
اندرونی انضمام کا احوال	

کمپنی کے بورڈ آف ڈائریکٹرز یہ یقینی بنانے کے لئے ذمہ دار ہیں کہ کمپنی میں ایک مربوط اور متاثر کن اندرونی کنٹرول سسٹم قائم ہو اور یہ کہ کمپنی کی انتظامیہ کمپنی بھر میں متاثر کن اندرونی کنٹرولز کے قیام اور نفاذ کے لئے ذمہ داری قبول کرے لہذا اس بابت اندرونی کنٹرولز پر ایک بیان دیا گیا ہے۔ اندرونی کنٹرولز پر انتظامیہ کے بیان کو رپورٹ ہڈا کے ذریعے بورڈ آف ڈائریکٹرز نے تسلیم کیا ہے۔

آڈیٹرز

موجودہ آڈیٹرز M/s Grant Thornton Anjum Rehman Chartered Accountants نے 31 دسمبر 2023ء کو اختتام پذیر سال کے لئے اپنی اسائنمنٹ مکمل کر لی ہے اور اجلاس کے اختتام پر وہ رہنما ہو جائیں گے۔ اہلیت کی بنا پر انہوں نے 31 دسمبر 2024ء کو اختتام پذیر سال کے لئے اپنی دوبارہ تفری کی پیشکش کی ہے۔

مالیاتی حالت پر اسٹینٹس کے بعد کے واقعات

ایسے مادی واقعات پیش نہ آئے ہیں جو مالیاتی حالت پر اسٹینٹس کے بعد وقوع پذیر ہوئے جن کی منسلک مالیاتی اسٹینٹس پر ایڈجسٹمنٹ درکار ہے۔ مستقبل کا معر نامہ

پاکستان کے پالیسی ساز کو کلی اقتصادی استحکام اور مالیاتی ڈھانچے کو نکھارنے کے اہم مقصد کو حاصل کرنے کا ناسک دیا گیا ہے۔ اس میں ٹیکس بنام GDP تناسب کی بہتری، مربوط مالیاتی انتظام، افراط زر کے دباؤ سے لکھنا اور برآمدی مسابقت کو بڑھانے کے لئے رفتار کو برقرار رکھنا شامل ہے۔ معاشی ماحول پیچیدہ اور بے یقینی رہے گا جو ملکی مجبور یوں اور عالمی کمزوری پر مشتمل ہے لہذا ایک مؤثر پالیسی وضع کرنے کی ضرورت ہے۔ اس تناظر میں، سال 2024ء ایک انقلابی سال رہنے کی توقع ہے جو کہ ایسا دورانیہ ہوگا جو مالیاتی استحکام اور کلی اقتصادی توازن کی فیصلہ کن کوششوں پر مشتمل ہوگا۔ ہماری توجہ کا مرکز اعلیٰ اور معیاری اچانچہ جات اور انٹر پرائزز کے پورٹ فولیو کو تیار کرنا اور مربوط اور متحرک آپریشنل فریم ورک تیار کرنا ہے۔

اعترافات

بورڈ اپنے پانسرز، وزارت خزانہ، حکومت پاکستان اور چائنا ڈیولپمنٹ بینک کی جانب سے کی گئی سپورٹ اور عزم کے لئے شکر گزار ہے۔ بورڈ اس قلیل مدت میں اپنے قدم جمانے پر انتظامیہ اور کمپنی ملازمین کو بھی خراج تحسین پیش کرتا ہے۔ بورڈ اسٹیٹ بینک آف پاکستان اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی مسلسل رہنمائی کے لئے بھی تہہ دل سے شکر گزار ہے۔

سن بو

چیرمین بورڈ آف ڈائریکٹرز

پاک چائنا انویسٹمنٹ کمپنی لمیٹڈ

سونگ ڈینون

میجر ڈائریکٹر

پاک چائنا انویسٹمنٹ کمپنی لمیٹڈ

24 جولائی 2025ء

اسلام آباد



### **ANNUAL STATEMENT OF INTERNAL CONTROLS 2023**

An internal control system is a set of procedures and activities designed to identify and mitigate the risk in processes and operations in order to support the overall business objectives of the Company. It is the responsibility of the Company's management to establish an internal control system to maintain an adequate and effective internal control environment on an ongoing basis.

The Management of Pak China Investment Company Limited assumes full responsibility for establishing and maintaining an adequate and effective system of internal controls throughout the company that provides reasonable assurance regarding the reliability of financial reporting. Management understands that the effective maintenance of the Internal Controls System is an ongoing process under the ownership of the management. All significant policies and procedural manuals are in place; and the review, revision, and improvement to keep them updated to cope with latest challenges is actively pursued by the management.

The management of PCICL, has adopted the internationally accepted COSO Integrated Framework, in accordance with the guidelines on Internal Controls from State Bank of Pakistan and has completed all stages of Internal Control over Financial Reporting (ICFR). Internal Audit conducts audit of relevant activities and processes to evaluate the effectiveness of the control environment throughout the Company.

The Company follows the SBP's instructions on Internal Controls over Financial Reporting (ICFR) and has complied with the SBP's stage wise implementation roadmap. As part of this exercise, the Company has documented a comprehensive ICFR Framework which has been approved by the Board of Directors. The Company's external auditors are engaged annually to provide a Long Form Report on ICFR. During year 2023, the Company conducted testing of financial reporting controls for ensuring the effectiveness of ICFR in the last quarter of 2023.

Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System is adequate and is being effectively implemented and monitored, though room for improvement always exists.

During the year under review, PCICL endeavored to follow the guidelines issued by the SBP on internal controls, for evaluation and management of significant risks, and will continue to endeavor for further improvements in the Internal Controls System. While an Internal Controls System will be effectively implemented and monitored, however, due to inherent limitations, the Internal Controls System is designed to manage rather than eliminate the risks of failure to achieve desired objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board of Directors of PCICL is ultimately responsible for ensuring that an adequate and effective Internal Control System exists in the Company and endorses the above management evaluation.



**Armughan Ahmad Daud**  
Chief Financial Officer



**Song Zhenwen**  
Managing Director

24 July 2025



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**Grant Thornton Anjum Rahman**

302 B, 3rd Floor,  
Evacuee Trust Complex,  
Aga Khan Road, F-5/1,  
Islamabad, Pakistan.

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of  
Pak China Investment Company Limited

T +92 51 2271906  
F +92 51 2273874

### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

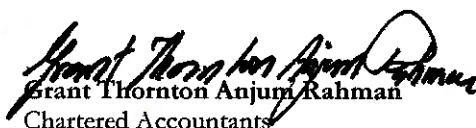
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Pak China Investment Company Limited** (the Company) for the year ended December 31, 2023 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

The Regulation require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the company for the year ended December 31, 2023.



Grant Thornton Anjum Rahman  
Chartered Accountants

Islamabad

Date: July 30, 2025

UDIN: CR2023101640u91A4row

**Statement of Compliance with the Best Practices of Listed Companies (Code of Corporate Governance) Regulations, 2019**

**Name of the Company: Pak China Investment Company Limited**

**Year ending: December 31, 2023**

The State Bank of Pakistan, through BPRD Circular No. 05 dated November 22, 2021, issued the Corporate Governance Regulatory Framework (the "Framework"), requiring DFIs operating under Joint Venture Agreements to comply with the provisions of the Framework, unless such provisions conflict with the terms of their respective agreements. As per the framework, the Company is not required to follow the Listed Companies (CCG) Regulations, but it is expected that the Company will continue to follow the best practices on Corporate Governance. In line with this, and as a matter of best practice, the Company adheres to relevant provisions of the Code of Corporate Governance for listed companies to strengthen its governance and transparency standards

The company reports compliance with the Code of Corporate Governance for listed companies along with the Joint Venture Agreement in the following manner:

1. The Joint Venture Agreement; under which the Company was established in 2007, requires that the Board of Directors (the Board) shall consist of six members, to be appointed equally by respective shareholders. The Board comprised of following members:

Categories	Names
Non-Executive Directors	Mr. Wang Baojun - Chairman Mr. Amjad Mahmood Ms. Wang Li Mr. Shahnawaz Mahmood
Executive Directors	Mr. Hassan Raza – Managing Director Mr. Jiang Ketao – Deputy Managing Director
Female Directors	Ms. Wang li
Independent Directors*	-

\*As per the Joint Venture Agreement (JVA) dated July 18, 2007, under which the Company was established, the Board of Directors is to comprise six (6) members, equally nominated by each shareholder. In light of this arrangement, the appointment of independent directors is not applicable to the Company. Consequently, as the Corporate Governance Regulations require the Chairpersons of the Audit and Human Resource Committees to be independent directors, the Company is unable to comply with this requirement due to the absence of independent directors on its Board.



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2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies.
3. The Company has prepared a Code of Conduct ("Statement of Ethics & Business Practices") and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
5. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 and the Regulations.
6. The meetings of the Board were presided by Chairman and, in his absence, by the director elected by the Board for this purpose. The Board has complied with the requirements of Companies Act, 2017 and the Regulations except in respect of the frequency, recording, and circulation of minutes of meetings. This non-compliance arose due to the meetings not being held during the year 2023, on account of non-availability of quorum, and as a result, the minutes could not be circulated.
7. The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Companies Act, 2017 (The Act) and the Regulations. During the year 2023, the Company did not issue letter to the newly nominated directors at the beginning of their term, setting out their role, obligations, powers and responsibilities in accordance with the Act and the company's Articles of Association, their remuneration and entitlement.
8. All the directors of the board has obtained directors training program or obtained exemption except two Chinese directors. Furthermore, the Company did not arrange a formal orientation program for its directors as required under the Regulation.  
*\* (Due to unavailability of Chinese directors the required training program was not conducted.)*
9. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with the relevant requirements of the Regulations.
10. Chief Financial Officer and Chief Executive Office duly endorsed the financial statements before approval of the Board. The quarterly financial statements of company were not published and circulated along with director's review on the affairs of the Company for the financial year 2023, due to unavailability of quorum for most part of the year.



11. The Board has formed committees comprising of members given below:

Committee	Name of Chairman / Members	
Board Audit Committee	Mr. Amjad Mahmood	Chairman
	Ms. Wang Li	Member
	Mr. Shahnawaz Mahmood	Member
Board Human Resource & Remuneration Committee	Mr. Wang Baojun	Chairman
	Ms. Wang Li	Member
	Mr. Shahnawaz Mahmood	Member
	Mr. Amjad Mahmood	Member
Board Risk Management Committee	Mr. Shahnawaz Mahmood	Chairman
	Mr. Wang Li	Member
	Mr. Amjad Mahmood	Member
	Mr. Hassan Raza	Member
	Mr. Jiang Ketao	Member

12. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

13. The frequency of meetings of the committees were as following:

Name of Committee	Number of Meetings held	Number of Meetings required
Board Audit Committee (BAC)	1	Quarterly
Board Human Resource and Remuneration Committee (BHR & RC)	-	As and when required
Board Risk Management Committee (BRMC)	-	Half Yearly

*\* (The required meetings were not held during the year as quorum of the meetings was not complete most of the year)*

14. The Board has set up an effective Internal Audit function, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

15. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants





of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouses, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.

16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

Except the matters highlighted at Para 1, 6, 7, 8, 10 and 13 above, we confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



**Song Zhenwen**  
Managing Director



**Sun Bo**  
Chairman Board of Directors

24 Jul 2025  
Islamabad





## INDEPENDENT AUDITOR'S REPORT

To the members of  
Pak China Investment Company Limited

Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of **Pak China Investment Company Limited** (the Company), which comprise the statement of financial position as at December 31, 2023 and the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a material accounting policies information and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2023 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises of information to be included in the annual report that shall also include the directors' report but does not include the financial statements and our auditor's report thereon. The other information obtained at the date of audit report is information included in directors' report while the complete set of annual report is expected to be made available to us after the date of this auditor's report.

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**Grant Thornton Anjum  
Rahman**

302 B, 3rd Floor,  
Evacuee Trust Complex,  
Aga Khan Road, F-5/1,  
Islamabad, Pakistan.

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Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained at the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the



financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

## Other Matter

The financial statements of the Company for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 July 2024.

The engagement partner on the audit resulting in this independent auditor's report is Hassaan Riaz.

  
Grant Thornton Anjum Rahman  
Chartered Accountants

Place: Islamabad

Date: July 30, 2025

UDIN: AR202310164ZYfKPS6a0

**PAK CHINA INVESTMENT COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**

		2023	2022
	Note	-----Rupees-----	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	58,211,053	93,364,567
Balances with other banks	7	4,338,987,033	3,313,389,248
Lendings to financial institutions	8	1,886,342,400	99,825,849
Investments	9	18,156,013,803	73,440,579,528
Advances	10	18,854,724,030	16,198,258,207
Property and equipment	11	187,166,273	178,345,992
Right-of-use assets	12	139,907,654	157,495,626
Intangible assets	13	4,651,640	-
Deferred tax assets	14	105,850,816	-
Other assets	15	1,252,528,688	733,982,851
<b>Total Assets</b>		<b>44,984,383,390</b>	<b>94,215,241,868</b>
<b>LIABILITIES</b>			
Bills payable		-	-
Borrowings	16	21,965,719,305	72,177,830,346
Deposits and other accounts	17	370,560,678	1,503,420,313
Lease liabilities	18	122,080,378	134,450,409
Subordinated debt		-	-
Deferred tax liabilities	14	-	26,820,653
Other liabilities	19	746,270,572	756,678,830
<b>Total Liabilities</b>		<b>23,204,630,933</b>	<b>74,599,200,551</b>
<b>NET ASSETS</b>		<b>21,779,752,457</b>	<b>19,616,041,317</b>
<b>REPRESENTED BY</b>			
Share capital	20	9,905,975,280	9,905,975,280
Advance against issue of shares	21	15,212,360	5,212,360
Reserves		2,463,427,065	1,891,727,790
Surplus / (Deficit) on revaluation of assets	22	(462,447,573)	244,804,836
Unappropriated / Unremitted profit		9,857,585,325	7,568,321,051
		<b>21,779,752,457</b>	<b>19,616,041,317</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	23		

The annexed notes 1 to 46 form an integral part of these financial statements.

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MANAGING DIRECTOR

  
CHIEF FINANCIAL OFFICER

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR

**PAK CHINA INVESTMENT COMPANY LIMITED**  
**STATEMENT OF PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

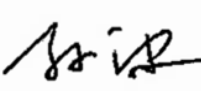
		2023	2022
	Note	Rupees	
Mark-up / Return / Interest earned	24	12,628,650,813	5,579,922,080
Mark-up / Return / Interest expensed	25	(8,526,247,970)	(3,204,085,295)
<b>Net mark-up / interest income</b>		<b>4,102,402,843</b>	<b>2,375,836,785</b>
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee and commission income	26	46,646,413	107,977,636
Dividend income		20,408,346	26,731,694
Foreign exchange income		813,414,780	687,329,955
Income / (Loss) from derivatives		-	-
Gain / (Loss) on securities	27	121,645,698	(19,832,247)
Net gains / (losses) on derecognition of financial assets measured at amortised cost		-	-
Other income	28	15,945,310	14,483,974
<b>Total non-markup / interest income</b>		<b>1,018,060,547</b>	<b>816,691,012</b>
<b>Total income</b>		<b>5,120,463,390</b>	<b>3,192,527,797</b>
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Operating expenses	29	754,422,676	604,118,987
Workers welfare fund		-	-
Other charges	30	250,000	-
<b>Total non-markup / interest expenses</b>		<b>754,672,676</b>	<b>604,118,987</b>
<b>Profit before credit loss allowance</b>		<b>4,365,790,714</b>	<b>2,588,408,810</b>
Credit loss allowance and write offs - net	31	519,535,871	469,363,026
<b>PROFIT BEFORE TAXATION</b>		<b>3,846,254,843</b>	<b>2,119,045,784</b>
Taxation	32	1,467,992,891	794,444,649
<b>PROFIT AFTER TAXATION</b>		<b>2,378,261,952</b>	<b>1,324,601,135</b>
<b>Basic earning per share</b>	33	<b>2.40</b>	<b>1.36</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

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MANAGING DIRECTOR

  
CHIEF FINANCIAL OFFICER

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR



**PAK CHINA INVESTMENT COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023	2022
	-----Rupees-----	
Profit after taxation for the year	2,378,261,952	1,324,601,135
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Movement in deficit on revaluation of debt investments through FVOCI - net of tax	(12,355,686)	(21,275,715)
Movement in surplus on revaluation of shares through FVOCI - net of tax	96,006,184	59,971,126
	83,650,498	38,695,411
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Remeasurement gain on defined benefit obligations - net of tax	2,467,172	1,091,080
	2,467,172	1,091,080
<b>Total comprehensive income</b>	<u>2,464,379,621</u>	<u>1,364,387,626</u>

The annexed notes 1 to 46 form an integral part of these financial statements.

JK

  
 \_\_\_\_\_  
 MANAGING DIRECTOR

  
 \_\_\_\_\_  
 CHIEF FINANCIAL OFFICER

  
 \_\_\_\_\_  
 CHAIRMAN

  
 \_\_\_\_\_  
 DIRECTOR

  
 \_\_\_\_\_  
 DIRECTOR

**PAK CHINA INVESTMENT COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	Issued, subscribed and paid up Share capital	Advance against issue of shares	Statutory reserve *	Surplus / (deficit) on revaluation of investments	Unappropriated profit	Total
Balance as at 01 January 2022	9,696,637,540	9,881,237	1,626,807,563	206,109,425	6,507,549,063	18,046,984,828
Profit after taxation for the year ended 31 December 2022	-	-	-	-	1,324,601,135	1,324,601,135
Movement in deficit on revaluation of investments in debt instruments - net of tax	-	-	-	(21,275,715)	-	(21,275,715)
Movement in surplus on revaluation of investments in Shares - net of tax	-	-	-	59,971,126	-	59,971,126
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	1,091,080	1,091,080
Other comprehensive Income - net of tax	-	-	-	38,695,411	1,091,080	39,786,491
Transfer to statutory reserve	-	-	264,920,227	-	(264,920,227)	-
Transaction with owners recognized directly in equity						
Advance against issue of shares	-	204,668,863	-	-	-	204,668,863
Issue of share capital	209,337,740	(209,337,740)	-	-	-	-
	209,337,740	(4,668,877)	-	-	-	204,668,863
Balance as at 31 December 2022	9,905,975,280	5,212,360	1,891,727,790	244,804,836	7,568,321,051	19,616,041,317
Impact of IFRS - 9						
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	(92,416,049)	92,416,049	-
Transfer from unappropriated profit to surplus on revaluation of assets - net of tax	-	-	-	(698,486,857)	698,486,857	-
Impact of effective interest rate and modification loss - net of tax	-	-	-	-	(157,365,243)	(157,365,243)
Impact of expected credit loss (eci) allowance - net of tax	-	-	-	-	(153,303,238)	(153,303,238)
Impact of adopting IFRS - 9 (Note 5.1)	-	-	-	(790,902,906)	480,234,425	(310,668,482)
Transfer to statutory reserve	-	-	96,046,885	-	(96,046,885)	-
Adjusted balances as at 01 January 2023	9,905,975,280	5,212,360	1,987,774,675	(546,098,070)	7,952,508,591	19,305,372,835
Profit after taxation for the year ended 31 December 2023					2,378,261,952	2,378,261,952
Movement in deficit on revaluation of investments in debt instruments - net of tax	-	-	-	(12,355,686)	-	(12,355,686)
Movement in surplus on revaluation of investments in shares - net of tax	-	-	-	96,006,184	-	96,006,184
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	2,467,172	2,467,172
Other comprehensive Income - net of tax	-	-	-	83,650,498	2,467,172	86,117,670
Transfer to statutory reserve	-	-	475,652,390	-	(475,652,390)	-
Transaction with owners recorded directly in equity						
Advance against issue of shares	-	10,000,000	-	-	-	10,000,000
Balance as at 31 December 2023	9,905,975,280	15,212,360	2,463,427,065	(462,447,573)	9,857,585,325	21,779,752,457

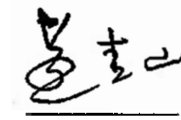
\* According to BPD Circular No. 15, dated 31 May 2004, issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund, till such time the reserve fund equals the amount of the paid-up capital of the Company, and after that a sum not less than 5%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


The annexed notes 1 to 46 form an integral part of these financial statements.

  
MANAGING DIRECTOR

  
CHIEF FINANCIAL OFFICER

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR

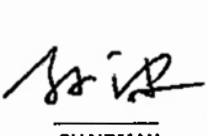
**PAK CHINA INVESTMENT COMPANY LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023	2022
Note	-----Rupees-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,846,254,843	2,119,045,784
Less: Dividend income	(20,408,346)	(26,731,694)
	<u>3,825,846,497</u>	<u>2,092,314,090</u>
<b>Adjustments:</b>		
Depreciation	29 14,827,433	14,198,704
Depreciation on right-of-use assets	29 46,265,364	36,473,522
Amortization	29 1,697,696	217,987
Credit loss allowance and write-offs	31 525,856,032	469,363,026
Loss / (Gain) on sale / disposal of property and equipment	(302,615)	563,485
Finance charges on leased assets	25 20,923,951	4,965,255
Provision for gratuity	19,070,087	18,406,871
Unrealized loss on revaluation of 'FVTPL' securities	27 (91,577,076)	21,366,627
Exchange gain	(813,414,780)	(687,329,955)
	<u>(276,653,908)</u>	<u>(121,774,478)</u>
	<u>3,549,192,589</u>	<u>1,970,539,612</u>
<b>(Increase) / Decrease in operating assets</b>		
Lendings to financial institutions	(1,786,516,551)	(99,825,849)
Advances	(3,904,356,012)	(609,884,222)
Others assets (excluding advance taxation)	(498,227,564)	(319,850,740)
	<u>(6,189,100,127)</u>	<u>(1,029,560,811)</u>
<b>Increase/ (Decrease) in operating liabilities</b>		
Borrowings from financial institutions	(50,473,767,050)	58,302,181,819
Deposits	(1,132,859,635)	(3,246,579,687)
Others liabilities (excluding current taxation)	52,310,709	509,015,299
	<u>(51,554,315,976)</u>	<u>55,564,617,431</u>
<b>Payments against off-balance sheet obligations</b>		
Income tax paid	(1,418,727,910)	(683,895,611)
Contribution to plan assets	(20,247,943)	(21,256,990)
	<u>(1,438,975,853)</u>	<u>(705,152,601)</u>
<b>Net cash flow (used in) / from operating activities</b>	<u>(55,633,199,367)</u>	<u>55,800,443,631</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Investments in securities classified as FVOCI	53,736,541,456	(61,772,360,711)
Dividends received	20,408,346	26,731,694
Realized gain on shares	-	-
Investments in property and equipment	(30,094,076)	(18,125,291)
Disposal of property and equipment	399,641	867,286
Net cash flow from / (used in) investing activities	<u>53,727,255,367</u>	<u>(61,762,887,022)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payments of lease obligations against right-of-use assets	(61,971,374)	(45,202,896)
Receipts/ Payments of long term liabilities	1,036,166,667	(818,729,167)
Issue of share capital	-	209,337,740
Advance for issue of share	10,000,000	(4,668,877)
Net cash flow from / (used in) financing activities	<u>984,195,293</u>	<u>(659,263,200)</u>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<u>813,414,780</u>	<u>687,329,955</u>
<b>Increase/(Decrease) in cash and cash equivalents</b>	<u>(108,333,927)</u>	<u>(5,934,376,636)</u>
<b>Cash and cash equivalents at beginning of the year</b>	<u>220,240,475</u>	<u>6,154,617,111</u>
<b>Cash and cash equivalents at end of the year</b>	<u>34 111,906,548</u>	<u>220,240,475</u>

The annexed notes 1 to 46 form an integral part of these financial statements.

  
MANAGING DIRECTOR

  
CHIEF FINANCIAL OFFICER

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR

**PAK CHINA INVESTMENT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**1 STATUS AND NATURE OF BUSINESS**

Pak China Investment Company Limited (the Company) is a public limited company incorporated in Pakistan on July 27, 2007 under the Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017). 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 People's Republic of China' and 'Government of Islamic Republic of Pakistan' through China Development Bank and Ministry of Finance, respectively. The Company's objectives include, inter alia, investment and financing in infrastructure projects, and in industrial, manufacturing, non-manufacturing and financial sectors.

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

**2 BASIS OF PRESENTATION**

These financial statements have been presented in accordance with the format prescribed by The Statebank of Pakistan (SBP) vide BPRD Circular letter No. 2 dated 09 February 2023.

**2.1 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pak. Rupee, which is the Company's functional and presentation currency.

**3 STATEMENT OF COMPLIANCE**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

**3.1** Wherever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the directives issued by the SBP and the SECP differ with the requirements of IFRS and IFAS the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

**3.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment property' for Banks and DFIs through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. Further, the SECP, through S.R.O 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks and DFIs.

The Company believes that there is no significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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**3.3 Standards, interpretations of and amendments to the published accounting and reporting standards that are effective in the current year:**

The International Accounting Standards Board (IASB) has issued new and amended standards, interpretations, and amendments effective for accounting periods beginning on or after January 1, 2023. The Company elected to early adopt IFRS 9 'Financial Instruments' and implement the new financial statement format effective January 1, 2023, with related impacts disclosed in note 5.1. Other applicable standards, amendments, and interpretations have been assessed as either not relevant to the Company's operations or having no significant effect, and therefore are not separately detailed in these financial statements.

**3.4 Standards, interpretations of and amendments to the published accounting and reporting standards that are not yet effective:**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2024:

<b>Standard, Interpretation or amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
- IAS 21 - 'Lack of exchangeability' (amendments)	January 1, 2025
- IAS 1 - Non current liabilities with covenants (amendments)	January 1, 2024
- IFRS 16 - Sale and leaseback (amendments)	January 1, 2024
- The management is in the process of assessing the impact of these standards and amendments on the financial statements of the Company.	

**4 BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except for:

- obligation in respect of staff retirement benefit has been carried at present value of defined benefit obligation and compensated absences;
- certain advances disbursed at lower than market rate have been carried at fair value in accordance with the requirements of IFRS - 9;
- certain borrowings obtained at lower than market rate have been carried at fair value in accordance with the requirements of IFRS - 9; and
- certain investments classified as FVOCI and FVPL are carried at fair value in accordance with the requirements of IFRS - 9.

**4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgments in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if their revision affects only that period, or in the period of revision and future periods if their revision affects both current and future periods. Material accounting estimates applied in the preparation of these financial statements are presented below:

- (a) classification and valuation of investments;
- (b) expected credit loss/ provision against advances;
- (c) depreciation / amortisation of fixed assets and intangible assets;
- (d) contingent assets and liabilities, provisions against off balance sheet obligations;
- (e) Assumption and estimation in recognition of provision for current and deferred taxation; and
- (f) accounting for defined benefit plan and compensated absences.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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**5 MATERIAL ACCOUNTING POLICIES**

The accounting policies adopted in preparation of these financial statements have been applied consistently to all periods presented in these financial statements of the Company except for changes in accounting policies mentioned below;

**5.1 Adoption of IFRS 9 and new forms of the preparation of annual financial statements**

The State Bank of Pakistan (SBP), through BPRD Circular Letter No. 07 dated April 13, 2023, deferred the mandatory implementation of IFRS 9 "Financial Instruments" to accounting periods beginning on or after January 1, 2024. However, early adoption of the standard was permitted and encouraged. Accordingly, the Company opted for early adoption and has implemented IFRS 9 effective from January 1, 2023.

The adoption of IFRS 9 has led to changes in the Company's accounting policies and necessitated adjustments to amounts previously recognized in the financial statements. In line with the transitional provisions of IFRS 9, the standard has been applied retrospectively without restating the prior period comparatives. Consequently, the difference between the previously reported and the remeasured carrying amounts of financial instruments—aggregating to Rs. 384.187 million—has been adjusted directly through opening retained earnings as of January 1, 2023.

IFRS 9 introduces fundamental changes in the classification and measurement of financial assets, replacing the earlier classification approach with a model based on business objectives and contractual cash flow characteristics. It also introduces a forward-looking Expected Credit Loss (ECL) model for the recognition of impairment on financial assets, which involves significant management judgment and estimation.

During the year, the SBP issued revised formats for annual financial statements via BPRD Circular No. 02 dated February 9, 2023, initially applicable from January 1, 2023, but later deferred to January 1, 2024. As the Company opted for early adoption of IFRS 9, it has also adopted these revised formats, resulting in changes to the presentation and disclosures in the financial statements.

There were significant changes in the accounting policies, which are detailed below:

**5.1.1 IFRS 9 – Financial Instruments**

IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of accounting of financial liabilities. To determine appropriate classification and measurement category, IFRS 9 requires all financial assets, except equity instruments to be assessed based on combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics. The adoption of IFRS 9 has also fundamentally changed the impairment method of financial assets with a forward-looking Expected Credit Losses (ECL) approach.

**5.1.2 Classification**

Under IFRS 9, existing categories of financial assets: Held for trading (HFT), Available for sale (AFS) and Held to maturity (HTM) have been replaced by:

- Financial assets at fair value through profit or loss account (FVPL)
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at amortized cost

Under IFRS 9, the accounting for financial liabilities remains largely the same as before adoption of IFRS 9 and thus all financial liabilities are being carried at amortized cost. Financial liabilities can also be designated at FVPL where gains or losses arising from entity's own credit rating risk relating to are required to be presented in other comprehensive income with no reclassification to the profit or loss account. The Company did not have any financial liability measured at FVPL.

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The classification and subsequent measurement is dependent on the Company's business model.

**5.1.3 Business model assessment**

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The objectives for the portfolio, in particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Eventually, the financial assets fall under either of the following three business models:

- a. Hold to Collect (HTC) Business Model: Holding assets in order to collect contractual cash flows
- b. Hold to Collect and Sell (HTC&S) Business Model: Collecting contractual cash flows and selling financial assets
- c. Other Business Models: Resulting in classification of financial assets as FVPL

**5.1.4 Assessments whether contractual cash flows are solely payments of principal and interest (SPPI)**

As a second step of its classification process the Company assesses the contractual terms of financial to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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The Company has arrived at the below given classification and measurement mapping for its financial assets.

Portfolio / Business Model		Financial asset measurement	
Financial Assets Portfolio	Business Model	Asset is SPPI	Asset is not SPPI
Advances and Debt Investments originated by IBG / CBG	Hold to Collect / Hold to Collect or Sell	At Amortized Cost / FVOCI	At Fair Value through Profit and Loss
Bank Deposits / Cash	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Placements with Financial Institutions	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Debt Investments originated by Treasury Division with the intent to hold to collect and sell	Hold to Collect and Sell	At Fair Value through Other Comprehensive Income	At Fair Value through Profit and Loss
Debt Investments originated by Treasury Division with the intent to hold to collect	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Equity Investments	Other	• Quoted : At FVTPL or at FVOCI (irrevocable option)	
		• Unquoted : At Fair Value through Other Comprehensive Income	
		• Strategic Investment : N/A	
Staff Advances	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss

#### 5.1.5 Reclassification

Reclassification of financial assets will only be made in exceptional cases along with the rationale for the change in the business model (under which they were managed) that has led to the reclassification. Such changes must be demonstrable to external parties. Financial liabilities are never reclassified.

#### 5.1.6 Debt Instruments - Financial assets

Debt financial assets held by the Company (including; advances, lending to financial institutions, investment in federal government securities and other private debt securities, cash and balances with treasury Banks, balances with other Banks, and other financial assets) are measured at amortized cost if they meet both of the following conditions and is not designated as at FVPL:

- the assets are held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Company's business model for these financial assets can still be HTC even when sales of these financial assets occur. However, if more than an infrequent number of sales or sale(s) of significant value are/is made, the Company assess whether and how the sales are consistent with the HTC objective. This assessment includes the reason(s) for the sales, the expected frequency of sales, and whether the assets that are sold are held for an extended period of time relative to their contractual maturities.

The aforementioned financial assets are measured at FVOCI only if these meet both of the following conditions and are not designated as at FVPL:

- the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The aforementioned financial assets if held for trading purposes are classified as measured at FVPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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**5.1.7 Equity instruments - Financial assets**

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. An equity instrument held for trading purposes is classified as measured at FVTPL.

**5.1.8 Initial Measurement**

Investments are initially measured at their fair value except in the case of financial assets recorded at FVTPL, transaction costs are added to, or subtracted from, this amount.

**Subsequent Measurement**

**Debt instruments at Amortized Cost**

After initial measurement, such debt instruments are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR.

**Debt instruments at FVTOCI**

FVTOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for Debt instruments at FVTOCI is explained in note 5.1.10. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. Debt instruments are subject to impairment under Expected Credit Loss model. The ECLs for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

**Equity instruments at FVTOCI**

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVTOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The Company's policy is to designate equity investments as FVTOCI when those investments are held for purposes other than to generate investment returns. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVTOCI are not subject to an impairment assessment.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee companies as per their latest available financial statements.

Investments in other unquoted securities are valued at cost less impairment losses, if any.

**Financial assets (equity and debt instruments) at fair value through profit or loss**

Financial assets (both equity and debt) at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss. Interest earned on debt instruments designated at FVTPL is accrued in interest income, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss when the right to the payment has been established.



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**Impairment of investments**

Impairment of debt instrument is computed using expected credit loss model. No ECL has been provided for on sovereign facilities assuming that these are fully secured against Government guarantee.

**5.1.9 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

**5.1.10 Overview of the ECL principles**

The adoption of IFRS 9 has fundamentally changed the Company's loan loss impairment method by replacing SBP Prudential Regulation incurred loss approach with a forward-looking ECL approach. From 01 Jan 2023, the Company has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL) as outlined below.

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Company considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject borrower. The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, generally, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due. The Company has rebutted 30 DPD presumption based on behavioural analysis of its borrowers. When estimating ECLs on a collective basis for a group of similar assets, the Company applies the similar principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

**Stage 1:** When loans are first recognised, the Company recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2. The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

**Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

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- Stage 3:** For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The Company uses a PD of 100% and LGD is used as prescribed by the SBP under the prudential regulation. Therefore, the stage 3 provisioning are aligned with regulatory requirements.
- POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.
- Loan commitments and letters of credit** When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.
- Financial guarantee contracts** The Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.

No ECL has been provided for on sovereign facilities because these are fully secured against Government guarantee.

**The calculation of ECLs**

The Company calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier.

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**LGD** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The interest rate used to discount the ECLs is based on the effective interest rate that is expected to be charged over the expected period of exposure to the facilities. In the absence of computation of the effective interest rate (at reporting date), the Company uses an approximation e.g. contractual rate (at reporting date).

When estimating the ECLs, the Company considers three scenarios (a base case, an upside, a downside. Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

**Forward looking information**

In its ECL models, the Company relies on a range of forward looking information as economic inputs, such as:

- GDP growth
- Consumer Price Index
- Volume of export of Goods,

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets. Under IFRS 9, the Company's accounting policy for taking benefit of collateral assigned to it through its lending arrangements is to consider liquid collateral only. Due to the complexities involved in the Pakistan regarding non-liquid collateral realization and lack of historical experience to demonstrate recoveries through realization of such collaterals, a hair cut of 100% was used for non-liquid collateral types for stage 1 and stage 2 loans.

**Credit Conversion Factor (CCF)**

As per the guidelines issued by SBP vide BPRD Circular Letter No. 03 of 2022 dated July 05, 2022, FIs are advised to estimate the expected portion of the commitment that will be drawn down over the expected life of the commitment on the basis of their past experience and forward looking information. If not possible, the FIs may use the CCF for the calculation of EAD for off balance sheet exposures as defined under BSD Circular No. 08 of 2006 dated Dec 27, 2006.

Currently the Company is in the process of the preparation of model for CCF calculation.

**Write-offs**

The gross carrying amount of a credit instrument will be reduced when there is no reasonable expectation of recovery, in accordance with the terms of its Write-Off policy. Write-off constitutes a derecognition event.

**Revenue recognition and other items**

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis. Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net trading income and Net gains/(losses) on financial assets at fair value through profit or loss, respectively.

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**5.1.11 Forborne and modified loans**

The Company sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Company's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognised, the Company also reassesses whether there has been a significant increase in credit risk as per Company's policy. The Company also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne until all of the relevant criteria given in the prudential regulations has been met.

**5.1.12 Derecognition**

**Financial assets**

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

**Financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the profit or loss account.

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**5.1.13 Transitioning adjustments**

The comparative period have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS-9 have been recognized in opening retained earnings as of January 01, 2023, as per detail given below:-

**5.1.13.1 Transition due to adoption of IFRS 9**

	31 December 2022	Expected credit loss allowances	Other adjustments in relation to adoption of IFRS 9	01 January 2023
-----Rupees-----				
<b>ASSETS</b>				
Cash and balances with treasury banks	93,364,567	-	-	93,364,567
Balances with other banks	3,313,389,248	(67,489)	-	3,313,321,759
Lendings to financial institutions	99,825,849	-	-	99,825,849
Investments	73,440,579,527	(125,069,589)	(36,735,488)	73,278,774,450
Advances	16,198,258,207	(172,284,591)	(1,159,398,211)	14,866,575,405
Property and equipment	178,345,992	-	-	178,345,992
Right-of-use assets	157,495,626	-	-	157,495,626
Intangible assets	-	-	-	-
Deferred tax assets	-	-	-	-
Other assets	733,982,851	-	-	733,982,851
<b>Total Assets</b>	<b>94,215,241,867</b>	<b>(297,421,669)</b>	<b>(1,196,133,699)</b>	<b>92,721,686,499</b>
<b>LIABILITIES</b>				
Bills payable	-	-	-	-
Borrowings	72,177,830,346	-	(961,260,203)	71,216,570,143
Deposits and other accounts	1,503,420,313	-	-	1,503,420,313
Lease liabilities	-	-	-	-
Subordinated debt	-	-	-	-
Deferred tax liabilities	26,820,653	(75,507,565)	(77,508,254)	(126,195,166)
Other liabilities	891,129,239	(68,610,866)	-	822,518,373
<b>Total Liabilities</b>	<b>74,599,200,551</b>	<b>(144,118,431)</b>	<b>(1,038,768,457)</b>	<b>73,416,313,663</b>
<b>NET ASSETS</b>	<b>19,616,041,316</b>	<b>(153,303,238)</b>	<b>(157,365,242)</b>	<b>19,305,372,835</b>
<b>REPRESENTED BY</b>				
Share capital	9,905,975,280	-	-	9,905,975,280
Advance against issue of shares	5,212,360	-	-	5,212,360
Reserve	1,891,727,790	-	96,046,885	1,987,774,675
(Deficit) / Surplus on revaluation of assets	244,804,835	-	(790,902,906)	(546,098,071)
Unappropriated profit	7,568,321,051	(153,303,238)	537,490,779	7,952,508,591
	<b>19,616,041,316</b>	<b>(153,303,238)</b>	<b>(157,365,242)</b>	<b>19,305,372,835</b>

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**PAK CHINA INVESTMENT COMPANY LIMITED**  
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**Unappropriated profit**

Retained earnings as of December 31, 2022

**IFRS - 9 Impact**

Expected Credit loss (ECL) allowance

Reclassification of provision for impairment on AFS quoted securities

Reclassification of deficit on AFS quoted securities

Effective interest rate and modification loss

Transfer statutory reserve - net

Deferred tax on ECL

Deferred tax on provision for Impairment adjustment

Deferred tax on effective interest rate and modification loss

Deferred tax on deficit on AFS quoted securities

Related deferred tax impact

**Adjusted Retained Earnings as of January 01, 2023**

**Rupees**

7,568,321,051

(228,810,803)

798,270,694

102,102,299

(234,873,496)

(96,046,885)

75,507,565

(99,783,837)

77,508,254

(9,686,250)

**43,545,732**

**7,952,508,591**

**Balances with Other banks**

As at December 31, 2022

3,313,389,248

**IFRS 9 Impact**

Expected Credit loss (ECL) allowance

(67,489)

(67,489)

**As at January 01, 2023**

**3,313,321,759**

**Investment**

As at December 31, 2022

73,440,579,527

**IFRS 9 Impact**

Expected Credit loss (ECL) allowance

(125,069,589)

Effective interest rate

(36,735,488)

(161,805,077)

**As at January 01, 2023**

**73,278,774,450**

**Advances**

As at December 31, 2022

16,198,258,207

**IFRS 9 Impact**

Expected Credit loss (ECL) allowance

(172,284,591)

Effective interest rate and modification loss

(1,159,398,211)

(1,331,682,802)

**As at January 01, 2023**

**14,866,575,405**

**Borrowings**

As at December 31, 2022

72,177,830,346

**IFRS 9 Impact**

Effective interest rate

(961,260,203)

(961,260,203)

**As at January 01, 2023**

**71,216,570,143**

**Other liabilities**

As at December 31, 2022

891,129,239

**IFRS 9 Impact**

Expected Credit loss (ECL) allowance

(68,610,866)

(68,610,866)

**As at January 01, 2023**

**822,518,373**

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**PAK CHINA INVESTMENT COMPANY LIMITED**  
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	<u>Rupees</u>
<b><u>(Deficit) / Surplus on revaluation of assets</u></b>	
As at December 31, 2022	244,804,835
<b>IFRS 9 Impact</b>	
Reclassification of provision for impairment on AFS quoted securities	(798,270,694)
Adjustment of deferred tax in relation to impairment adjustment	99,783,837
	(698,486,857)
Reclassification of deficit on AFS quoted securities	(102,102,299)
Reclassification of deferred tax	9,686,250
	(92,416,049)
<b>As at January 01, 2023</b>	<b><u>(546,098,071)</u></b>
<b><u>Deferred tax liabilities</u></b>	
As at December 31, 2022	26,820,653
<b>IFRS 9 Impact</b>	
Expected Credit loss (ECL) allowance	(75,507,565)
Effective interest rate and modification loss	(77,508,254)
	(153,015,819)
<b>As at January 01, 2023</b>	<b><u>(126,195,166)</u></b>

**5.1.13.2 Reclassification of investments due to adoption of IFRS-9**

<b>Reclassification for Available for sale securities (AFS)</b>	
<b>Balance as at December 31, 2022</b>	<b>73,273,041,774</b>
Equity securities reclassified to FVPL	(444,436,134)
Debt securities reclassified through FVOCI	(72,005,900,428)
Equity securities reclassified through FVOCI	(822,705,212)
<b>AFS investment as at January 01, 2023</b>	<b><u>-</u></b>
<b>Reclassification for Held for trading securities (HFT)</b>	
<b>Balance as at December 31, 2022</b>	<b>167,537,754</b>
Equity securities reclassified to FVPL	(167,537,754)
<b>HFT investment as at January 01, 2023</b>	<b><u>-</u></b>

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**PAK CHINA INVESTMENT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**5.2 Cash and cash equivalents**

For the purpose of Cash Flow Statement, cash and cash equivalents include cash on hand, non-restricted balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

**5.3 Lendings 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:

**Purchase under resale agreement**

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

**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.

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.

**Purchase under resale agreement**

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential 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 lendings**

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

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**PAK CHINA INVESTMENT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**5.4 Investments**

Following classification and measurement policies for investments, except for that of subsidiary and associate, remained implemented until December 31, 2022, have been changed on adoption of IFRS 9 as detailed in note 5.1 above.

**Held-For-Trading (HFT)**

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

**Available-For-Sale**

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. Available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges, are valued at market value and the resulting surplus / deficit on revaluation, net of deferred tax, is taken through "Statement of Comprehensive Income" and is shown in the shareholders' equity in the statement of financial position. Where the decline in prices of available for sale securities is significant and prolonged, it is considered impaired and included in profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of prudential regulations issued by SBP.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee companies as per their latest available financial statements.

Investments in other unquoted securities are valued at cost less impairment losses, if any.

**Held-To-Maturity (HTM)**

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost less impairment, if any, in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

**5.5 Advances**

Advances are stated net of provision. Provision for non-performing advances until December 31, 2023 determined in accordance with the requirements of the Prudential Regulations issued by SBP from time to time has now been determined according to policy reflected in note 5.1.

The provision against non-performing advances are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

**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.

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**PAK CHINA INVESTMENT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The costs of day-to-day servicing of property and equipment are recognized in profit or loss as

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. The useful lives, residual values and amortization methods are reviewed and adjusted, if appropriate, at each reporting date.

**5.7 Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, unless the lease term is 1 year or less or the lease contains a low-value asset.

**Where the Company is Lessee**

**Right-of-use assets**

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

**Lease liability**

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

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**PAK CHINA INVESTMENT COMPANY LIMITED**  
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In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**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 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. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to profit and loss account is stated net off expected recoveries.

**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 on time proportion method, except where recovery is considered doubtful, in which case the income is recognized on a receipts basis.

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

**PAK CHINA INVESTMENT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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 on an accrual basis to the extent it is highly likely that significant reversal will not occur upon conclusion of related uncertainty.

**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 December 31, 2023. 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.

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.

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**PAK CHINA INVESTMENT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**5.12 Foreign currency transactions**

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 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.

**5.15 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.

**5.16 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 Banking & SME

Corporate Banking & SME includes services provided in connection with funded & non-funded facilities.

b) Investment Banking

Investment Banking includes services provided in connection with mergers & acquisitions,

c) Treasury

Treasury includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

d) Head Office

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

**Geographical Segments**

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

**PAK CHINA INVESTMENT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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		2023	2022
		-----Rupees-----	
<b>6 CASH AND BALANCES WITH TREASURY BANKS</b>	<b>Note</b>		
<b>In hand</b>			
Local currency		14,189	5,404
<b>With State Bank of Pakistan in</b>			
Local currency current account	6.1	57,172,179	86,954,943
<b>With National Bank of Pakistan in</b>			
Local currency current account		711,447	6,154,598
Foreign currency current account		313,238	249,622
		<u>58,211,053</u>	<u>93,364,567</u>
Less: Credit loss allowance held against cash and balances with treasury banks		-	-
<b>Cash and balances with treasury banks - net of credit loss allowance</b>		<u>58,211,053</u>	<u>93,364,567</u>

**6.1** This mainly 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.

		2023	2022
		-----Rupees-----	
<b>7 BALANCES WITH OTHER BANKS</b>	<b>Note</b>		
<b>In Pakistan</b>			
In current account		444,266	435,390
In deposit account	7.1	4,338,645,389	3,312,953,858
		<u>4,339,089,655</u>	<u>3,313,389,248</u>
Less: Credit loss allowance held against balances with other banks		(102,622)	-
<b>Balances with other banks - net of credit loss allowance</b>		<u>4,338,987,033</u>	<u>3,313,389,248</u>

**7.1** This mainly represents a foreign currency term deposit of USD 15,231,000 (2022: USD 14,084,000) carrying mark-up rate of 12.02% (2022: 9.50%) per annum and maturing on 17 June 2024. Local currency deposits carry interest rates ranging from 11.01% to 20.51% (2022: 7.00% to 14.50%) per annum.

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**PAK CHINA INVESTMENT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

			2023	2022
	Note		-----Rupees-----	
<b>8</b>	<b>LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Clean money lendings			-	-
Reverse repo agreements	8.1		<u>1,886,342,400</u>	<u>99,825,849</u>
Less: Credit loss allowance held against lending to financial institutions			-	-
<b>Lendings to financial institutions - net of credit loss allowance</b>			<u><b>1,886,342,400</b></u>	<u><b>99,825,849</b></u>
8.1	This is secured against underlying Government securities and carries mark-up at a rate of 22% to 22.75% (2022: 16.00%) per annum and will mature on 02 January 2024 and 05 January 2024.			

<b>8.2</b>	<b>Particulars of lending</b>		2023	2022
			-----Rupees-----	
	In local currency		<u><b>1,886,342,400</b></u>	<u><b>99,825,849</b></u>

	2023			2022		
	-----Rupees-----			-----Rupees-----		
<b>8.3</b>	<b>Security held as collateral against lendings to financial institutions</b>	<b>Held by Company</b>	<b>Further given as collateral</b>	<b>Total</b>	<b>Held by Company</b>	<b>Further given as collateral</b>
						<b>Total</b>
Market Treasury Bills		<u>1,892,655,100</u>	<u>-</u>	<u>1,892,655,100</u>	<u>99,913,348</u>	<u>-</u>
						<u>99,913,348</u>

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PAK CHINA INVESTMENT COMPANY LIMITED  
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9 Investments

9.1 Investments by type

Note

- Debt Instrument  
Classified / Measured at FVTPL  
Preference Shares

Classified / Measured at FVOCI  
Federal Government securities  
Non Government debt securities

9.3.3

- Equity Instrument  
Classified / Measured at FVTPL  
Shares

Listed Companies

Classified / Measured at FVOCI  
Shares

Listed Companies  
Un-Listed Companies

Held-for-trading securities  
Shares

Available-for-sale securities

Federal Government Securities

Shares

Preference shares

Non Government Debt Securities

Total Investments

2023				2022			
Fair Value / Amortized cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value	Fair Value / Amortized cost	Credit loss allowance / Provision	Surplus / (Deficit)	Carrying Value
-----Rupees-----				-----Rupees-----			
315,000,000	-	59,850,000	374,850,000	-	-	-	-
315,000,000	-	59,850,000	374,850,000	-	-	-	-
9,031,786,299	-	2,705,804	9,034,492,103	-	-	-	-
8,324,060,975	(459,463,240)	31,363,686	7,895,961,421	-	-	-	-
17,355,847,274	(459,463,240)	34,069,490	16,930,453,524	-	-	-	-
27,333,834	-	133,829,375	161,163,209	-	-	-	-
27,333,834	-	133,829,375	161,163,209	-	-	-	-
1,122,067,239	-	(717,722,294)	404,344,945	-	-	-	-
676,096,000	(510,573,902)	119,680,027	285,202,125	-	-	-	-
1,798,163,239	(510,573,902)	(598,042,267)	689,547,070	-	-	-	-
-	-	-	-	249,107,207	-	(81,569,453)	167,537,754
-	-	-	-	249,107,207	-	(81,569,453)	167,537,754
-	-	-	-	63,587,717,693	-	(2,547,864)	63,585,169,829
-	-	-	-	1,600,497,074	(928,567,246)	202,721,519	874,651,347
-	-	-	-	315,000,000	-	77,490,000	392,490,000
-	-	-	-	8,697,481,837	(328,758,918)	52,007,679	8,420,730,598
-	-	-	-	74,200,696,604	(1,257,326,164)	329,671,334	73,273,041,774
19,498,344,347	(970,037,142)	(370,293,402)	18,156,013,803	74,449,803,811	(1,257,326,164)	248,101,881	73,440,579,528

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## 9.2 Investments by segments

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PAK CHINA INVESTMENT COMPANY LIMITED  
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FOR THE YEAR ENDED 31 DECEMBER 2023  
9.3 Particulars of credit loss allowance

9.3.1 Investments - exposure

Gross carrying amount  
Implementation of IFRS - 9

New Investments  
Investments derecognised or repaid  
Transfer to Stage 1  
Transfer to Stage 2  
Transfer to Stage 3

Amounts written off / charged off  
Other changes  
Closing balance

2023					2022	
Stage 1	Stage 2	Stage 3	Performing Investments	Non Performing Investments	Performing Investments	Non Performing Investments
Rupees					Rupees	
8,259,967,917	-	437,513,920	8,259,967,917	437,513,920	5,813,360,002	448,548,303
(36,735,488)	-	-	(8,259,967,917)	(437,513,920)	-	-
400,000,000	-	-	-	-	2,885,000,000	-
(717,919,804)	(888,110)	(17,877,460)	-	-	(438,392,085)	(11,034,383)
-	-	-	-	-	-	-
(250,000,000)	250,000,000	-	-	-	-	-
-	-	-	-	-	-	-
(567,919,804)	249,111,890	(17,877,460)	-	-	2,446,607,915	(11,034,383)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
7,655,312,625	249,111,890	419,636,460	-	-	8,259,967,917	437,513,920

9.3.2 Investments - credit loss allowance / provision

Gross carrying amount  
Implementation of IFRS - 9

New Investments  
Investments derecognised or repaid  
Transfer to Stage 1  
Transfer to Stage 2  
Transfer to Stage 3

Amounts written off / charged off  
Changes in risk parameters (PDs/LGDs/EADs)  
Closing balance

2023				2022
Stage 1	Stage 2	Stage 3	Provision	Provision
Rupees				
-	-	328,758,918	328,758,918	339,793,303
16,314,589	-	108,755,000	(328,758,918)	-
2,059,251	-	-	-	-
(21,453,214)	-	(17,877,460)	-	(11,034,385)
-	-	-	-	-
(1,167,100)	1,167,100	-	-	-
-	-	-	-	-
(20,561,063)	1,167,100	(17,877,460)	-	(11,034,385)
-	-	-	-	-
42,906,429	-	(273)	-	-
38,659,955	1,167,100	419,636,185	-	328,758,918

9.3.3 Particulars of credit loss allowance against debt securities

Domestic

Performing Stage 1  
Underperforming Stage 2  
Non-performing Stage 3  
Substandard  
Doubtful  
Loss

Total

2023		2022	
Rupees			
Outstanding amount	Credit loss allowance held	Outstanding amount	Provision Held
7,655,312,625	38,659,955	8,259,967,917	-
249,111,890	1,167,100	-	-
-	-	-	-
-	-	-	-
-	-	-	-
419,636,460	419,636,185	437,513,920	328,758,918
8,324,060,975	459,463,240	8,697,481,837	328,758,918

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**9.4 Quality of securities**

Details regarding quality of securities held under "Held to Collect and Sell" model

	2023	2022
<b>Federal Government Securities - Government guarantee</b>	<b>-----Rupees-----</b>	
- Market Treasury Bills	<u>9,031,786,299</u>	<u>63,587,717,693</u>
<b>Shares</b>		
<b>Listed companies</b>		
- Fertilizer	27,333,834	27,333,834
- Inv. Banks / Inv. Cos. / Securities Cos.	1,122,067,239	1,122,067,240
	<u>1,149,401,073</u>	<u>1,149,401,074</u>
<b>Unlisted Companies</b>		
- Central Depository Company of Pakistan Limited	250,000,000	130,319,973
- Khushhali Microfinance Bank Limited	225,000,000	-
- Deli JW Glassware Company Limited	201,096,000	190,479,475
	<u>676,096,000</u>	<u>320,799,448</u>
<b>Preference Shares</b>		
- Engro Polymer & Chemicals Limited (Listed Company)	<u>315,000,000</u>	<u>315,000,000</u>
<b>Non Government Debt Securities</b>		
Categorized based on long term rating by Credit Rating Age		
<b>Listed</b>		
- AAA	654,998,422	-
- AA+, AA, AA-	4,233,757,499	5,063,712,917
- A+, A, A-	259,893,298	411,165,000
	<u>5,148,649,219</u>	<u>5,474,877,917</u>
<b>Unlisted</b>		
- AAA	1,359,275,426	1,466,700,000
- AA+, AA, AA-	602,893,749	699,640,000
- A+, A, A-	799,191,172	393,750,000
- BB-	-	225,000,000
- Unrated	414,051,409	437,513,920
	<u>3,175,411,756</u>	<u>3,222,603,920</u>

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**10 ADVANCES**

	Performing		Non performing		Total	
	2023	2022	2023	2022	2023	2022
	----- Rupees -----					
Loans, cash credits, running finances, etc.	17,076,113,337	13,719,836,397	1,219,523,014	1,266,189,682	18,295,636,351	14,986,026,079
Islamic Financing and related assets	2,025,747,586	2,257,060,085	111,070,713	262,946,667	2,136,818,299	2,520,006,752
Advances - gross	<u>19,101,860,923</u>	<u>15,976,896,482</u>	<u>1,330,593,727</u>	<u>1,529,136,349</u>	<u>20,432,454,650</u>	<u>17,506,032,831</u>
Credit loss allowance against advances						
- Stage 1	101,059,213	223,364,828	-	-	101,059,213	223,364,828
- Stage 2	179,506,976	-	-	-	179,506,976	-
- Stage 3	-	-	1,297,164,432	1,084,409,796	1,297,164,432	1,084,409,796
	280,566,189	223,364,828	1,297,164,432	1,084,409,796	1,577,730,621	1,307,774,624
Advances - net of credit loss allowance	<u>18,821,294,734</u>	<u>15,753,531,654</u>	<u>33,429,295</u>	<u>444,726,553</u>	<u>18,854,724,030</u>	<u>16,198,258,207</u>

		2023	2022
		----- Rupees -----	
10.1 Particulars of advances (Gross)			
In local currency		<u>20,432,454,650</u>	<u>17,506,032,831</u>

10.2 Particulars of credit loss allowance

10.3 Advances - exposure

	2023				2022	
	Stage 1	Stage 2	Stage 3	Performing Advances	Non Performing Advances	Performing Advances
	----- Rupees -----					
10.3.1 Gross carrying amount - current year	13,109,527,276	2,867,369,206	1,529,136,349	15,976,896,482	1,529,136,349	15,264,132,388
Impact of adopting IFRS 9	(992,858,308)	(17,332,730)	(149,207,172)	(15,976,896,482)	(1,529,136,349)	-
New Advances	15,256,512,031	25,000,000	-	-	-	8,386,837,286
Advances derecognised or repaid	(10,364,308,095)	(782,048,456)	(49,335,450)	-	-	(7,674,073,192)
Transfer to stage 1	-	-	-	-	-	-
Transfer to stage 2	(394,736,843)	394,736,843	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-
	4,497,467,093	(362,311,613)	(49,335,450)	-	-	712,764,094
Closing balance - current year	<u>16,614,136,061</u>	<u>2,487,724,862</u>	<u>1,330,593,727</u>	<u>-</u>	<u>-</u>	<u>15,976,896,482</u>



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		2023					2022		
10.3.2	Advances - credit loss allowance / provision	Note	Stage 1	Stage 2	Stage 3	General Provision	Specific Provision	General Provision	Specific Provision
----- Rupees -----									
10.3.3	Opening balance		194,410,089	25,010,538	1,088,353,996	223,364,828	1,084,409,796	208,365,648	846,230,182
	Impact of adopting IFRS 9		(105,189,369)	126,096,930	151,377,030	(223,364,828)	(1,084,409,796)	-	-
	New Advances	10.3.3.1	26,576,043	-	-	-	-	-	-
	Advances derecognised or repaid		(48,493,495)	(17,567,113)	(46,666,666)	-	-	-	-
	Transfer to stage 1		-	-	-	-	-	-	-
	Transfer to stage 2		(7,159,484)	7,159,484	-	-	-	-	-
	Transfer to stage 3		-	-	-	-	-	-	-
			(29,076,936)	(10,407,629)	(46,666,666)	-	-	-	-
	Amounts written off / charged off		-	-	-	-	-	-	-
	Changes in risk parameters (PDs/LGDs/EADs)		40,915,429	38,807,137	104,100,072	-	-	-	-
	Charge for the period		-	-	-	-	-	14,999,180	238,179,614
			40,915,429	38,807,137	104,100,072	-	-	14,999,180	238,179,614
	Closing balance		101,059,213	179,506,976	1,297,164,432	-	-	223,364,828	1,084,409,796

10.3.3.1 A further advance of Rs 25 million was extended to PIA during the period, backed by a Government guarantee. In accordance with SBP's IFRS 9 Application Instructions (Chapter 3, Section 3.2), such exposures are exempt from ECL requirements; therefore, no ECL has been recorded against the total outstanding of Rs 900 million as of 31-Dec-2023.

		2023		2022	
		Stage 1	Stage 2	Stage 3	Provision
		----- Rupees -----			
10.3.4	Advances - Credit loss allowance details				
	Internal / External rating / stage classification				
	Outstanding gross exposure				
	Performing - Stage 1	16,614,136,061	-	-	-
	Under Performing - Stage 2	-	2,487,724,862	-	-
	Non-performing - Stage 3				
	Substandard	-	-	111,070,713	-
	Doubtful	-	-	-	-
	Loss	-	-	1,219,523,014	1,529,136,349
		-	-	1,330,593,727	1,529,136,349
	Total	16,614,136,061	2,487,724,862	1,330,593,727	1,529,136,349
	Corresponding ECL				
Stage 1 and stage 2	101,059,213	179,506,976	-	-	
Stage 3	-	-	1,297,164,432	1,084,409,796	
Total	16,513,076,848	2,308,217,886	33,429,295	444,726,553	

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**10.3.5** Advances include Rs.1,330 million (2022: Rs.1,529 million) which have been placed under non-performing / Stage 3 status as detailed below:-

		2023		2022	
		Non Performing Loans	Provision / Credit loss allowance	Non Performing Loans	Provision / Credit loss allowance
Category of Classification in stage 3		Rupees			
Domestic					
Other Assets Especially Mentioned (OAEM)	Stage 3	111,070,713	77,641,418	262,946,667	-
Substandard	Stage 3	-	-	-	-
Doubtful	Stage 3	-	-	-	-
Loss	Stage 3	1,219,523,014	1,219,523,014	1,266,189,682	1,084,409,796
		<b>1,330,593,727</b>	<b>1,297,164,432</b>	<b>1,529,136,349</b>	<b>1,084,409,796</b>

		2023				2022		
		Stage 3	Stage 1 & 2	General Provision	Specific Provision	Total	General Provision	Specific Provision
		Rupees				Rupees		
Opening balance		1,088,353,996	219,420,627	223,364,828	1,084,409,796	2,615,549,247	208,365,648	846,230,182
Impact of adopting IFRS 9		151,377,030	20,907,561	(223,364,828)	(1,084,409,796)	(1,135,490,032)	-	-
Charge for the year		104,100,072	106,298,609	-	-	210,398,681	14,999,180	238,179,614
Reversals		(46,666,666)	(66,060,608)	-	-	(112,727,274)	-	-
		57,433,406	40,238,001	-	-	97,671,407	14,999,180	238,179,614
Closing balance		<b>1,297,164,432</b>	<b>280,566,189</b>	<b>-</b>	<b>-</b>	<b>1,577,730,622</b>	<b>223,364,828</b>	<b>1,084,409,796</b>

		2023				2022		
		Stage 3	Stage 1 & 2	General Provision	Specific Provision	Total	General Provision	Specific Provision
		Rupees				Rupees		
Particulars of credit loss allowance / provisions against advances								
In local currency		1,297,164,432	280,566,189	-	-	1,577,730,622	223,364,828	1,084,409,796

**10.3.8** Details and impact of Forced Sale Value (FSV)

During the current year, no FSV benefit has been availed, and as at December 31, 2023, the accumulated FSV benefit stood at nil (2022: Rs. 181.8 million). Up to December 31, 2022, the FSV benefit had been availed, and accordingly, the net benefit was reduced by Rs. 331.5 million in the prior year. This reduction resulted in a corresponding increase in the charge for that year, and the unappropriated profit to that extent was not available for distribution as cash or stock dividend.

**10.4** Particulars of loans and advances to staff included in advances

	2023	2022
	Rupees	
Opening balance	149,518,053	146,246,010
IFRS - 9 adjustment	(44,751,462)	-
Amount disbursed during the year	37,131,318	19,730,297
Amount received during the year	(20,392,010)	(16,458,254)
Amount written off	-	-
Closing balance	<b>121,505,899</b>	<b>149,518,053</b>

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11	PRPOERTY AND EQUIPMENT	Note	2023	2022
			-----Rupees-----	
	Capital work-in-progress	11.1	768,400	6,053,650
	Property and equipment	11.2	186,397,873	172,292,342
			<u>187,166,273</u>	<u>178,345,992</u>
11.1	Capital work-in-progress			
	Advances to suppliers		<u>768,400</u>	<u>6,053,650</u>
11.2	Property and Equipment			
2023				
	Freehold land (Note 11.2.1)		Building on Freehold land	Furniture and fixture
			Electrical Fittings	Computer and Office equipment
			Vehicles	Lease Hold Improvement
				Total
-----Rupees-----				
At 01 January 2023				
	Cost		136,000,000	36,751,307
	Accumulated depreciation		-	(22,256,641)
	Net book value		<u>136,000,000</u>	<u>14,494,666</u>
			<u>136,000,000</u>	<u>1,382,061</u>
	Opening net book value as at 01 January 2023		<u>136,000,000</u>	<u>14,494,666</u>
	Additions- Cost		-	788,643
	Disposals- Cost		-	(502,044)
	Depreciation charge		-	(1,470,048)
	Accumulated depreciation on disposals		-	502,043
	Closing net book value		<u>136,000,000</u>	<u>13,024,618</u>
			<u>136,000,000</u>	<u>1,362,608</u>
At 31 December 2023				
	Cost		136,000,000	36,751,307
	Accumulated depreciation		-	(23,726,689)
	Net book value		<u>136,000,000</u>	<u>13,024,618</u>
			<u>136,000,000</u>	<u>1,362,608</u>
	Rate of depreciation (percentage)		-	4%
			-	20%
			-	20%
			-	33%
			-	20%
			-	20%

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	2022							
	Free hold land	Building on Free hold land	Furniture and fixture	Electrical Fittings	Computer and Office equipment	Vehicles	Leasehold Improvements	Total
	Rupees							
<b>At 01 January 2022</b>								
Cost	136,000,000	39,951,307	16,089,185	1,428,575	44,267,988	55,769,036	9,883,890	303,389,981
Accumulated depreciation	-	(22,596,516)	(14,508,033)	(1,428,575)	(40,326,375)	(47,386,419)	(9,883,890)	(136,129,808)
Net book value	136,000,000	17,354,791	1,581,152	-	3,941,613	8,382,617	-	167,260,173
Opening net book value as at 01 January 2022	136,000,000	17,354,791	1,581,152	-	3,941,613	8,382,617	-	167,260,173
Additions- Cost	-	-	492,123	-	20,169,518	-	-	20,661,641
Disposals- Cost	-	(3,200,000)	-	(686,800)	(2,306,301)	-	-	(6,193,101)
Depreciation charge	-	(1,502,049)	(691,214)	-	(6,606,107)	(5,399,334)	-	(14,198,704)
Accumulated depreciation on disposals	-	1,841,924	-	686,800	2,233,609	-	-	4,762,333
Closing net book value as at 31 December 2022	136,000,000	14,494,666	1,382,061	-	17,432,332	2,983,283	-	172,292,342
<b>At 31 December 2022</b>								(18,961,037)
Cost	136,000,000	36,751,307	16,581,308	741,775	62,131,205	55,769,036	9,883,890	317,858,521
Accumulated depreciation	-	(22,256,641)	(15,199,247)	(741,775)	(44,698,873)	(52,785,753)	(9,883,890)	(145,566,179)
Net book value	136,000,000	14,494,666	1,382,061	-	17,432,332	2,983,283	-	172,292,342
Rate of depreciation (percentage)	-	4%	20%	20%	33%	20%	20%	

11.2.1 The Company's freehold land and building is situated in Karachi, Pakistan and the related rental income is included in note 28 of these financial statements.

11.2.2 Costs of fully depreciated property & equipment still in use are:

	2023	2022
	Rupees	
Vehicles	51,771,537	30,363,109
Computers and office equipment	37,425,542	37,665,880
Furniture and fixtures	12,542,078	12,962,838
Leasehold improvements	8,382,795	9,883,890
Electrical fittings	164,475	741,775
	110,286,427	91,617,492

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PAK CHINA INVESTMENT COMPANY LIMITED  
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11.2.3 Following disposals were made to Key management personnel.

Particulars of the asset	Cost	Book Value	Sale Price	Mode of Disposal	Particulars of purchaser
	-----Rupees-----				
Laptops	113,850	1	11,385	Sold as per Company approved policy	Mr. Sohail Khan - Group Head Information Technology
Laptops	113,850	1	11,385		Ms. Shazia Khan - Company Secretary
Laptops	113,850	1	11,385		Mr. Khurram Shahzad - Group Head Compliance & HR
Laptops	96,500	1	9,650		Mr. Armughan Ahmad Daud - Chief Financial Officer
Laptops	96,500	1	9,650		Mr. Umer Farooq - Group Head Risk Management Group
Laptops	214,500	23,834	29,793		Mr. Tariq Mahmood - Group Head Investment Banking

12 RIGHT-OF-USE ASSETS

At January 1

Cost

Accumulated Depreciation

Net Carrying amount at January 1

Year ended December 31

Opening net book value

Additions during the year

Depreciation charge

Net Carrying amount at December 31

At December 31

Cost

Accumulated Depreciation

Net Carrying amount at December 31

2023	2022
Building	Building
-----Rupees-----	
288,804,003	114,115,953
(131,308,377)	(94,834,855)
<u>157,495,626</u>	<u>19,281,098</u>
157,495,626	19,281,098
28,677,392	174,688,050
(46,265,364)	(36,473,522)
<u>139,907,654</u>	<u>157,495,626</u>
317,481,395	288,804,003
(177,573,741)	(131,308,377)
<u>139,907,654</u>	<u>157,495,626</u>

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	Note	2023
		Computer Software
		Rupees
<b>13 INTANGIBLE ASSETS</b>		
<b>At 01 January 2023</b>		
Cost		5,948,867
Accumulated amortization		(5,948,867)
Net book value		-
<b>Year ended December 2023</b>		
Opening net book value 01 January 2023		-
Additions- Cost		6,349,336
Disposals- Cost		-
Amortization charge	29	(1,697,696)
Closing net book value		4,651,640
<b>At 31 December 2023</b>		
Cost		12,298,203
Accumulated amortization		(7,646,563)
Net book value		4,651,640
Rate of amortization (percentage)		33%
Useful life (Years)		3
		2022
		Computer Software
		Rupees
<b>At 01 January 2022</b>		
Cost		5,948,867
Accumulated amortization		(5,730,879)
Net book value		217,988
<b>Year ended 31 December 2022</b>		
Opening net book value 01 January 2022		217,988
Additions- Cost (Directly Purchased)		-
Disposals- Cost		-
Amortization charge	29	(217,988)
Closing net book value		-
<b>At 31 December 2022</b>		
Cost		5,948,867
Accumulated amortization		(5,948,867)
Net book value		-
Rate of amortization (percentage)		33%
Useful life (Years)		3

**13.1** Cost of fully amortized intangible assets still in use amounts to Rs. 5.9 million (2022: Rs. 5.9 million).

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14 DEFERRED TAX ASSET

Deductible Temporary Differences on

- Post retirement employee benefits
- Provision for diminution in the value of FVOCI/AFS
- Liabilities against assets subject to lease
- Provision / Expected Credit losses against investment, advances, off balance sheet etc
- Revaluation of investments - FVOCI/AFS
- Effective interest rate and modification gain/loss
- Capital Loss on Shares

Taxable Temporary Differences on

- Accelerated tax depreciation
- Revaluation of investments - FVPL/HFT
- Unrealized exchange gain

2023					
01 January 2023	Effect of IFRS-9 adoption	01 January 2023 (Adjusted)	Recognised in profit and loss account	Recognised in OCI	31 December 2023
----- Rupees -----					
3,172,456	-	3,172,456	(867,497)	37,289	2,342,248
251,272,143	(208,274,280)	42,997,863	156,125,951	-	199,123,813
44,368,635	-	44,368,635	3,242,712	-	47,611,347
363,304,524	183,998,008	547,302,532	153,780,458	-	701,082,990
(84,866,498)	109,470,087	24,603,589	-	76,921,616	101,525,204
-	77,508,254	77,508,254	14,217,535	-	91,725,789
50,065	-	50,065	12,213,462	-	12,263,527
577,301,325	162,702,069	740,003,394	338,712,620	76,958,905	1,155,674,919
(45,926,006)	-	(45,926,006)	(1,624,471)	-	(47,550,477)
10,196,182	(9,686,250)	509,932	(13,976,182)	-	(13,466,250)
(568,392,154)	-	(568,392,154)	(420,415,222)	-	(988,807,376)
(604,121,978)	(9,686,250)	(613,808,228)	(436,015,875)	-	(1,049,824,103)
(26,820,653)	153,015,819	126,195,166	(97,303,255)	76,958,905	105,850,816

DEFERRED TAX LIABILITIES

Deductible Temporary Differences on

- Post retirement employee benefits
- Provision for diminution in the value of available-for-sale investments
- Provision against advances, off balance sheet etc.
- Liabilities against assets subject to lease
- Revaluation of investments - HFT
- Capital loss on shares

Taxable Temporary Differences on

- Accelerated tax depreciation
- Revaluation of investments - AFS
- Accrued Interest on T- Bills
- Unrealized exchange gain

2022			
01 January 2022 (Restated)	Recognised in profit and loss account	Recognised in OCI	31 December 2022
----- Rupees -----			
3,791,901	(1,098,624)	479,179	3,172,456
212,919,431	38,352,712	-	251,272,143
218,779,095	144,525,429	-	363,304,524
-	44,368,635	-	44,368,635
7,767,216	2,428,966	-	10,196,182
-	50,065	-	50,065
443,257,643	228,627,183	479,179	672,364,005
(1,419,456)	(44,506,550)	-	(45,926,006)
(77,553,218)	-	(7,313,280)	(84,866,498)
(670,226)	670,226	-	-
(300,170,449)	(268,221,705)	-	(568,392,154)
(379,813,349)	(312,058,029)	(7,313,280)	(699,184,658)
63,444,294	(83,430,846)	(6,834,101)	(26,820,653)

**PAK CHINA INVESTMENT COMPANY LIMITED**  
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		2023	2022
	Note	-----Rupees-----	
<b>15 OTHER ASSETS</b>			
Income / mark-up accrued in local currency		773,434,836	442,586,871
Income / mark-up accrued in foreign currency		274,722,335	160,608,703
Advances, deposits, advance rent and other prepayments		87,165,794	12,442,563
Receivable against fee, commission and advisory services		28,769,995	48,199,149
Advance taxation (payments less provisions)		112,705,946	64,667,672
Receivable against rent		1,836,073	-
Receivable from provident fund		-	5,345,606
Others		1,613,710	132,287
		<b>1,280,248,689</b>	<b>733,982,851</b>
Less: Credit loss allowance held against other assets	15.1	<b>27,720,001</b>	-
Other assets (Net of credit loss allowance)		<b>1,252,528,688</b>	<b>733,982,851</b>
<b>15.1 Credit loss allowance held against other assets</b>			
Advances, deposits, advance rent & other prepayments		<b>27,720,001</b>	-
		<b>27,720,001</b>	-
<b>15.2 Movement in credit loss allowance held against other assets</b>			
Opening balance		-	-
Charge for the year		27,720,001	-
Reversals		-	-
Amount written off		-	-
Closing balance		<b>27,720,001</b>	-
<b>16 BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Renewable Energy Power Projects (REPP)	16.1	20,573,361	42,947,931
Long Term Finance Facility (LTFF)	16.2	1,576,239,004	2,153,087,527
Temporary Economic Relief Facility (TERF)	16.3	920,775,386	1,294,924,187
		<b>2,517,587,751</b>	<b>3,490,959,645</b>
Repurchase agreement borrowings		-	342,849,573
Borrowing from financial institution		-	54,229,359,000
Other borrowings	16.4	10,903,062,500	8,274,229,167
		<b>10,903,062,500</b>	<b>62,846,437,740</b>
<b>Total secured</b>		<b>13,420,650,251</b>	<b>66,337,397,385</b>
<b>Unsecured</b>			
Borrowing from banks	16.5	8,545,069,054	5,840,432,961
<b>Total unsecured</b>		<b>8,545,069,054</b>	<b>5,840,432,961</b>
		<b>21,965,719,305</b>	<b>72,177,830,346</b>
<b>16.1</b>	This represents SBP Refinance Facility under Finance Scheme for Renewable Energy Power Projects (REPP) to develop and encourage the private sector participation in small renewable energy power projects. The loan availed under the scheme is payable in maximum of 10 years, with an inclusive grace period of maximum of 2 years at a concessional SBP service rate of 2.00% per annum (2022: 2.00%).		

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- 16.2** This represents an SBP Long Term Finance Facility (LTFF) for imported and locally manufactured plant and machinery. The loan availed under this scheme is payable over maximum of 10 years with an inclusive grace period of maximum of 2 years at a concessional SBP mark-up rate of 2.00% to 4.50% (2022: 2.00% to 4.50%) per annum.
- 16.3** This represents an SBP Refinance Facility under Temporary Economic Refinance Facility (TERF) for imported and local manufactured plant & machinery, during COVID-19 pandemic. The loan availed under this scheme is payable in a maximum of 10 years with an inclusive grace period of maximum of 2 years, at a concessional SBP mark-up rate of 1.00% per annum (2022: 1.00%).
- 16.4** This represents secured long term & short term finance facilities from commercial banks. The principal term and conditions of each facility are given below.
- 16.4.1** The long term loan facility of Rs 2 billion having outstanding principal balance of Rs. 581.8 million availed from a commercial bank, payable in a maximum of 4 years with an inclusive grace period of maximum of 2 years. Mark-up is payable on quarterly basis at the rate of 3MK + 0.20% per annum. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company for Rs. 2,667 million inclusive of 25% margin.
- 16.4.2** The long-term loan facility of Rs. 2 billion having outstanding principal balance of Rs. 1,750 million availed from a commercial bank, payable in a maximum of 4 years, with an inclusive grace period of maximum of 2 years. The mark-up is payable on quarterly basis at the rate of 3MK + 0.15% per annum. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company, for Rs. 2,667 million inclusive of 25% margin.
- 16.4.3** The long-term loan facility, with an outstanding principal balance amounting to Rs.1,000 million is availed from a commercial bank, payable in a maximum of 5 years, including grace period of 2 years. Mark-up is payable on quarterly basis at the rate of 3MK + 0.20% per annum. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company, amounting to Rs. 2,667 million inclusive of 25% margin.
- 16.4.4** The long-term loan facility of Rs 5 billion having outstanding principal balance amounting to Rs.2,906 million was availed from a commercial bank, payable in maximum of 5 years, with an inclusive grace period of 1 year. The mark-up is payable on quarterly basis at the rate of 3MK + 0.15% per annum. The bank has first pari passu charge over all present and future assets of the company (excluding land & building) for Rs. 6,667 million, inclusive of 25% margin. The available limit is Rs. 1,750 million.
- 16.4.5** The running finance facility having an outstanding balance of Rs. 4,665 million availed from a commercial bank, payable in a maximum of 1 year on roll over basis. The mark-up payable is on quarterly basis at the rate of 3MK + 0.12% p.a. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company amounting to Rs. 6,667 million, inclusive of 25% margin.
- 16.5** This represent un-secured borrowings from financial institutions, carrying mark-up rate of 22.29% (2022: 13.09% to 15.64%) per annum having maturity upto 182 days (2022: 7 to 364 days) and will mature on 18 April 2024.

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**PAK CHINA INVESTMENT COMPANY LIMITED**  
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	2023	2022
<b>16.7 Particulars of borrowings with respect to Currencies</b>	<b>-----Rupees-----</b>	
In local currency	<b>21,965,719,305</b>	<b>72,177,830,346</b>

**17 DEPOSITS AND OTHER ACCOUNTS**

		2023			2022		
		In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
<b>-----Rupees-----</b>							
<b>Customers</b>							
Term deposits	17.1	345,560,678	-	345,560,678	1,503,420,313	-	1,503,420,313
Others	17.2	25,000,000	-	25,000,000	-	-	-
		370,560,678	-	370,560,678	1,503,420,313	-	1,503,420,313

	2023	2022
<b>17.1 Composition of deposit</b>	<b>-----Rupees-----</b>	
Private sector entities	<b>370,560,678</b>	<b>1,503,420,313</b>

**17.1.1** These Certificate of Investments (COIs) carry mark up at the rates ranging from 20.00% to 21.00% (2022: 14.75% to 16.80%) per annum with maturity during January 2024 to Feb 2024 (2022: January 2023 to March 2023).

**17.2** This represent cash margin held against performance guarantee provided to corporate sector client.

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**PAK CHINA INVESTMENT COMPANY LIMITED**  
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**18 LEASE LIABILITIES**

	2023	2022
Note	Rupees	
Outstanding amount at the start of the year	134,450,409	-
Additions during the year	28,677,392	174,688,050
Lease payments including interest	(61,971,374)	(45,202,896)
Interest expense	20,923,951	4,965,255
Outstanding amount at the end of the year	122,080,378	134,450,409

**18.1 Contractual maturity of lease liabilities**

Short-term lease liabilities - within one year	45,511,536	50,336,671
Long-term lease liabilities		
- 1 to 5 years	76,568,842	84,113,738
- 5 to 10 years	-	-
- More than 10 years	-	-
	76,568,842	84,113,738
Total lease liabilities	122,080,378	134,450,409

**19 OTHER LIABILITIES**

Mark-up / Return / Interest payable in local currency	562,290,223	564,788,454
Accrued expenses	106,667,533	59,967,347
Unearned fee / commission	1,727,467	2,816,015
Withholding tax / sales tax payable	4,040,574	2,998,588
Payable to contribution benefit plan	1,163,611	-
Payable to defined benefit plan	6,005,764	9,613,504
Payable to Employees Old Age Benefit Institution	-	66,000
Credit loss allowance against off-balance sheet obligations	48,341,383	-
Suspended markup	-	108,755,000
Others	16,034,017	7,673,922
	746,270,572	756,678,830

**19.1 Credit loss allowance against off-balance sheet obligations**

Opening balance	-	-
Impact of adopting IFRS 9	40,144,133	-
Charge for the period / year	8,197,250	-
Reversals	-	-
	48,341,383	-
Amount written off	-	-
Closing balance	48,341,383	-

**20 SHARE CAPITAL**

**20.1 Authorized Capital**

2023	2022		
Number of shares			
1,214,000,000	1,214,000,000	Ordinary shares of Rs. 10 each	12,140,000,000
			12,140,000,000



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**20.2 Issued, subscribed and paid up capital**

	2023	2022		2023	2022
	Number of shares			Rupees	
	990,597,528	990,597,528	Ordinary shares of Rs. 10 each, issued for cash	9,905,975,280	9,905,975,280

**20.3** The Ministry of Finance (MOF), Government of Pakistan, and the China Development Bank (CDB) on behalf of the Government of China, each hold 495,298,764 (2022: 495,298,764) ordinary shares of the Company.

**21 ADVANCE AGAINST ISSUE OF SHARES**

This represents difference between amount received and shares issued to Ministry of Finance (MOF). The shares were issued in the ratio of 50:50 to both the sponsors. This amount will be adjusted against next trench of equity injection.

	Note	2023	2022
		Rupees	
<b>22 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS</b>			
(Deficit) / surplus on revaluation of			
- Securities measured at FVOCI / AFS - Debt	9.1	34,069,490	49,459,815
- Securities measured at FVOCI / AFS - Equity	9.1	(598,042,267)	280,211,519
		(563,972,777)	329,671,334
Deferred tax on (Deficit) / surplus on revaluation of:			
- Securities measured at FVOCI / AFS - Debt		(13,287,099)	(16,321,738)
- Securities measured at FVOCI / AFS - Equity		114,812,303	(68,544,760)
		101,525,204	(84,866,498)
		(462,447,573)	244,804,836

**23 CONTINGENCIES AND COMMITMENTS**

Guarantees	23.1	4,557,311,625	3,572,561,685
Commitments	23.1.2	3,598,478,300	8,402,083,225
Other contingent liability	23.1.4	168,100,000	168,100,000
		8,323,889,925	12,142,744,910
<b>23.1 Guarantees</b>			
Financial guarantees		4,057,311,625	3,572,561,685
Performance guarantees		500,000,000	-
		4,557,311,625	3,572,561,685
<b>23.1.2 Commitments</b>			
Documentary credits and short term trade related transactions			
Letters of credit		-	253,997,522
Commitments in respect of:			
Forward government securities transactions - Purchase		-	6,177,119,768
Forward government securities transactions - Sale	8.3	1,892,655,100	99,913,348
Commitments to extend credits	23.1.3	1,704,803,200	1,869,586,337
Commitment for acquisition of fixed		1,020,000	1,466,250
		3,598,478,300	8,402,083,225

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**PAK CHINA INVESTMENT COMPANY LIMITED**  
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**23.1.3 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 reporting date, however, the Company's outstanding irrevocable commitments amounts to Rs. 1,704.8 million (2022: Rs. 1,869.6 million).

**23.1.4 Other contingent liability**

**23.1.4.1** An ex-employee of the company has lodged a claim of Rs.168.1 million against the Company. The case has been decided in favor of the Company and the complainant has filed an appeal before the High Court against decision of the Civil Judge. Based on internal assessment and legal advice, management is confident that the case will be decided in the favor of the Company and possibility of any adverse outcome is remote. Accordingly, no provision has been made in these financial statements.

**23.1.4.2** For tax related contingencies, please refer note 32.1 of these financial statements.

			2023	2022
			----- Rupees -----	
<b>24</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>	<b>Note</b>		
	Loans and advances		3,420,589,323	1,994,660,344
	Investments		8,665,292,426	3,022,812,861
	Lendings to financial institutions		72,701,765	245,938,103
	Balances with banks		470,067,299	316,510,772
			<u>12,628,650,813</u>	<u>5,579,922,080</u>
<b>24.1</b>	<b>Interest income (calculated using effective interest rate method) recognised on:</b>			
	Financial assets measured at amortised cost		3,963,358,387	2,557,109,219
	Financial assets measured at fair value through OCI		8,665,292,426	3,022,812,861
			<u>12,628,650,813</u>	<u>5,579,922,080</u>
<b>25</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>			
	Deposits		176,449,811	180,586,402
	Borrowings		7,388,872,933	2,910,869,878
	Securities sold under repurchase agreements		940,001,275	107,663,760
	Lease liability		20,923,951	4,965,255
			<u>8,526,247,970</u>	<u>3,204,085,295</u>
<b>25.1</b>	<b>Interest expense calculated using effective interest rate method</b>		<u>8,526,247,970</u>	<u>3,204,085,295</u>
<b>26</b>	<b>FEE AND COMMISSION INCOME</b>			
	Credit related fee		5,434,906	51,084,554
	Investment banking fees		4,391,304	35,191,256
	Commission on trade		687,166	2,938,174
	Commission on guarantees		36,133,037	18,763,652
			<u>46,646,413</u>	<u>107,977,636</u>
<b>27</b>	<b>GAIN / (LOSS) ON SECURITIES</b>			
	Realized	27.1	30,068,622	1,534,380
	Unrealised - Measured at FVTPL / HFT	9.1	91,577,076	(21,366,627)
			<u>121,645,698</u>	<u>(19,832,247)</u>
<b>27.1</b>	<b>Realized (loss) / gain on:</b>			
	Federal Government Securities		(1,262,675)	-
	Shares		31,331,297	1,534,380
			<u>30,068,622</u>	<u>1,534,380</u>
<b>28</b>	<b>OTHER INCOME</b>			
	Rent on property		15,642,695	14,483,974
	Gain on sale of fixed assets		302,615	-
			<u>15,945,310</u>	<u>14,483,974</u>

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PAK CHINA INVESTMENT COMPANY LIMITED  
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		2023	2022
	Note	Rupees	
<b>29 OPERATING EXPENSES</b>			
<b>Total Compensation expense</b>	<b>29.1</b>	<b>545,100,012</b>	<b>443,707,580</b>
<b>Property expense</b>			
Rent and taxes		1,729,789	2,539,959
Insurance		69,151	73,917
Utilities cost		11,035,465	7,391,911
Security		6,025,304	5,453,348
Repair and maintenance		3,804,648	3,672,774
Depreciation		47,735,412	37,975,571
		70,399,769	57,107,480
<b>Information technology expenses</b>			
Software maintenance		2,183,638	2,155,567
Hardware maintenance		181,430	518,907
Amortization		1,697,696	217,987
Depreciation		4,972,311	3,560,330
Network charges		1,046,820	917,565
		10,081,895	7,370,356
<b>Other operating expenses</b>			
Directors' fees and allowances		1,500,000	-
Legal and professional charges		7,186,019	6,395,528
Outsourced services costs	29.2	7,863,290	6,514,425
Travelling and conveyance		55,352,983	33,491,069
Insurance		5,106,971	4,572,442
Repair and maintenance		3,506,045	2,956,948
Depreciation		8,385,074	9,136,325
Training and development		5,730,100	2,350,539
Communication		4,121,657	3,462,683
Stationery and printing		5,242,586	3,402,083
Marketing, advertisement and publicity		5,270,181	4,299,464
Auditors remuneration	29.3	3,790,649	3,755,000
Bank charges		341,642	392,447
Entertainment		8,432,140	5,462,473
Donations		-	1,000,000
Loss on sale of fixed assets		-	563,485
Others		7,011,663	8,178,660
		128,841,000	95,933,571
		<b>754,422,676</b>	<b>604,118,987</b>
<b>29.1 Total Compensation expense</b>			
Managerial Remuneration			
i) Fixed		372,027,655	296,274,805
ii) Variable			
- Cash Bonus		35,048,620	34,610,661
		407,076,275	330,885,466
Charge for defined benefit plan		19,070,087	18,406,871
Contribution to defined contribution plan		14,259,716	12,306,534
EOBI		778,920	589,650
Medical		35,548,044	31,000,030
Leave fair assistance		19,904,681	16,650,909
Leave encashment		6,191,940	5,493,616
Allowances	29.1.1	33,968,132	26,834,803
Amortization - Interest impact on employees loan IFRS-9		6,544,748	-
Others		1,757,469	1,539,701
		<b>545,100,012</b>	<b>443,707,580</b>
<b>29.1.1</b>	This mainly includes overseas and vehicle allowance of Rs. 12.3 million (2022: Rs. 7.6 million) and Rs. 14.4 million (2022: 15.4 million), respectively.		
<b>29.2</b>	Total cost for the year relating to outsourced activities is Rs. 16.2 million (2022: Rs. 13.8 million) entirely relating to companies incorporated in Pakistan and on account of security guards, supporting and janitorial staff. This cost includes outsourced service cost, which is disclosed specifically in note 29.		

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		2023	2022
		-----Rupees-----	
<b>29.3 Auditors' remuneration</b>	<b>Note</b>		
Annual audit fee		1,200,000	1,200,000
Half year review		650,000	650,000
Fee for other statutory certifications		250,000	300,000
Fee for special certifications and other services		700,000	950,000
Out-of-pocket expenses		280,000	655,000
Consultancy services		710,649	-
		<u>3,790,649</u>	<u>3,755,000</u>
<b>30 OTHER CHARGES</b>			
Penalties imposed by Securities and exchange commission of Pakistan.		<u>250,000</u>	<u>-</u>
<b>31 CREDIT LOSS ALLOWANCE &amp; WRITE OFFS - NET</b>			
Impairment loss on investments	9.3	380,277,350	227,218,617
Credit loss allowance for diminution in value of investments - net	9.3	5,634,733	(11,034,385)
Credit loss allowance against loans & advances - net	10.2	97,671,405	253,178,794
Other credit loss allowance	7, 15.1 & 19.1	35,952,383	-
		<u>519,535,871</u>	<u>469,363,026</u>
<b>32 TAXATION</b>			
Current		1,372,069,537	664,186,333
Prior years		(1,379,901)	46,827,470
Deferred		97,303,255	83,430,846
		<u>1,467,992,891</u>	<u>794,444,649</u>
<b>32.1 Relationship between current tax expense and accounting profit</b>			
Accounting Profit before taxation		<u>3,846,254,843</u>	<u>2,119,045,784</u>
Applicable tax rate		<u>29%</u>	<u>29%</u>
Tax on accounting profit at applicable rate		1,115,413,904	614,523,277
Super tax on current year income		388,406,957	80,950,539
Rate change impact		(13,643,881)	(2,011,467)
Impact of lower rate & permanent difference		(20,804,188)	54,154,830
Prior year current tax charge		(1,379,901)	46,827,470
		<u>1,467,992,891</u>	<u>794,444,649</u>
<b>32.1 Tax status</b>			
<b>32.1.1</b>	For the Tax Year 2011, a tax demand of Rs. 109.22 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 instalment of advance tax and Worker's Welfare Fund. Subsequently, the assessment was rectified. The Company had paid Rs. 15.11 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 favor of the Company and the tax of Rs 15.11 million deposited under protest became refundable. However, the department has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against appellate order of CIR(A). The final hearing in this case was held on 07 March 2022, wherein ATIR has disposed of the appeal and the case has been remanded back. The Company then filed tax reference before the High Court against the ATIR order which is yet to be fixed for hearing.		
<b>32.1.2</b>	For the Tax Year 2013, a tax demand of Rs. 95.01 million was raised by the Taxation Officer by disallowing provision for non performing loans, profit on debt, other provisions and charging Workers Welfare Fund. The CIR(A) upheld the orders of the assessing officer. The Company filed appeal before ATIR against the order of CIR(A) and ATIR upheld the contentions of the appellate orders of the CIR(A). Returned refund of Rs. 15 million pertaining to tax year 2011 was adjusted against the instant demand and the Company paid balance amount of Rs. 49 million under protest. The Company filed writ petition before High Court, which is yet to be fixed for hearing.		
<b>32.1.3</b>	For the Tax Year 2014 & 2015, assessment was amended by the ACIR in terms of Section 122 of the Income tax ordinance, creating an aggregate tax demand amounting to Rs. 128 million on provisions, apportionment, super tax and default surcharge. The Company submitted appeal before the CIR(A) on the amended assessment order which has been disposed of in favor of tax department. Later the Company attained stay from ATIR for 40 days or till the disposal of main appeal subject to deposit of 30% of the total amount. As per directions of the ATIR, payment of Rs. 38.5 million was made to tax department as a cumulative payment for all the pending issues pertaining to tax year 2014 and 2015. The Company filed writ petition for interim relief before Islamabad High Court. The High Court has granted stay for recovery of outstanding demand and also restrained the tax department to take extreme measures until decision of the appeal. The final hearing in this case was held on 07 March 2022, wherein ATIR has disposed of the appeal and the case has been remanded back. Both The Company and tax department filed cross tax references before the High Court against the ATIR order which is yet to be fixed for hearing.		

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**32.1.4** For the Tax Year 2016, a tax demand of Rs. 82.54 million has been raised by the Taxation Officer mainly by disallowing provision against non-performing loans, suspended mark-up, 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 was remanded back. ACIR after scrutiny of the documents provided created a demand of 171.58 million on account of disallowance of tax credits and enhancement of super tax liability. The Company filed appeal before CIR(A) against appeal effect which is yet to be fixed for hearing.

**32.1.5** For the Tax Year 2017, show cause notices were issued to the Company by the ACIR. The ACIR through the notices proposed to amend the deemed assessment under Section 122(9) read with section 122(5A) of the Ordinance. These notices were duly replied. The assessment order was issued by the ACIR by creating demand amounting to Rs. 331.21 million. The company has filed appeal before CIA(A) against assessment order which was partially deleted in favour of company and partially remanded back. Assessment order was further amended by the ACIR in terms of section 122(4) by creating an aggregate tax demand amounting to rupees 1,573 million in relation to "unexplained bank credits". PCICL filed appeal before CIR(A) against the assessment order which is yet to be fixed for hearing.

**32.1.6** For the Tax Year 2018, a show cause notice was issued to the Company by the ACIR. The said notice proposed to amend the deemed assessment under Section 122(9) read with Section 122(5A) of the Ordinance. The notice was duly replied and ACIR created a demand of 1,910 million. PCICL filed appeal before CIR(A) against the assessment order which is yet to be fixed for hearing.

**32.1.7** For the Tax Years 2019, 2020 and 2021, show cause notices were issued to the Company by the ACIR. The said notice proposed deemed to amend the assessment under Section 122(5) of the Ordinance. The assessment orders were passed by the ACIR by creating demand amounting Rs. 241.8 million, Rs. 384.5 million and Rs. 652.9 million for tax years 2019, 2020 & 2021 respectively. Company has filed appeal before CIR(A) against the assessment order which is yet to be fixed for hearing.

**32.1.8** 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.

	Note	2023	2022
<b>33 BASIC EARNINGS PER SHARE</b>			
Profit for the period		<b>2,378,261,952</b>	1,324,601,135
Weighted average number of ordinary shares		<b>990,597,528</b>	977,119,619
Basic earnings per share - Rupees		<b>2.40</b>	1.36
<b>34 CASH AND CASH EQUIVALENTS</b>			
Cash and balance with treasury banks	6	<b>58,211,053</b>	93,364,567
Balance with other banks		<b>53,695,495</b>	126,875,908
		<b>111,906,548</b>	220,240,475
		<b>2023</b>	<b>2022</b>
<b>35 STAFF STRENGTH</b>		<b>-----Number-----</b>	
Permanent		<b>52</b>	50
Contractual		<b>1</b>	-
The Company's own staff strength at the end of the year		<b>53</b>	50
Outsourced	35.1	<b>13</b>	10
<b>Total staff strength - Pakistan</b>		<b>66</b>	60

**35.1** This excludes outsourced security guards and janitorial staff.

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**36 DEFINED BENEFIT PLAN**

**36.1 General description**

The Company operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with actuarial valuation. The latest actuarial valuation was carried out as at 31 December 2023.

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.

**36.2 Number of Employees under the scheme**

The number of employees covered under the defined benefit scheme are 52 as of 31 December 2023 (2022: 50).

**36.3 Principal actuarial assumptions**

	2023	2022
Discount rate	15.50%	14.50%
Expected rate of return on plan assets	15.50%	14.50%
Expected rate of Salary increase	15.50%	14.50%
Average remaining working lives of employees	6.3 years	6.6 years
Normal retirement age	60 years	60 years

	Note	2023	2022
-----Rupees-----			
<b>36.4 Reconciliation of amount payable to defined benefit</b>			
Present value of defined benefit obligation	36.5	111,056,852	96,516,903
Fair value of plan assets	36.7	(105,051,088)	(86,903,399)
		<u>6,005,764</u>	<u>9,613,504</u>

**36.5 Movement in defined benefit obligation**

Opening balance	96,516,903	86,694,421
Current service cost	19,219,320	18,119,346
Interest cost	12,451,760	8,937,746
Benefits payable	(1,037,448)	-
Benefits paid	(20,247,943)	(21,256,991)
Changes in demographic assumptions	-	388,424
Changes in financial assumptions	229,497	571,954
Remeasurement loss	3,924,763	3,062,003
Closing balance	<u>111,056,852</u>	<u>96,516,903</u>

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	Note	2023	2022	
		-----Rupees-----		
<b>36.6 Movement in payable to defined benefit plan</b>				
Opening balance		9,613,504	13,075,522	
Charge for the year	36.8	19,070,087	18,406,871	
Remeasurement loss chargeable to the other comprehensive income		(2,429,884)	(611,898)	
Company's contributions for the year		(20,247,943)	(21,256,991)	
		<u>6,005,764</u>	<u>9,613,504</u>	
<b>36.7 Movement in the fair value of plan assets</b>				
Opening balance		86,903,399	73,618,899	
Contributions		20,247,943	21,256,991	
Interest income on plan assets		12,600,993	8,650,221	
Benefits paid		(20,247,943)	(21,256,991)	
Benefits payable		(1,037,448)	-	
Return on plan assets excluding interest income		6,584,144	4,634,279	
Closing balance		<u>105,051,088</u>	<u>86,903,399</u>	
Actual return on plan assets		<u>19,185,137</u>	<u>13,284,500</u>	
<b>36.8 The amounts recognized in profit and loss are as follows:</b>				
Current service cost		19,219,320	18,119,346	
Interest cost		12,451,760	8,937,746	
Interest income on plan assets		(12,600,993)	(8,650,221)	
		<u>19,070,087</u>	<u>18,406,871</u>	
<b>36.9 The amounts recognized in the other comprehensive income are as follows:</b>				
<b>Remeasurement loss / (gain):</b>				
Actuarial loss - demographic assumptions		-	388,424	
Actuarial loss - experience adjustment		3,924,763	3,062,003	
Actuarial loss / (gain) - Changes in financial assumptions		229,497	571,954	
Return on plan assets, excluding interest income		(6,584,144)	(4,634,279)	
		<u>(2,429,884)</u>	<u>(611,898)</u>	
<b>36.10 Components of plan assets</b>		<u>2023</u>	<u>2022</u>	
		-----%-----		
Certificate of Investments (COIs)	99.79	99.70	105,862,523	86,645,495
Bank balances	0.21	0.30	226,013	257,904
Less: Payable			(1,037,448)	-
	<u>100.00</u>	<u>100.00</u>	<u>105,051,088</u>	<u>86,903,399</u>

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**36.11 Year end sensitivity analysis (+/- 100 bps) on the defined benefit obligation**

Note

2023

2022

-----Rupees-----

Current liability	111,056,852	96,516,903
Discount rate +100 bps	103,056,775	89,239,342
Discount rate -100 bps	120,145,688	104,694,476
Average salary increase +100 bps	120,301,862	104,835,103
Average salary increase -100 bps	102,771,803	89,071,976

**36.12** Based on actuarial advice, the management estimates that P&L charge for the next year would be Rs. 26.4 million.

**36.13** Expected contributions to be paid to the funds in the next year would be Rs. 6 million.

2023

2022

**36.14 Maturity profile**

-----Rupees-----

Particulars	Undiscounted payments	
Year 1	15,742,180	10,043,960
Year 2	12,521,221	15,082,320
Year 3	13,327,276	11,363,294
Year 4	14,356,942	11,854,600
Year 5	25,544,601	12,534,728
Year 6 to Year 10	182,194,494	818,721,936
Year 11 and above	2,440,747,881	1,957,330,732

At 31 December 2023, the weighted-average duration of the defined benefit obligation was 8 years (2022: 8 years).

**36.15 Funding Policy**

The Company carries out the actuarial valuation of the defined benefit plan on a periodic basis. Contributions are made annually in accordance with the actuarial recommendations.

**36.16 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.

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**37 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 (2022: 10% per annum) of the employees' basic salary. During the year the Company contributed Rs. 14.3 million (2022: Rs. 12.3 million) in respect of this fund.

**37.1 Funding Policy**

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

	2023	2022
	-----Rupees-----	
Contribution from the Company	14,259,716	12,306,534
Contribution from the employees	14,259,716	12,306,534
	<u>28,519,432</u>	<u>24,613,068</u>

**37.2 Provident fund trust**

Size of the trust (Rupees)	<u>137,699,965</u>	<u>124,885,844</u>
Cost of investments made (Rupees)	<u>132,559,029</u>	<u>117,198,914</u>
Percentage of investment made (%)	<u>96.27%</u>	<u>93.84%</u>
Fair value of investment made (Rupees)	<u>137,457,500</u>	<u>119,711,865</u>

	2023	2022	2023	2022
	-----%-----		-----Rupees-----	
Break-up of investments				
Term deposit receipts	<u>100.00</u>	<u>100.00</u>	<u>132,559,029</u>	<u>117,198,914</u>
	<u>100.00</u>	<u>100.00</u>	<u>132,559,029</u>	<u>117,198,914</u>

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38 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total Compensation Expense

Items	2023			Managing Director / CEO	Key Management Personnel
	Chairman *	Executives (other than CEO)	Non-Executives		
Fees and Allowances etc.	-	-	1,500,000	-	-
Managerial Remuneration					
i Fixed *	-	88,408,079	-	13,644,456	118,616,557
ii Total Variable	-	-	-	-	16,021,373
of which					
- Cash Bonus / Awards	-	-	-	-	16,021,373
Leave fare assistance	-	3,198,230	-	1,140,153	6,192,999
Charge for defined benefit plan	-	1,344,367	-	254,218	6,408,434
Contribution to defined contribution plan	-	2,286,173	-	828,906	4,447,341
Utilities	-	364,287	-	98,672	308,344
Medical	-	8,591,385	-	-	8,559,932
Conveyance	-	5,036,189	-	2,167,374	11,165,475
Entertainment	-	-	-	-	1,222,023
Boarding and lodging	-	-	-	436,466	867,832
Daily allowance	-	223,440	-	518,920	570,600
Repair & Maintenance	-	266,247	-	-	-
Insurance	-	354,229	-	115,146	978,523
Others	-	773,221	-	1,012,736	2,554,376
Total	-	110,845,847	1,500,000	20,217,047	177,913,810
Number of Persons	1	1	2	1	12

\* This represent Rs. 11.7 million received from ex MD of the Company against reimbursement.

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Items	2022				
	Directors			Managing Director / CEO	Key Management Personnel
	Chairman	Executives (other than CEO)	Non-Executives		
Fees and Allowances etc.	-	-	-	-	-
Managerial Remuneration					
i Fixed	-	-	1,402,887	63,998,392	107,934,864
ii Total Variable	-	-	-	-	17,239,382
of which					
- Cash Bonus / Awards	-	-	-	-	17,239,382
Leave fare assistance	-	-	-	2,354,525	6,256,104
Charge for defined benefit plan	-	-	-	183,264	6,371,222
Contribution to defined contribution plan	-	-	-	1,773,693	4,415,316
Rent & house maintenance	-	-	-	-	-
Utilities	-	-	-	179,296	20,806
Medical	-	-	-	7,151,129	9,114,344
Conveyance	-	-	-	1,895,582	7,832,836
Entertainment	-	-	-	-	854,063
Boarding and lodging	-	-	-	-	524,726
Daily allowance	-	-	-	-	250,080
Professional training and staff welfare	-	-	-	-	608,700
Repair & Maintenance	-	-	-	680,924	-
Depreciation	-	-	-	-	-
Insurance	-	-	-	326,569	807,000
Membership Fee & Subscription	-	-	-	-	-
Others	-	-	-	1,122,610	1,670,536
Total	-	-	1,402,887	79,665,984	163,899,979
Number of Persons	-	-	1	1	12

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38.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2023

Sr. No.	Name of Director	Meeting fees and allowances paid				
		For Board Meetings	For Board Committees			
			Audit Committee	HR Committee	Risk Committee	Total Amount Paid
1	Mr. Shahnawaz Mahmood	500,000	250,000	-	-	750,000
2	Mr. Amjad Mahmood	500,000	250,000	-	-	750,000
	Total Amount Paid	1,000,000	500,000	-	-	1,500,000

2022

Sr. No.	Name of Director	Meeting fees and allowances paid				
		For Board Meetings	For Board Committees			
			Audit Committee	HR Committee	Risk Committee	Total Amount Paid
1		-	-	-	-	-
	Total Amount Paid	-	-	-	-	-

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**39 FAIR VALUE MEASUREMENTS**

The fair value of quoted securities other than those classified under held to collect model, is based on quoted market price. Quoted securities classified under held to collect model are carried at amortized 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, cash & bank balances and borrowings can not be calculated with sufficient reliability due to the absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

**39.1 Fair value of financial assets**

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

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

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

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

**39.2** The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized

		2023				
		Carrying value	Level 1	Level 2	Level 3	Total
			Rupees			
<b>On balance sheet financial instruments</b>						
<b>Financial assets - measured at fair value</b>						
<b>Investments</b>						
Federal Government Securities	9,034,492,103	-	9,034,492,103	-	9,034,492,103	
Shares	565,508,154	565,508,154	-	-	565,508,154	
Preference Shares	374,850,000	374,850,000	-	-	374,850,000	
Non-Government Debt Securities	4,649,907,905	-	4,649,907,905	-	4,649,907,905	
	14,624,758,162	940,358,154	13,684,400,008	-	14,624,758,162	
<b>Financial assets - disclosed but not measured at fair value</b>						
Shares	285,202,125	-	-	-	-	
Non-Government Debt Securities	3,705,516,757	-	-	-	-	
	18,615,477,044	940,358,154	13,684,400,008	-	14,624,758,162	
<b>Off-balance sheet financial instruments - measured at fair value</b>						
Forward government securities transactions - purchase	-	-	-	-	-	
Forward government securities transactions - sale	-	-	-	1,892,655,100	1,892,655,100	

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On balance sheet financial instruments

Financial assets - measured at fair value

Investments

Federal Government Securities  
Shares  
Preference Shares  
Non-Government Debt Securities

Carrying value	2022			
	Level 1	Level 2	Level 3	Total
	Rupees			
63,585,169,829	-	63,585,169,829	-	63,585,169,829
543,280,433	543,280,433	-	-	543,280,433
392,490,000	392,490,000	-	-	392,490,000
3,790,810,598	-	3,790,810,598	-	3,790,810,598
68,311,750,860	935,770,433	67,375,980,427	-	68,311,750,860
498,908,668	-	-	-	-
4,629,920,000	-	-	-	-
5,128,828,668	-	-	-	-
73,440,578,528	935,770,433	67,375,980,427	-	68,311,750,860
-	-	6,177,119,768	-	6,177,119,768
-	-	-	99,913,348	99,913,348

Financial assets - disclosed but not measured at fair value

Shares  
Non-Government Debt Securities

Off-balance sheet financial instruments - measured at fair value

Forward government securities transactions - purchase

Forward government securities transactions - sale

39.3 Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arms length transaction. Fair value of the financial instrument is based on.

Federal Government Securities  
Listed Securities  
Non-Government Debt Securities

PKRV rates (Reuters page)  
Market Prices  
MUFAP

39.4 The Company's policy is to recognise transfer into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occur.

39.5 There were no transfers between Level 1 and Level 2.

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40 SEGMENT INFORMATION

40.1 Segment Details with respect to Business Activities

	2023				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
<b>Profit &amp; Loss</b>	Rupees				
Net mark-up / return / profit	3,237,485,116	159,115,000	393,269,000	312,533,726	4,102,402,842
Inter segment revenue - net	(3,123,217,116)	(198,210,000)	(189,690,000)	3,511,117,116	-
Non mark-up income	151,472,185	18,083,947	(1,262,675)	853,376,676	1,021,670,133
Total Income	265,740,185	(21,011,053)	202,316,325	4,677,027,518	5,124,072,975
Segment direct expenses	(63,323,876)	(35,666,000)	(32,881,065)	(626,411,309)	(758,282,250)
Provisions / Impairment	(277,433,308)	(27,720,001)	-	(214,382,565)	(519,535,874)
Profit before tax	(75,016,999)	(84,397,054)	169,435,260	3,836,233,644	3,846,254,851

	2023				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
<b>Balance Sheet</b>	Rupees				
Cash & Bank balances	-	-	1,886,342,400	4,397,198,086	6,283,540,486
Investments	7,876,301,792	1,245,219,908	9,034,492,103	-	18,156,013,803
Advances					
Performing	18,381,018,588	600,000,000	-	120,842,335	19,101,860,923
Credit loss allowance	(274,872,367)	(5,676,140)	-	(17,682)	(280,566,189)
	18,106,146,221	594,323,860	-	120,824,653	18,821,294,734
Non-performing	1,329,930,163	-	-	663,564	1,330,593,727
Credit loss allowance	(1,296,500,868)	-	-	(663,564)	(1,297,164,432)
	33,429,295	-	-	-	33,429,295
Others	718,632,834	121,601,411	18,914,840	830,955,986	1,690,105,071
<b>Total Assets</b>	<b>26,734,510,142</b>	<b>1,961,145,179</b>	<b>10,939,749,343</b>	<b>5,348,978,725</b>	<b>44,984,383,389</b>
Borrowings	13,083,777,701	133,810,503	8,748,131,101	-	21,965,719,305
Deposits	25,000,000	-	345,560,678	-	370,560,678
Others	171,202,378	9,983,472	394,900,039	292,265,061	868,350,950
<b>Total liabilities</b>	<b>13,279,980,079</b>	<b>143,793,975</b>	<b>9,488,591,818</b>	<b>292,265,061</b>	<b>23,204,630,933</b>
Equity	-	-	-	21,779,752,456	21,779,752,456
<b>Total Equity &amp; liabilities</b>	<b>13,279,980,079</b>	<b>143,793,975</b>	<b>9,488,591,818</b>	<b>22,072,017,517</b>	<b>44,984,383,389</b>
<b>Contingencies &amp; Commitments</b>	<b>6,762,114,824</b>	<b>-</b>	<b>1,892,655,100</b>	<b>169,120,000</b>	<b>8,823,889,924</b>

	2022				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
<b>Profit &amp; Loss</b>	Rupees				
Net mark-up / return / profit	1,877,912,044	32,733,727	252,490,304	212,700,710	2,375,838,785
Inter segment revenue - net	(1,825,423,000)	(82,601,000)	(192,677,000)	2,100,701,000	-
Non mark-up income	72,786,380	45,067,587	-	698,837,045	816,691,012
Total Income	125,275,424	(4,799,686)	59,813,304	3,012,238,755	3,192,527,797
Segment direct expenses	(55,015,816)	(57,785,737)	(27,266,863)	(464,050,571)	(604,118,987)
Provisions	(237,644,409)	(4,500,000)	-	(227,218,617)	(469,363,026)
Profit before tax	(167,384,801)	(67,085,423)	32,546,441	2,320,969,567	2,119,045,784

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PAK CHINA INVESTMENT COMPANY LIMITED  
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	2022				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
<b>Balance Sheet</b>	Rupees				
Cash & Bank balances	-	-	99,825,849	3,406,753,815	3,506,579,664
Investments	8,411,511,729	1,984,093,199	63,585,169,829	(540,195,229)	73,440,579,528
Advances					
Performing	15,528,041,993	300,000,000	-	148,854,489	15,976,896,482
General provision	(218,864,828)	(4,500,000)	-	-	(223,364,828)
	15,309,177,165	295,500,000	-	148,854,489	15,753,531,654
Non-Performing	1,528,472,785	-	-	663,564	1,529,136,349
Specific provision	(1,083,746,232)	-	-	(663,564)	(1,084,409,796)
	444,726,553	-	-	-	444,726,553
Others	447,395,000	45,545,263	87,499	576,796,707	1,069,824,469
<b>Total Assets</b>	<b>24,612,810,447</b>	<b>2,325,138,462</b>	<b>63,685,083,177</b>	<b>3,592,209,782</b>	<b>94,215,241,868</b>
Borrowings	11,237,401,812	350,287,000	60,590,141,534	-	72,177,830,346
Deposits	-	-	1,503,420,313	-	1,503,420,313
Others	102,913,646	13,484,211	459,391,741	342,160,294	917,949,892
<b>Total liabilities</b>	<b>11,340,315,458</b>	<b>363,771,211</b>	<b>62,552,953,588</b>	<b>342,160,294</b>	<b>74,599,200,551</b>
Equity	-	-	-	19,616,041,317	19,616,041,317
<b>Total Equity &amp; liabilities</b>	<b>11,340,315,458</b>	<b>363,771,211</b>	<b>62,552,953,588</b>	<b>19,958,201,611</b>	<b>94,215,241,868</b>
<b>Contingencies &amp; Commitments</b>	<b>5,696,145,544</b>	<b>-</b>	<b>6,277,033,116</b>	<b>169,566,250</b>	<b>12,142,744,910</b>

40.2 Segment details with respect to geographical locations  
GEOGRAPHICAL SEGMENT ANALYSIS

	2023		
	In Pakistan	Outside Pakistan	Total
<b>Profit &amp; Loss</b>	Rupees		
Net mark-up/return/profit	4,102,402,842	-	4,102,402,842
Non mark-up / return / interest income	1,021,670,133	-	1,021,670,133
Total Income	5,124,072,975	-	5,124,072,975
Total expenses	(758,282,250)	-	(758,282,250)
Provisions/Impairment	(491,815,873)	-	(491,815,873)
Profit before tax	3,873,974,852	-	3,873,974,852
	In Pakistan	Outside Pakistan	Total
<b>Balance Sheet</b>	Rupees		
Cash & Bank balances	6,283,540,486	-	6,283,540,486
Investments	18,156,013,803	-	18,156,013,803
Advances			
Performing	18,821,294,734	-	18,821,294,734
Non-performing	33,429,295	-	33,429,295
Others	1,690,105,071	-	1,690,105,071
<b>Total Assets</b>	<b>44,984,383,389</b>	<b>-</b>	<b>44,984,383,389</b>
Borrowings	21,965,719,305	-	21,965,719,305
Deposits	370,560,678	-	370,560,678
Others	868,350,950	-	868,350,950
<b>Total liabilities</b>	<b>23,204,630,933</b>	<b>-</b>	<b>23,204,630,933</b>
Equity	21,779,752,456	-	21,779,752,456
<b>Total Equity &amp; liabilities</b>	<b>44,984,383,389</b>	<b>-</b>	<b>44,984,383,389</b>
<b>Contingencies &amp; Commitments</b>	<b>8,823,889,924</b>	<b>-</b>	<b>8,823,889,924</b>

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	2022	
	In Pakistan	Outside Pakistan
	Rupees	
<b>Profit &amp; Loss</b>		
Net mark-up/return/profit	2,375,836,785	-
Non mark-up / return / interest income	816,691,012	-
Total Income	3,192,527,797	-
Segment direct expenses	(604,118,987)	-
Provisions/Impairment	(469,363,026)	-
Profit before tax	2,119,045,784	-
	In Pakistan	Outside Pakistan
	Rupees	
<b>Balance Sheet</b>		
Cash & Bank balances	3,506,579,664	-
Investments	73,440,579,528	-
Advances		
Performing	15,753,531,654	-
Non-performing	444,726,553	-
Others	1,069,824,469	-
<b>Total Assets</b>	94,215,241,868	-
Borrowings	72,177,830,346	-
Deposits & other accounts	1,503,420,313	-
Others	917,949,892	-
<b>Total liabilities</b>	74,599,200,551	-
Equity	19,616,041,317	-
<b>Total Equity &amp; liabilities</b>	94,215,241,868	-
<b>Contingencies &amp; Commitments</b>	12,142,744,910	-

41 TRUST ACTIVITIES

The Company is not engaged in any trust activity.

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**PAK CHINA INVESTMENT COMPANY LIMITED**  
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**42 RELATED PARTY TRANSACTIONS**

The Company has related party relationships with shareholders and 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. Significant transactions with these state-controlled entities have been separately disclosed, in aggregate. Other entities which for its business acquisition or provision of services relies / depends to a greater extent on the Company / DFI i.e. major portion (50% or more) of its business (upstream or downstream) is also a related party.

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

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

			2023			2022		
			Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
<b>Lendings to financial institutions</b>								
Opening balance			-	-	-	-	-	-
Addition during the period			-	-	13,619,549,090	-	-	83,266,548,545
Repaid during the period			-	-	(12,665,747,090)	-	-	(83,266,548,545)
Closing balance			-	-	953,802,000	-	-	-
<b>Investments</b>								
Opening balance			-	-	822,705,214	-	-	822,705,214
Investment made during the period			-	-	-	-	-	-
Investment redeemed / disposed off during the period			-	-	-	-	-	-
Transfer in / (out) - net			-	-	(323,271,765)	-	-	-
Revaluation / impairment impact			-	-	(59,886,379)	-	-	-
Closing balance	42.1		-	-	439,547,070	-	-	822,705,214
<b>Advances</b>								
Opening balance			-	76,461,653	394,736,843	-	79,400,676	500,000,000
Addition during the period / year			-	19,971,683	-	-	4,627,620	-
Transferred to other assets			-	(22,489,933)	-	-	-	-
Repaid during the period / year			-	(13,933,590)	(105,263,157)	-	(7,566,643)	(105,263,157)
Closing balance			-	60,009,813	289,473,686	-	76,461,653	394,736,843
Credit loss allowance held against advances			-	6,390	1,292,941	-	-	-

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	2023			2022		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
<b>Other Assets</b>						
<b>Deferred Employees Benefits</b>						
Opening balance	-	-	-	-	-	-
Transferred from advances	-	22,489,933	-	-	-	-
Addition during the period / year	-	20,252,381	-	-	-	-
Amortized during the period / year	-	(7,922,314)	-	-	-	-
Closing balance	-	34,820,000	-	-	-	-
Interest / mark-up accrued	-	-	4,708,904	-	-	5,080,209
Receivable from staff retirement fund	-	-	-	-	-	5,345,606
Other receivable	-	8,000	4,824,445	-	483,554	2,366,908
	-	8,000	9,533,349	-	483,554	12,792,723
<b>Borrowings</b>						
Opening balance	-	-	-	-	-	-
Borrowings during the period	-	-	37,443,072,237	-	-	9,648,205,968
Settled during the period	-	-	(37,443,072,237)	-	-	(9,648,205,968)
Closing balance	-	-	-	-	-	-
<b>Deposits</b>						
Opening balance	-	-	203,420,313	-	-	-
Received during the period / year	-	-	1,365,260,431	-	-	399,229,975
Withdrawn during the period / year	-	-	(1,332,340,541)	-	-	(195,809,662)
Closing balance	-	-	236,340,203	-	-	203,420,313
<b>Other Liabilities</b>						
Interest / mark-up payable	-	-	7,101,927	-	-	2,937,046
Payable to staff contribution fund	-	-	2,334,705	-	-	-
Payable to staff retirement fund	-	-	6,005,764	-	-	9,613,504
Other liabilities	-	27,504,004	108,192,209	2,550,537	11,515,936	98,805,108
	-	27,504,004	123,634,605	2,550,537	11,515,936	111,355,658

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**PAK CHINA INVESTMENT COMPANY LIMITED**  
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	2023			2022		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
<b>Income</b>						
Mark-up / return / interest earned	-	6,539,167	11,685,855	-	2,982,176	122,518,102
Dividend Received	-	-	-	-	-	200,000
Share of profit of associates	-	-	-	-	-	21,150,000
<b>Expense</b>						
Mark-up / return / interest paid	372,534	372,534	103,405,140	500,230	500,230	16,296,605
<b>Operating expenses</b>						
Charge for defined benefit plan	1,598,585	6,408,434	11,063,068	183,264	6,371,222	11,852,385
Charge for contribution plan	3,115,079	4,447,341	7,868,390	1,773,693	4,415,316	6,117,525
Salaries	51,366,302	78,366,939	-	29,265,961	75,272,749	-
Bonus expense	6,485,147	29,645,205	-	4,779,687	29,668,388	-
Overseas allowances	12,267,591	-	-	7,646,397	-	-
Leave fair assistance & Encashment	5,390,332	8,372,651	-	2,354,525	7,616,070	-
Tax borne by employer	30,881,546	14,146,276	-	23,709,234	11,150,390	-
Others	19,958,312	36,526,964	5,609,918	11,356,110	29,405,844	4,304,190
Depreciation expense on lease hold building	2,780,064	2,780,064	29,584,983	6,843,035	-	15,944,416
CDC Charges paid	-	-	-	-	-	926,956

The Federal Government through Ministry of Finance holds controlling interest (50% shareholding) in the Company and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Company. The Company in the ordinary course of business enters into transaction with Government related entities. Such transactions include deposits to, investments, lendings, loan and advances and provision of other banking services. As at reporting date the deposits, loans and advances, investments, lendings and borrowings relating to Government related entities amounted to Rs. 1.0 million (2022: 6.6 million), Rs. 900 million (2022: 1,200 million), Rs. 437.5 million (2022: 567.1 million), Rs. nil (Rs. 99.8 million) respectively, and income earned on deposits, advances, investment and lendings and interest expense on borrowings amounted to Rs. nil (2022: 87.7 million) Rs. 236.2 million (2022: 202.3 million), Rs. 114 million (2022: 96.6 million), Rs. 3.1 million (2022: 39.0 million) and Rs. 59.6 million (2022: 21.6 million) respectively.

- 42.1 This includes an equity investment of Rs. 404.345 million (2022: Rs. 323.795 million) representing 5% (2022: 5%) interest in Pakistan Stock Exchange (PSX) acquired through participation in the consortium under the Consortium Agreement (CA) dated March 02, 2017. Pursuant to CA the director of the Company is serving on the board of PSX as a nominee of the consortium. This also includes an equity investment of Rs. 35.202 million (2022: Rs. 175.636 million) representing a 9.5% (2022: 9.5%) interest in Deli-JW Glassware Company Limited, which is related to the Company by virtue of common directorship. The comparative figures also include an equity investment of Rs. -323.271 million, representing a 5% interest in Central Depository Company of Pakistan Limited, where the relationship due to common directorship no longer existed as at the current reporting date.



**PAK CHINA INVESTMENT COMPANY LIMITED**  
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<b>43 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>	<b>2023</b>	<b>2022</b>
<b>43.1 Minimum Capital Requirement (MCR):</b>	<b>-----Rupees-----</b>	
Paid-up capital (net of losses)	<b>9,905,975,280</b>	<b>9,905,975,280</b>
<b>43.2 Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	<b>17,921,664,535</b>	<b>15,867,454,650</b>
Eligible Tier 2 Capital	<b>-</b>	<b>-</b>
Total Eligible Capital (Tier 1 + Tier 2)	<b>17,921,664,535</b>	<b>15,867,454,650</b>
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	<b>24,330,515,094</b>	<b>16,786,952,392</b>
Market Risk	<b>7,108,868,449</b>	<b>7,547,481,608</b>
Operational Risk	<b>4,267,725,030</b>	<b>4,181,550,074</b>
Total	<b>35,707,108,573</b>	<b>28,515,984,074</b>
<b>Common Equity Tier 1 Capital Adequacy ratio</b>	<b>50.19%</b>	<b>55.64%</b>
<b>Tier 1 Capital Adequacy Ratio</b>	<b>50.19%</b>	<b>55.64%</b>
<b>Total Capital Adequacy Ratio</b>	<b>50.19%</b>	<b>55.64%</b>
<b>43.3 Other information:</b>		
<b>Minimum capital requirements prescribed by the SBP</b>		
CET1 minimum ratio (%)	<b>6.00%</b>	<b>6.00%</b>
Tier 1 minimum ratio (%)	<b>7.50%</b>	<b>7.50%</b>
Total capital minimum ratio (%)	<b>10.00%</b>	<b>10.00%</b>
Capital Conservation Buffer (CCB)	<b>1.50%</b>	<b>1.50%</b>
Total capital plus CCB minimum ratio (%)	<b>11.50%</b>	<b>11.50%</b>
<b>43.4 Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	<b>17,921,664,535</b>	<b>15,867,454,650</b>
Total Exposures	<b>65,221,374,611</b>	<b>100,205,083,006</b>
Leverage Ratio	<b>27.48%</b>	<b>15.83%</b>
Minimum Requirement	<b>3.00%</b>	<b>3.00%</b>
<b>43.5 Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	<b>12,520,563,063</b>	<b>16,313,020,791</b>
Total Net Cash Outflow	<b>883,392,376</b>	<b>3,064,041,335</b>
Liquidity Coverage Ratio	<b>1417.33%</b>	<b>532.40%</b>
<b>43.6 Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	<b>29,149,810,210</b>	<b>31,417,151,478</b>
Total Required Stable Funding	<b>23,371,955,616</b>	<b>26,682,858,025</b>
Net Stable Funding Ratio	<b>124.72%</b>	<b>117.74%</b>
Minimum Requirement	<b>100.00%</b>	<b>100.00%</b>

The SBP, vide BPRD Circular No.08 dated 23 June 2016 has set the minimum Net Stable Funding Ratio Requirement (NSFR) for Banks / DFIs at 100%.

The link to the full disclosure is available at <https://pakchinainvest.com/uploads/files/car2023/car-december-23.pdf>

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44 RISK MANAGEMENT

The Company manages all of its risk proactively through a well-established enterprise risk management practice. The Company is exposed to the following risks in the course of its regular business:

Credit Risk  
Market Risk  
Operational Risk  
Liquidity Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

a) **Risk management philosophy and framework**

The Company is exposed to a variety of financial risks requiring analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Company's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are established to identify and analyze the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, emerging best practices and products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors has the overall responsibility for setting the risk appetite and ensuring risk is effectively managed through a robust Enterprise Risk Management (ERM) framework. Board and Management level committees have been established, as part of the corporate governance structure, to oversee the performance and operations of the Company. Some of these committees are responsible specifically for overseeing execution of the ERM strategy and monitoring performance against the Company's risk management framework.

b) **Board Level Committees**

**Board Risk Management Committee ("BRMC")**

The BRMC is responsible for overseeing and regularly monitoring the Company's risk governance framework, enterprise risk management, capital, liquidity and fund planning ensuring an effective system of risk management and controls are implemented. The BRMC is also responsible for overseeing compliance within approved risk policies and tolerance levels and works with management to refine risk strategy that is aligned to the Company's long term strategy.

c) **Senior Management Level Committees**

**Management Committee ("Mancom")**

The Management Committee is responsible for conduct of performance review of overall Company's operation; functions as a forum for communication and exchange of ideas for continuous improvement of Company's performance. Mancom is also responsible for review and deliberate upon Company's strategy policy which need to be submitted to BOD meeting, review and deliberate the compliance of internal and external audit reports and review the performance of ICFR budgetary process.

**Risk Review Committee ("RRC")**

The RRC is responsible for building a risk intelligent enterprise, ensuring a suitable and an effective risk management approach is incorporated into the day-to-day operations and recommending new credit policies and changes to existing ones, and the future direction of the credit activities in the Company. The RRC interacts with other management level committees to ensure risks are consolidated and incorporated within the business plan (strategy and financials) and business operations. In fulfilling its purpose, the RRC is responsible to translate the decisions of the Board regarding enterprise risk management ("ERM"), support the Senior Management and the GH-Risk Management in decision-making related to ERM, and report regularly through its Chairperson to the BRMC regarding matters related to its primary purpose and operational risks.

**Credit Management Committee ("CMC")**

CMC is responsible for taking credit and investment decisions within the authority levels established by the Board of Directors and approved threshold, with adherence to the credit policies.

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**PAK CHINA INVESTMENT COMPANY LIMITED**  
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**Asset Liability Committee ("ALCO")**

The ALCO is responsible to actively monitor and manage committed and outstanding assets and liabilities, and to recommend appropriate funding, investment, and hedging strategies. In addition, the ALCO is responsible for ensuring continuous liquidity required for growth while complying with the regulatory requirements. ALCO ensures the operational performance of the Company in meeting or exceeding set performance targets and authorizes actions to maintain, enhance or correct service delivery issues. The ALCO is also responsible for guiding, shaping, approving and monitoring a coherent set of projects in line with the Company's long term strategy that will maintain and enhance the Company's progress towards its future vision, recommending investment and expenditure in line with that goal.

**44.1 Credit Risk**

Credit risk is the risk emanating when a counter party of the Company does not fulfil its contractual obligation or the quality of an issuer deteriorates. It arises principally from financing, investment and treasury activities. The credit process is consistent for all forms of credit risk to a single obligor. Overall exposure is evaluated on an ongoing basis to ensure a broad diversification of credit risk. Potential concentrations by industry and risk grade are regularly reviewed to avoid excessive exposure and ensure a broad diversification. The Company's total credit portfolio and therefore the maximum exposure to credit risk before collateral held or other credit enhancements is reported under note 40.

Following are the risk management policies adopted by the Company to ensure credit quality and minimize the risk of concentration:

**(a) Credit rating and measurement**

The risk rating system is the basis for determining the credit risk of the financial assets portfolio, pricing, portfolio management, loss provisions and reserves and credit approval authority delegation. The company has started to revamp the credit risk grading framework: Obligor Risk Rating and Facility Risk Rating; these would provide the user with Probability of Default and Loss Given Default. Currently, the system produces alphabetical ratings from AAA to C as performing, and D, DD and DDDD, as Substandard, Doubtful and Loss

**(b) Credit approval**

All credit and investment exposures are reviewed and approved by the Credit Management Committee ('CMC') within the authority delegated by the Board of Directors.

**(c) Credit monitoring**

The Company regularly monitors credit exposures and external trends which may impact risk management outcomes. Internal risk management reports are presented to the Risk Review Committee and Board Risk Management Committee, containing information on key variables; portfolio delinquency and financing impairment performance. All Corporate exposures accounts are monitored carefully for performance and reviewed formally on an annual basis or earlier. The Company has policies in place for client visits and monitoring of accounts to make sure that any concerns on the quality of the accounts are addressed well in time. An exposure is categorized as watch list or non-performing as per SBP guidelines.

Based on Business Unit feedback on collection of overdue amounts, CMC decides on whether to retain the relationship under existing Business Group or transfer to Legal Department. All non-performing accounts under litigation for recovery are monitored closely by the Legal Department of the Company which directly report to the Managing Director. Such accounts are re-evaluated and remedial actions are agreed and monitored.

**(d) Credit risk mitigation**

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools. Additional support in the form of collateral and guarantee is obtained where required. The reliance that can be placed on these credit mitigation resources is carefully assessed in light of issues such as legal enforceability, market value and counterparty risk of the guarantor.

Collateral types which are eligible for risk mitigation include: cash under lien; mortgage / charge over residential/commercial/industrial property; charge over assets such as plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit etc. CMC controls the approval of collateral types. Collateral is valued in accordance with the SBP guidelines, which prescribe the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired financings is maintained at fair value.

**(e) Offsetting financial instruments**

The Company has not entered in significant master netting arrangement with counterparties which enable them to settle transactions on net basis. In absence of such agreements the financial asset and liabilities are settled on gross basis.

Particulars of the Company's significant on-balance sheet and off-balance sheet credit risk in various sectors are analyzed as follows:

**44.1.1 Lending's to Financial institutions.**

Credit risk by public / private sector

	Gross lending's		Non-performing lending's		Expected credit loss allowance / Provisioning held	
	2023	2022	2023	2022	2023	2022
Public / Government	1,886,342,400	99,825,849	-	-	-	-
Private	-	-	-	-	-	-
	<u>1,886,342,400</u>	<u>99,825,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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44.1.2 Investment in debt securities (including preference shares)

Credit risk by industry sector

	Gross investments		Non-performing investments		Expected credit loss allowance / Provisioning held	
	2023	2022	2023	2022	2023	2022
	Rupees					
Textile	480,877,890	615,315,000	231,766,000	240,315,000	232,933,100	131,560,000
Chemical and Pharmaceuticals	508,458,104	530,948,920	187,870,185	197,198,920	187,975,115	197,198,918
Power (electricity), Gas, Water, Sanitary	1,165,431,250	1,354,546,250	-	-	17,951,606	-
Wholesale and Retail Trade	398,786,518	-	-	-	2,200,053	-
Financial	5,545,356,530	5,861,671,667	-	-	101,800	-
Services	404,547,231	500,000,000	-	-	1,909,682	-
Manufacture of Basic Metals	135,603,452	-	-	-	16,391,885	-
Others	-	150,000,000	-	-	-	-
	<u>8,639,060,975</u>	<u>9,012,481,837</u>	<u>419,636,185</u>	<u>437,513,920</u>	<u>459,463,240</u>	<u>328,758,918</u>

Credit risk by public / private sector

	Gross investments		Non-performing investments		Expected credit loss allowance / Provisioning held	
	2023	2022	2023	2022	2023	2022
	Rupees					
Public/ Government	461,321,134	567,140,000	-	-	3,435	-
Private	8,177,739,842	8,445,341,837	419,636,185	437,513,920	459,459,805	328,758,918
	<u>8,639,060,975</u>	<u>9,012,481,837</u>	<u>419,636,185</u>	<u>437,513,920</u>	<u>459,463,240</u>	<u>328,758,918</u>

44.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Expected credit loss allowance / Provisioning held	
	2023	2022	2023	2022	2023	2022
	Rupees					
Textile	3,012,332,695	3,388,309,854	25,223,027	24,559,463	41,145,216	24,559,463
Chemical and Pharmaceuticals	1,041,755,039	945,851,268	-	-	4,704,114	-
Cement	636,414,613	330,000,005	-	46,666,668	3,798,505	46,666,668
Sugar	1,024,061,311	250,000,000	-	-	7,144,330	-
Electronics and electrical appliances	371,994,823	750,000,000	-	-	2,585,911	-
Power (electricity), Gas, Water, Sanitary	4,116,051,831	4,202,557,829	560,670,170	712,546,124	590,386,535	449,599,457
Transport, Storage and Communication	1,413,207,702	1,900,389,214	80,000,000	80,000,000	82,228,092	80,000,000
Financial	88,020,241	177,777,778	-	-	251,523	-
Services	1,089,493,661	1,425,000,000	-	-	115,825,464	-
Mining and quarrying	3,027,975,647	700,000,000	-	-	1,660,223	-
Manufacture of basic metals	967,268,196	1,151,320,287	-	-	3,294,577	-
Manufacture of rubber & plastic products	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000
Manufacture of rubber tyres and tubes	800,000,000	-	-	-	5,201,769	-
Manufacture of food products	1,508,912,052	774,110,734	474,700,530	474,700,530	476,033,290	292,920,644
Soap Industry	452,509,112	476,460,966	-	-	9,279,146	-
Individuals	121,505,899	149,518,053	-	663,564	681,246	663,564
Manufacture of glass and glass products	270,951,828	394,738,843	-	-	40,077,185	-
Manufacture of porcelain and ceramic products	300,000,000	300,000,000	-	-	3,433,495	-
	<u>20,432,454,650</u>	<u>17,506,032,831</u>	<u>1,330,593,727</u>	<u>1,529,136,349</u>	<u>1,577,730,621</u>	<u>1,084,409,796</u>

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Credit risk by public / private sector

Gross advances		Non-performing advances		Expected credit loss allowance / Provisioning held	
2023	2022	2023	2022	2023	2022
-----Rupees-----					
Public/ Government	1,500,000,000	1,500,000,000	-	-	-
Private	18,932,454,650	16,006,032,831	1,330,593,727	1,529,136,349	1,577,730,621
	<u>20,432,454,650</u>	<u>17,506,032,831</u>	<u>1,330,593,727</u>	<u>1,529,136,349</u>	<u>1,577,730,621</u>
				<u>1,577,730,621</u>	<u>846,230,182</u>

44.1.4 Contingencies and Commitments

Credit risk by Industry sector

Chemical and Pharmaceuticals  
Power (electricity), Gas, Water, Sanitary  
Electronics and electrical appliances  
Transport, Storage and Communication  
Financial  
Manufacture of basic metals  
Textile  
Manufacture of food products  
Soap Industry  
Others

2023	2022
-----Rupees-----	
4,803,200	-
5,880,423,224	3,728,267,105
-	200,000,000
500,000,000	-
114,000,000	120,000,000
-	187,500,000
-	1,436,249,609
-	589,796
-	23,539,034
200,000,000	-
<u>6,699,226,424</u>	<u>5,696,145,544</u>

Credit risk by public / private sector

Public/ Government  
Private

-	-
6,699,226,424	5,696,145,544
<u>6,699,226,424</u>	<u>5,696,145,544</u>

44.1.5 Concentration of Advances

The Company's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 15.7 billion (2022: 12.7 billion) are as following:

Funded  
Non Funded  
Total Exposure

2023	2022
-----Rupees-----	
9,676,439,868	9,413,626,651
3,680,423,224	3,293,169,351
<u>13,356,863,092</u>	<u>12,706,796,002</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 16.8 billion (2022: 15 billion)

Total funded classified therein

OAEM  
Substandard  
Doubtful  
Loss  
Total

2023		2022	
Amount	Expected credit loss allowance / Provisioning	Amount	Expected credit loss allowance / Provisioning held
-----Rupees-----			
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 44.1.6 Advances - Province/Region-wise Disbursement & Utilization

## 44.2 Market Risk

Market risk is the potential impact of adverse price movements such as benchmark rates, foreign exchange prices, equity prices and market conditions on the earnings/economic value of an asset held by the Company. The exposure to market risk occurs throughout the contract which may negatively affect the earnings and capital of the Company. The Company is exposed to market risk through investments / structural positions parked in the Banking Book. The Company's market risk is managed by the Risk Management under the supervision of ALCO and supported by the Treasury Middle Office (TMO).The Company has adopted Standardized Measurement Method to assess and report the market risk.

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44.2.1 Balance sheet split by trading and banking books

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	-----Rupees-----					
Cash and balances with treasury banks	58,211,053	-	58,211,053	93,364,567	-	93,364,567
Balances with other banks	4,338,987,033	-	4,338,987,033	3,313,389,248	-	3,313,389,248
Lendings to financial institutions	1,886,342,400	-	1,886,342,400	99,825,849	-	99,825,849
Investments	18,156,013,803	-	18,156,013,803	73,273,041,774	167,537,754	73,440,579,528
Advances	18,854,724,030	-	18,854,724,030	16,198,258,207	-	16,198,258,207
Property and equipment	187,166,273	-	187,166,273	335,841,618	-	335,841,618
Right-of-use assets	139,907,654	-	139,907,654	-	-	-
Intangible assets	4,651,640	-	4,651,640	-	-	-
Deferred tax assets	105,850,816	-	105,850,816	-	-	-
Other assets	1,252,528,688	-	1,252,528,688	733,982,851	-	733,982,851
	<u>44,984,383,390</u>	<u>-</u>	<u>44,984,383,390</u>	<u>94,047,704,114</u>	<u>167,537,754</u>	<u>94,215,241,868</u>

44.2.2 Foreign Exchange Risk

Currency risk represents the risk of change in the fair value of financial assets and financial liabilities due to changes in foreign exchange rates. The Company manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows through allowing exposures in local currency only. However, where foreign currency exposures are allowed due to compelling reasons, foreign exchange positions are reviewed frequently.

	2023				2022			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----Rupees-----							
United States Dollar	4,286,177,874	-	1,205,484,750	5,491,662,624	3,187,197,911	-	1,228,014,248	4,415,212,159
Euro	-	-	-	-	-	-	-	-
CNY	-	-	-	-	-	-	44,922,324	44,922,324
	<u>4,286,177,874</u>	<u>-</u>	<u>1,205,484,750</u>	<u>5,491,662,624</u>	<u>3,187,197,911</u>	<u>-</u>	<u>1,272,936,572</u>	<u>4,460,134,483</u>

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	-----Rupees-----			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	28,717,392	-	21,354,226	-
- Other comprehensive income	-	-	-	-
	<u>28,717,392</u>	<u>-</u>	<u>21,354,226</u>	<u>-</u>

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44.2.3 Equity position Risk

Equity position risk is the risk that the fair value will fluctuate as a result of changes in the prices of equities and all instruments that exhibit market behavior similar to equities. The company's such instruments are classified as fair value through other comprehensive income (FVOCI) investments and are kept as such with the intent of earning profit due to underlying fundamental strength of each security.

Impact of 5% change in equity prices on  
- Profit and loss account  
- Other comprehensive income

2023		2022	
Banking book	Trading book	Banking book	Trading book
Rupees			
-	-	-	7,329,777
34,089,779	-	17,171,438	-
34,089,779	-	17,171,438	7,329,777

44.2.4 Yield / Interest Rate Risk in the Banking Book

Interest/Yield Risk is the risk that value of financial instruments will change due to change in the market interest rates or due to change in shape of yield curve. The Company manages its interest rate risk by entering into floating rate agreements with its customers. All of the credit portfolio is linked to the 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 monthly basis to ascertain the interest rates movement with regard to the portfolio while also anticipating policy rate movements.

Impact of 1% change in interest rates on  
- Profit and loss account  
- Other comprehensive income

2023		2022	
Banking book	Trading book	Banking book	Trading book
Rupees			
213,193,121	-	193,963,725	-
-	-	-	-
213,193,121	-	193,963,725	-

44.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

The following table summarizes the mismatch of financial assets and liabilities of the Company, which are subject to interest rate risk, at carrying amounts categorized the earlier of contractual re-pricing or maturity dates. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period:

		2023										Non-interest bearing financial instruments
Effective Yield/ Interest Rate	Total	Exposed to Yield/Interest risk										
		Up to 1 Month	Over 1 to 3 months	Over 3 to 6 months	1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 Years		
Rupees												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		58,211,053	-	-	-	-	-	-	-	-	58,211,053	
Balances with other banks	12.1%	4,338,987,033	53,251,229	-	4,285,291,538	-	-	-	-	-	444,266	
Lending to financial institutions	22.4%	1,886,342,400	1,886,342,400	-	-	-	-	-	-	-	-	
Investments	22.6%	18,156,013,803	1,258,681,952	3,430,733,946	12,520,805,988	-	-	-	-	-	845,991,917	
Right-of-use assets	16.3%	139,907,654	4,059,171	7,987,401	12,090,974	23,789,496	33,942,982	31,246,862	26,790,968	-	-	
Advances	20.3%	18,854,724,030	5,451,166,276	9,183,225,760	580,890,358	265,874,817	541,610,882	530,228,899	975,474,382	1,318,211,650	8,041,016	
Other assets		1,089,757,030	-	-	-	-	-	-	-	-	1,089,757,030	
		44,523,943,003	8,653,501,028	12,621,947,107	17,498,878,858	289,664,313	575,553,864	581,475,551	1,002,265,350	1,318,211,650	2,002,445,282	
Liabilities												
Borrowings	19.3%	21,965,719,305	598,709,899	10,281,238,611	8,335,956,001	146,656,357	374,446,170	403,254,376	797,679,165	1,027,778,726	-	
Deposits and other accounts	20.6%	370,560,678	254,306,949	91,253,729	-	-	-	-	-	-	25,000,000	
Liabilities against right-of-use assets	16.3%	122,080,378	4,059,171	7,987,401	12,090,974	23,789,496	34,564,060	31,246,862	4,957,006	3,385,608	-	
Other liabilities		746,270,572	-	-	-	-	-	-	-	-	746,270,572	
		23,204,630,933	857,078,019	10,380,479,741	8,348,046,975	170,445,853	409,010,230	434,501,038	802,638,171	1,031,164,334	771,270,572	
On-balance sheet gap		21,319,312,070	7,796,425,009	2,241,467,366	9,150,831,883	119,218,460	166,543,634	126,974,513	199,629,179	287,047,316	1,231,174,710	
Off-balance sheet financial instruments												
Commitments in respect of Government securities		-	-	-	-	-	-	-	-	-	-	
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	
Total Yield/Interest Risk Sensitivity Gap												
		7,796,425,009	2,241,467,366	9,150,831,883	119,218,460	166,543,634	126,974,513	199,629,179	287,047,316	-	1,231,174,710	
Cumulative Yield/Interest Risk Sensitivity Gap												
		7,796,425,009	10,037,892,376	19,188,724,258	19,307,942,718	19,474,486,352	19,601,460,865	19,801,090,044	20,088,137,361	20,088,137,361	21,319,312,070	



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2022											
Effective Yield/ Interest Rate	Total	Exposed to Yield/ Interest risk								Non-Interest bearing financial instruments	
		Up to 1 Month	Over 1 to 3 months	Over 3 to 6 months	1 years	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		Above 10 Years
On-balance sheet financial instruments											
Rupees											
Assets											
Cash and balances with treasury banks	9.5%	93,364,567	-	-	-	-	-	-	-	-	93,364,567
Balances with other banks	16.0%	3,313,389,248	126,440,519	-	3,186,504,980	-	-	-	-	-	443,749
Lending to financial institutions	16.8%	99,825,849	99,825,849	-	-	-	-	-	-	-	-
Investments	14.5%	73,440,579,528	2,632,405,650	60,552,044,705	5,121,680,568	3,983,504,502	-	-	-	-	1,150,944,103
Right-of-use assets	15.0%	157,495,626	3,532,820	6,769,453	10,374,836	19,967,048	40,844,159	27,208,500	48,293,157	705,652	-
Advances		16,198,258,207	2,633,660,186	9,533,507,200	410,344,107	149,265,370	451,501,918	491,741,247	1,036,881,184	1,481,124,675	-
Other assets		665,839,384	-	-	-	-	-	-	-	-	665,839,384
		93,968,752,409	5,495,865,024	70,092,321,358	8,728,904,491	4,152,736,921	492,146,077	518,949,747	1,085,174,341	1,481,830,327	-
Liabilities											
Borrowings	15.0%	72,177,830,348	3,222,885,345	61,154,075,563	916,537,296	3,598,759,680	434,134,903	459,555,203	884,198,208	1,507,684,138	-
Deposits and other accounts	15.8%	1,503,420,313	1,191,244,891	312,175,422	-	-	-	-	-	-	-
Liabilities against right-of-use assets	14.5%	134,450,409	3,532,820	6,769,453	10,374,836	19,967,050	40,844,159	27,393,978	24,146,578	1,621,535	-
Other liabilities		756,678,830	-	-	-	-	-	-	-	-	756,678,830
		74,572,379,898	4,417,663,056	61,473,020,438	926,912,132	3,618,726,740	474,779,062	486,949,181	898,344,786	1,509,305,673	-
On-balance sheet gap		19,396,372,511	1,078,201,968	8,619,300,920	7,801,992,359	534,010,181	17,367,015	32,000,566	176,829,555	(27,475,346)	-
Off-balance sheet financial instruments											
Commitments in respect of Government securities		6,177,119,768	-	6,177,119,768	-	-	-	-	-	-	-
Off-balance sheet gap		6,177,119,768	-	6,177,119,768	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap											
			1,078,201,968	2,442,181,152	7,801,992,359	534,010,181	17,367,015	32,000,566	176,829,555	(27,475,346)	-
Cumulative Yield/Interest Risk Sensitivity Gap											
			1,078,201,968	3,520,383,120	11,322,375,479	11,856,385,660	11,873,752,675	11,905,753,241	12,082,582,796	12,055,107,450	13,219,252,743

44.2.6 Reconciliation of financial assets with total assets and liabilities.

	2023	2022
	Rupees	
Total assets as per statement of financial position	44,984,383,390	94,215,241,868
Property and equipment	187,166,273	178,345,992
Intangible assets	4,651,840	-
Deferred tax assets	105,850,816	-
Other Assets	152,771,658	68,143,467
	460,440,387	246,489,459
<b>Total Assets as per mismatch report</b>	<b>44,523,943,003</b>	<b>93,968,752,409</b>

44.2.7 For details of off balance sheet items included in the commitments, Please refer to note number 24.2 of the financial statements.

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#### 44.3 Operational Risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, people, technology and infrastructure within the Company, and from external factors other than credit, market and liquidity risks such as those arising from disruptive business events, natural disasters, non-compliance with regulations and generally accepted standards of corporate behavior.

The Company has established Operational Risk Management Framework, which outlines approaches to identifying, measuring, reporting and mitigating operational, information security and business continuity risks with forward looking management discipline. The management of operational risk is the primary responsibility of each business or support function and implementation of the framework is coordinated by Operational Risk Department under supervision of GH-Risk Management, who maintains supervisory oversight and drives improvement.

##### Information Security

Information Security risk is increasingly assuming prominent threat potential in digital age. The Company recognizes its key dependencies on systems, people and service processes and the risks, to which they are exposed to both from internal and external factors. To mitigate these threats, the Company has implemented robust information security framework based on industry best practices.

##### Business Continuity Management

The Company is committed to ensure continuity and resilience of its key business processes and service deliveries against internal and external disruptive events, natural calamities, etc. To achieve these objectives, the Company has designed and implemented Business Continuity Plan (BCP) by identifying disruptive scenarios, developing continuity plans and periodically testing the same for their continued viability.

#### 48.3.1 Operational Risk-Disclosures Basel II Specific

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

#### 44.4 Liquidity Risk

Liquidity risk is the risk that the Company is not in a position to fund growth in assets or meet obligations as they become due. Liquidity risk arises in the normal course of business by taking shorter term liquidity sources, often repayable on demand or at short notice, and using these short term sources to fund credit facilities over medium to longer periods. The Company has defined the liquidity risk appetite at a level so as to ensure that the Company has a controlled liquidity risk position with adequate cash or cash equivalents to be able to meet its financial obligations, in all foreseeable circumstances and without incurring substantial additional costs.

##### Asset Liability Committee (ALCO)

The ALCO develops and implements the policy and procedures that translate the Company's goals, objectives, and risk tolerances into operating standards that are well understood by the Company's staff. ALCO oversees the implementation and maintenance of management information and other systems that identify, measure, monitor and control the bank's liquidity risk.

##### Liquidity management and monitoring

The Company's daily liquidity management activity is performed by the Treasury Department. Treasury's activity is overseen by the Market Risk team which measures, monitors and reports on liquidity management activity, covering the following activities:

- Monitoring of the maturity profile of assets and liabilities on a continuous basis;
- Stress testing based on the sensitivity analysis of key factors and combined events;
- Measuring Key regulatory liquidity indicators e.g. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR);
- Monitoring of concentration risks in liquidity sources; and
- Monitoring of early warning indicators to assess the potential impact arising from a series of defined idiosyncratic and systemic stress scenarios.

##### Liquidity Contingency plan

The Company has an established liquidity position available all the times to meet the contingencies. In addition, Company has also entered into financing agreements with different Commercial Banks to meet its funding requirements.

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44.4.1 Maturities of Assets and Liabilities - based on contractual maturity

Total	2023												
	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets	Rupees												
Treasury bank balances	58,211,053	14,189	58,196,864	-	-	-	-	-	-	-	-	-	-
Other banks balance	4,338,987,033	-	53,225,919	470,476	-	-	-	4,285,291,638	-	-	-	-	-
Lending to financial institutions	1,886,342,400	-	1,886,342,400	-	-	-	-	-	-	-	-	-	-
Investments	16,156,013,803	26,723,803	-	-	63,473,687	105,985,613	56,060,730	8,976,201,106	115,540,082	172,128,902	761,848,305	495,176,503	3,764,283,195
Advances	18,854,724,030	(26,996,099)	975,176,398	1,810,501	122,645,419	2,118,756,733	761,754,751	906,515,835	2,098,060,033	2,180,901,062	2,785,882,017	2,603,350,271	2,065,026,831
Property and equipment	167,166,273	-	-	-	1,436,369	1,436,369	2,204,769	4,309,112	4,109,232	4,109,232	13,219,246	5,077,212	145,187,821
Intangible assets	4,851,640	-	-	-	179,752	179,752	179,752	539,256	539,256	539,256	2,157,024	337,592	-
Right-of-use assets	139,907,654	-	-	-	4,059,171	3,928,230	4,059,171	12,090,874	11,835,622	11,835,622	33,942,982	31,246,662	26,790,968
Deferred tax assets	165,850,816	-	-	-	108,850,816	-	-	-	-	-	-	-	-
Other assets	1,252,528,688	368,800,762	144,073,417	2,147,457	177,990,943	90,724,315	43,584,389	309,041,944	30,141,018	10,564,492	7,113,985	2,954,208	69,483,341
	44,984,383,390	370,542,666	3,117,014,098	4,428,434	475,638,157	2,321,011,012	867,843,562	14,493,989,465	2,260,225,243	2,380,196,618	3,544,173,558	3,136,144,848	5,975,106,820
Liabilities	Rupees												
Borrowings	21,968,719,308	28,765,663	993,599,054	1,496,978	222,866,243	2,330,915,214	457,756,310	9,186,683,428	1,518,596,049	878,697,056	2,466,609,942	1,412,125,090	1,177,095,187
Deposits and other accounts	370,560,678	-	139,306,643	-	115,000,306	91,253,729	-	-	-	-	-	-	25,000,000
Liabilities against right-of-use asset	122,080,578	-	-	-	4,059,171	3,928,230	4,059,171	12,090,874	11,835,622	11,835,622	34,964,060	31,246,662	4,967,006
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	3,385,608
Other liabilities	748,270,572	-	21,698,822	10,344,416	69,363,938	62,718,761	37,241,400	453,588,512	10,969,876	16,182,516	64,169,331	-	0
	23,204,630,933	28,765,663	1,154,602,419	11,841,393	411,229,356	2,497,813,934	499,056,881	9,654,369,912	1,541,401,547	907,833,466	2,565,340,333	1,443,371,712	1,192,682,193
Net assets	21,779,752,457	341,787,122	1,962,411,679	(7,412,959)	64,408,201	(176,802,922)	368,786,681	4,839,628,553	718,823,696	1,472,363,332	978,833,225	1,694,773,136	4,778,010,284
Share capital	9,905,975,280	-	-	-	-	-	-	-	-	-	-	-	-
Advance against issue of shares	15,212,360	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	2,463,427,066	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	9,887,535,325	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation	(462,447,573)	-	-	-	-	-	-	-	-	-	-	-	-
	21,779,752,457	-	-	-	-	-	-	-	-	-	-	-	-
Total	2022												
	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets	Rupees												
Treasury bank balance	93,364,567	-	93,364,567	-	-	-	-	-	-	-	-	-	-
Other banks balance	3,313,389,246	-	126,440,959	443,310	-	-	3,186,504,980	-	-	-	-	-	-
Lending to financial institutions	99,825,849	-	99,825,849	-	-	-	-	-	-	-	-	-	-
Investments	73,440,879,528	60,303,094	99,534,500	12,500,000	1,053,156,000	2,958,824,762	54,660,678,825	1,013,896,063	308,566,504	4,156,886,585	562,102,452	638,439,709	2,823,534,231
Advances	16,196,256,207	-	-	-	460,498,699	131,188,095	335,670,540	1,205,111,044	1,677,048,197	1,427,375,203	2,723,130,400	2,259,995,301	3,267,578,659
Property and equipment	178,345,992	-	-	-	1,287,054	1,330,427	7,364,077	3,991,281	2,800,084	2,581,440	10,324,493	2,562,624	2,940,096
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Right-of-use assets	157,486,626	-	-	-	3,532,820	3,282,333	3,487,120	10,374,836	9,983,524	9,983,525	40,644,159	27,208,500	48,293,157
Deferred tax assets	733,982,851	77,468,410	50,543,932	6,144,130	139,991,848	72,028,705	38,940,206	208,336,428	28,675,477	7,758,472	3,497,191	3,125,292	63,702,126
Other assets	94,215,241,868	137,771,513	499,709,806	19,087,443	1,858,466,621	3,166,662,312	56,046,098,773	5,528,204,652	2,027,071,786	5,604,587,225	3,339,668,665	2,931,332,425	6,206,048,265
	94,215,241,868	137,771,513	499,709,806	19,087,443	1,858,466,621	3,166,662,312	56,046,098,773	5,528,204,652	2,027,071,786	5,604,587,225	3,339,668,665	2,931,332,425	6,206,048,265
Liabilities	Rupees												
Borrowings	72,177,830,346	7,231,813	2,048,218,063	-	259,872,969	801,397,125	54,402,678,438	1,333,203,962	748,951,844	4,495,641,180	3,583,364,071	2,105,388,533	864,198,206
Deposits and other accounts	1,503,420,313	-	-	-	1,191,244,891	200,000,000	112,175,422	-	-	-	-	-	1,507,684,141
Liabilities against right-of-use asset	134,450,409	-	-	-	3,532,820	3,282,333	3,487,120	10,374,836	9,983,525	9,983,525	40,644,159	27,393,978	24,146,578
Deferred tax liabilities	26,820,653	-	-	-	26,820,653	-	-	-	-	-	-	-	1,621,535
Other liabilities	756,678,830	-	22,717,967	6,512,896	87,069,599	53,697,277	242,313,416	86,870,609	9,613,504	131,823,709	7,305,764	-	108,754,999
	74,599,200,551	7,231,813	2,070,936,130	6,512,896	1,668,540,332	1,058,376,735	54,750,654,396	1,430,448,407	758,548,873	4,637,448,414	3,631,313,994	2,132,782,511	908,344,793
Net assets	19,616,041,317	130,539,700	(1,501,225,324)	12,574,557	89,925,690	2,108,275,577	285,444,374	4,197,756,245	1,268,522,913	967,136,811	(291,615,299)	798,549,915	5,297,703,482
Share capital	9,905,975,280	-	-	-	-	-	-	-	-	-	-	-	-
Advance against issue of shares	5,212,360	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	1,891,727,790	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	7,568,321,051	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation	244,804,836	-	-	-	-	-	-	-	-	-	-	-	-
	19,616,041,317	-	-	-	-	-	-	-	-	-	-	-	-

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#### 44.4.2 Maturities of assets and liabilities - based on expected maturities

	2023								
Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Rupees-----</b>									
<b>Assets</b>									
Treasury banks balance	58,211,053	58,211,053	-	-	-	-	-	-	-
Other banks balance	4,338,987,033	53,695,495	-	4,285,291,538	-	-	-	-	-
Lending to financial institutions	1,886,342,400	1,886,342,400	-	-	-	-	-	-	-
Investments	18,156,013,803	92,197,490	162,046,343	8,976,201,106	287,668,984	701,848,305	495,178,903	3,764,278,051	5,144
Advances	18,854,724,030	1,072,636,249	2,880,511,484	906,515,535	4,278,961,095	2,785,892,017	2,603,350,271	2,261,830,547	89,607,624
Property and equipment	187,166,273	1,436,369	3,641,138	4,309,112	8,218,464	13,219,245	5,077,212	5,077,212	136,000,000
Intangible assets	4,651,640	179,752	359,504	539,256	1,078,512	2,157,024	337,592	-	-
Right-of-use assets	139,907,654	4,059,171	7,987,401	12,090,974	23,789,496	33,942,982	31,246,662	26,790,968	-
Deferred tax assets	105,850,816	105,850,816	-	-	-	-	-	-	-
Other assets	1,252,528,688	693,012,579	134,308,705	309,041,944	40,705,510	7,113,985	2,954,208	5,908,416	44,712,141
	44,984,383,390	3,967,621,374	3,188,854,575	14,493,989,465	4,640,422,061	3,544,173,558	3,138,144,848	5,976,196,620	270,324,909
<b>Liabilities</b>									
Borrowings	21,965,719,305	1,246,659,035	2,797,671,524	9,188,683,426	2,398,293,145	2,466,606,942	1,412,125,050	1,177,095,187	1,278,584,996
Deposits and other accounts	370,660,678	254,306,949	91,253,729	-	-	-	-	-	25,000,000
Liabilities against right-of-use assets	122,080,378	4,059,171	7,987,401	12,090,974	23,789,496	34,564,060	31,246,662	4,957,006	3,385,608
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	746,270,572	101,404,175	99,958,161	453,586,512	27,152,392	64,169,331	-	-	-
	23,204,630,933	1,606,429,331	2,996,870,815	9,654,360,912	2,449,235,033	2,565,340,333	1,443,371,712	1,182,052,193	1,306,970,603
<b>Net assets</b>	<b>21,779,752,457</b>	<b>2,361,192,044</b>	<b>191,983,759</b>	<b>4,839,628,553</b>	<b>2,191,187,028</b>	<b>978,833,225</b>	<b>1,694,773,136</b>	<b>4,794,144,427</b>	<b>4,457,685,377</b>
Share capital	9,905,975,280	-	-	-	-	-	-	-	-
Advance against issue of shares	15,212,360	-	-	-	-	-	-	-	-
Reserves	2,463,427,065	-	-	-	-	-	-	-	-
Unappropriated profit	9,857,585,325	-	-	-	-	-	-	-	-
Surplus on revaluation	(462,447,573)	-	-	-	-	-	-	-	-
	<b>21,779,752,457</b>								

	2022								
Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Rupees-----</b>									
<b>Assets</b>									
Treasury banks balance	93,364,567	93,364,567	-	-	-	-	-	-	-
Other banks balance	3,313,389,248	126,884,268	-	3,186,504,980	-	-	-	-	-
Lending to financial institutions	99,825,849	99,825,849	-	-	-	-	-	-	-
Investments	73,440,579,528	1,165,190,500	57,819,501,577	1,013,888,083	4,465,455,089	582,102,452	638,439,709	2,823,534,231	3,677,469

PAK CHINA INVESTMENT COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

45 GENERAL

45.1 Events after the reporting date

There are no adjusting events after the date of statement of financial position that may have an impact on the financial statements.

45.2 Captions, as prescribed by BPRD Circular No. 2, 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.

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

45.4 The credit rating company limited has issued a long term credit rating of AAA, and the short term rating of A1+, for the Company.

46 DATE OF AUTHORIZATION

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

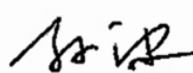
24 JUL 2023



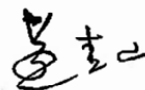
MANAGING DIRECTOR



CHIEF FINANCIAL OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR