PAK CHINA INVESTMENT COMPANY LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
JUNE 30, 2023

PAK CHINA
INVESTMENT COMPANY LIMITED

DIRECTORS' REVIEW ON CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2023

We are pleased to present on behalf of the Board of Directors, the unaudited condensed interim financial statements of Pak China Investment Company Limited (PCICL) for the half year ended 30 June 2023 together with the Directors' Review thereon.

Profit after tax of PCICL came to Rs. 1,490 million for the half year ended 30 June 2023 as compared to Rs. 613 million in the first half of prior year, showing an increase of 143%. Resultantly, earning per share has increased from Re. 0.63 during last year's first half to Re. 1.50 in current year's first half. Operating profit (profit before provisions and tax) during the current half year has touched Rs. 2,407 million as compared to Rs. 1,101 million during the first half of last year.

Later in last year, SBP gradually started increasing the policy rate from 13.75% and culminated at 22% as of 30 June 2023 in line with the macroeconomic indicators. Upward repricing of majority of the portfolio in current half year coupled with the increased volume of portfolio resulted in increase of Net Interest Income by Rs. 860 million i.e. 88%. Fee & Commission income has decrease by Rs. 35.7 million during current half year as compared to first six months of last year. During the first six months of 2023, PKR continued to depreciate against USD, thus gave an exchange gain on revaluation of Rs. 882 million (Rs. 377 million in 2022).

Operating expenses increased by Rs. 60.67 million majorly due to increased travel cost & regular annual increments in salaries of employees. Provisions and write-offs – net has decreased from Rs. 105.6 million in last year's first half to Rs. 72.58 million during current half year.

Total assets have decreased by Rs. 17,649 million as of 30 June 2023 as compared to the balance as at 31 December 2022, majorly due to maturity of investment in market treasury bills which were being funded by short term borrowings, thus earning a fine spread.

During the period ended 30 June 2023, VIS Credit Rating Company has reaffirmed the entity ratings of the Company as long term AAA and short term A-1+, highest in both categories. The medium to long term rating of AAA denotes highest credit quality, with negligible risk factors, being only slightly more than risk-free debt of Government of Pakistan. The outlook on the assigned rating is Stable.

Finally, on behalf of the Board, I would like to express our gratitude to our shareholders, Ministry of Finance, Government of Pakistan and China Development Bank for their support and State Bank of Pakistan for professional guidance. The Board also wishes to place on record its appreciation of the hard work and dedication of the Management and staff of the Company.

On behalf of the Board of Directors

Song Zhenwen
Managing Director
Pak China Investment Co. Ltd.

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

24 July 2025
Islamabad

Grant Thornton

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INDEPENDENT AUDITORS' REVIEW REPORT

To the members of
Pak China Investment Company Limited

Report on Review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Pak China Investment Company Limited** (the Company), as at June 30, 2023, and the related condensed interim profit and loss account, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity, and the condensed interim cash flow statement, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matters

1. The figures of the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarter ended June 30, 2023, have not been reviewed and we do not express a conclusion on them; and

2. The condensed interim financial statements of Pak China Investment Company Limited for the half year ended June 30, 2022, and the annual financial statements for the year ended December 31, 2022, were reviewed and audited, respectively, by another auditor, who expressed an unmodified review conclusion and audit opinion on July 23, 2024.

The engagement partner on the engagement resulting in this independent auditors' review report is Hassaan Riaz.

Grant Thornton Anjum Rahman
Chartered Accountants
Islamabad
Date: July 30, 2025
UDIN: RR202310164BxQLa0W4b

PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2023

	Note	(Unaudited) 30 June 2023	(Audited) 31 December 2022
ASSETS			
Cash and balances with treasury banks	6	147,481,590	93,364,567
Balances with other banks	7	4,439,278,316	3,313,389,248
Lendings to financial institutions	8	-	99,825,849
Investments	9	53,598,070,593	73,440,579,528
Advances	10	17,104,309,365	16,198,258,207
Property and equipment	11	170,196,143	178,345,992
Right-of-use assets	12	164,000,798	157,495,626
Intangible assets	13	4,039,144	-
Deferred tax assets	14	16,685,194	-
Other assets	15	921,660,277	733,982,851
Total Assets		76,565,721,421	94,215,241,868
LIABILITIES			
Bills payable		-	-
Borrowings	16	52,931,772,694	72,177,830,346
Deposits and other accounts	17	1,659,332,773	1,503,420,313
Lease liabilities	18	149,766,214	134,450,409
Subordinated debt		-	-
Deferred tax liabilities	14	-	26,820,653
Other liabilities	19	1,057,149,708	756,678,830
Total Liabilities		55,798,021,389	74,599,200,551
NET ASSETS		20,767,700,032	19,616,041,317
REPRESENTED BY			
Share capital		9,905,975,280	9,905,975,280
Advance against issue of shares	20	15,212,360	5,212,360
Reserve		2,285,895,398	1,891,727,790
(Deficit) / Surplus on revaluation of assets	21	(585,359,433)	244,804,836
Unappropriated / Unremitted profit		9,145,976,427	7,568,321,051
		20,767,700,032	19,616,041,317

CONTINGENCIES AND COMMITMENTS 22

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

MANAGING DIRECTOR | CHIEF FINANCIAL OFFICER | CHAIRMAN | DIRECTOR | DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

	Note	For the quarter ended 30 June 2023	For the quarter ended 30 June 2022	For the half year ended 30 June 2023	For the half year ended 30 June 2022
		Rupees		Rupees	
Mark-up / Return / Interest earned	23	**2,626,603,778**	1,446,776,600	**5,718,800,903**	2,446,258,063
Mark-up / Return / Interest expensed	24	**(1,646,473,040)**	(912,161,921)	**(3,876,975,149)**	(1,464,847,258)
Net mark-up / interest income		**980,130,738**	534,614,679	**1,841,825,754**	981,410,805
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	**10,664,863**	41,070,222	**23,352,838**	59,096,910
Dividend income		**129,346**	5,258,329	**14,208,096**	16,508,329
Foreign exchange income		**33,697,928**	294,490,338	**881,913,990**	376,910,950
Income / (loss) from derivatives		**-**	-	**-**	-
Gain / (Loss) on securities	26	**18,397,710**	(8,835,363)	**(178,832)**	(39,202,200)
Net gains/(loss) on derecognition of financial assets measured at amortised cost		**-**	-	**-**	-
Other income	27	**3,784,524**	3,432,139	**7,569,047**	7,008,372
Total non-markup / interest income		**66,674,371**	335,415,665	**926,865,139**	420,322,361
Total income		**1,046,805,109**	870,030,344	**2,768,690,893**	1,401,733,166
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	28	**200,279,692**	173,105,581	**361,725,423**	301,056,465
Workers welfare fund		**-**	-	**-**	-
Other charges	29	**250,000**	-	**250,000**	-
Total non-markup / interest expenses		**200,529,692**	173,105,581	**361,975,423**	301,056,465
Profit before credit loss allowance		**846,275,417**	696,924,763	**2,406,715,470**	1,100,676,701
Credit loss allowance and write offs - net	30	**(59,364,222)**	44,556,504	**72,579,795**	105,560,620
Extra ordinary / unusual items		**-**	-	**-**	-
PROFIT BEFORE TAXATION		**905,639,639**	652,368,259	**2,334,135,675**	995,116,081
Taxation	31	**330,652,750**	279,768,956	**843,532,059**	381,975,902
PROFIT AFTER TAXATION		**574,986,889**	372,599,303	**1,490,603,616**	613,140,179
Basic and diluted earnings per share		**0.58**	0.38	**1.50**	0.63

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

MANAGING DIRECTOR | **CHIEF FINANCIAL OFFICER** | **CHAIRMAN** | **DIRECTOR** | **DIRECTOR**

PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

	For the quarter ended		For the half year ended	
	30 June 2023	30 June 2022	**30 June 2023**	30 June 2022
	---------------- Rupees	----------------	---------------- Rupees	----------------
Profit after taxation for the period	**574,986,889**	372,599,303	**1,490,603,616**	613,140,179
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of debt investments through FVOCI / AFS - net of tax	**31,461,622**	(33,666,041)	**(53,551,718)**	(60,426,274)
	31,461,622	(33,666,041)	**(53,551,718)**	(60,426,274)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of equity investments - net of tax	**17,563,082**	(135,272,174)	**14,290,355**	(92,594,607)
Remeasurement gain on defined benefit obligations - net of tax	**-**	-	**984,943**	681,108
	17,563,082	(135,272,174)	**15,275,298**	(91,913,499)
Total comprehensive income	**624,011,593**	203,661,088	**1,452,327,196**	460,800,406

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

MANAGING DIRECTOR **CHIEF FINANCIAL OFFICER** **CHAIRMAN** **DIRECTOR** **DIRECTOR**

PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

	Share capital	Advance against issue of shares	Statutory reserve	Surplus / (deficit) on revaluation of investments	Unappropriated profit	Total
	Rupees					
Opening 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 period ended 30 June 2022	-	-	-	-	613,140,179	613,140,179
Other comprehensive income / (loss) - net of tax						
Movement in deficit on revaluation of investments in debt instruments - net of tax	-	-	-	(60,426,274)	-	(60,426,274)
Movement in deficit on revaluation of investments in equity instruments - net of tax	-	-	-	(92,594,607)	-	(92,594,607)
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	681,108	681,108
Total comprehensive income / (loss) - net of tax	-	-	-	(153,020,881)	681,108	(152,339,773)
Transfer to statutory reserve	-	-	122,628,036	-	(122,628,036)	-
Transactions with owners, recorded						
Advance against issue of shares	-	100,000,000	-	-	-	100,000,000
Balance as at 01 July 2022	9,696,637,540	109,881,237	1,749,435,599	53,088,544	6,998,742,314	18,607,785,234
Profit after taxation for the period ended 31 December 2022	-	-	-	-	711,460,956	711,460,956
Other comprehensive income - net of tax						
Movement in surplus on revaluation of investments in debt instruments - net of tax	-	-	-	39,150,559	-	39,150,559
Movement in surplus on revaluation of investments in equity instruments - net of tax	-	-	-	152,565,733	-	152,565,733
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	409,972	409,972
Total comprehensive income - net of tax	-	-	-	191,716,292	409,972	192,126,264
Transfer to statutory reserve	-	-	142,292,191	-	(142,292,191)	-
Transaction with owners recorded directly in equity						
Advance against issue of shares	-	104,668,863	-	-	-	104,668,863
Issue of Share Capital	209,337,740	(209,337,740)	-	-	-	-
	209,337,740	(104,668,877)	-	-	-	104,668,863
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 (ECL) allowance - net of tax	-	-	-	-	(153,303,238)	(153,303,238)
Impact of IFRS - 9	-	-	-	(790,902,906)	480,234,425	(310,668,481)
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	19,305,372,836
Profit after taxation for the period ended 30 June 2023	-	-	-	-	1,490,603,616	1,490,603,616
Other comprehensive loss - net of tax						
Movement in deficit on revaluation of investments in debt instruments - net of tax	-	-	-	(53,551,718)	-	(53,551,718)
Movement in deficit on revaluation of investments in equity instruments - net of tax	-	-	-	14,290,355	-	14,290,355
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	984,943	984,943
Total comprehensive loss - net of tax	-	-	-	(39,261,363)	984,943	(38,276,420)
Transfer to statutory reserve	-	-	298,120,723	-	(298,120,723)	-
Transaction with owners recognized directly in equity						
Advance against issue of shares	-	10,000,000	-	-	-	10,000,000
Balance as at 30 June 2023	9,905,975,280	15,212,360	2,285,895,398	(585,359,433)	9,145,976,427	20,767,700,032

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 39 form an integral part of these condensed interim financial statements.

MANAGING DIRECTOR	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

	Note	For the half year ended 30 June 2023	30 June 2022
		---Rupees---	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		2,334,135,675	995,116,081
Less:			
Dividend income		(14,208,096)	(16,508,329)
		2,319,927,579	978,607,752
Adjustments for:			
Depreciation	28	7,531,827	6,390,267
Depreciation on right-of-use assets	28	22,172,220	17,421,442
Amortization	28	799,869	122,006
Credit loss allowance and write offs	30	72,579,795	105,560,620
Gain on sale / disposal of property and equipment		-	563,485
Finance charges on leased assets	24	9,758,671	1,196,628
Provision for gratuity		9,942,546	9,234,036
Unrealized loss on revaluation of 'FVTPL' securities	26	3,840,311	39,202,200
Exchange gain		(881,913,990)	(376,910,950)
		(755,288,751)	(197,220,266)
		1,564,638,828	781,387,486
(Increase) / Decrease in operating assets			
Lendings to financial institutions		99,825,849	-
Advances		(2,006,307,719)	(1,140,154,500)
Others assets (excluding advance taxation)		(137,980,055)	(201,142,887)
		(2,044,461,925)	(1,341,297,387)
Increase / (Decrease) in operating liabilities			
Borrowings from financial institutions		(18,598,019,287)	17,913,773,967
Deposits		155,912,460	(4,750,000,000)
Others liabilities (excluding current taxation)		361,519,234	867,726,214
		(18,080,587,593)	14,031,500,181
Payments against off-balance sheet obligations			
Income tax paid		(656,388,546)	(206,843,402)
Contribution to plan assets		(768,400)	(7,004,251)
		(657,156,946)	(213,847,653)
Net cash flow from / (used in) operating activities		(19,217,567,636)	13,257,742,627
CASH FLOW FROM INVESTING ACTIVITIES			
Net Investments in securities classified as FVOCI		18,135,954,022	(17,493,590,635)
Dividend received		14,208,096	16,508,329
Realized gain on shares		-	(9,535,138)
Investments in property and equipment		(4,220,962)	867,286
Disposal of property and equipment		-	-
Net cash flow from / (used in) from investing activities		18,145,941,156	(17,485,750,158)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of lease obligations against right-of-use assets		(23,120,258)	(16,800,000)
Receipts / Payments of long term liabilities		221,208,334	1,846,000,000
Issue of share capital		-	-
Advance for issue of share		10,000,000	100,000,000
Net cash flow from financing activities		208,088,076	1,929,200,000
Effects of exchange rate changes on cash and cash equivalents		881,913,990	376,910,950
Increase/(Decrease) in cash and cash equivalents		18,375,586	(1,921,896,581)
Cash and cash equivalents at beginning of the year		220,240,475	6,154,451,490
Cash and cash equivalents at end of the year		238,616,061	4,232,554,909

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

MANAGING DIRECTOR	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 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

The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP through BPRD Circular Letter No. 02 dated February 09, 2023 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all the information and disclosures required for annual financial statements, and therefore should be read in conjunction with the annual audited financial statements for the year ended December 31, 2022.

2.1 STATEMENT OF COMPLIANCE

These condensed interim 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;
- Directives issued by the State Bank of Pakistan (SBP) & the Securities and Exchange Commission of Pakistan (SECP); and

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.

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 this standard have not been considered in the preparation of these condensed interim 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 condensed interim financial statements continue to be prepared on the going concern basis.

3 MATERIAL ACCOUNTING POLICIES

The material accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended December 31, 2022 except for early adoption of IFRS-9 w.e.f January 01, 2023.

3.1 Adoption of IFRS 9 and new forms of the preparation of condensed interim 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 condensed interim 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 interim 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 condensed interim financial statements.

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

3.1.1 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.

3.1.2 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.
The classification and subsequent measurement is dependent on the Company's business model.

3.1.3 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

3.1.4 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.

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

Porfolio / 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

3.1.5 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.

3.1.6 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.

3.1.7 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.

3.1.8 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. 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 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.

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.

3.1.9 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.

3.1.10 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.

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 assuming that these are fully secured against Government guarantee.

The calculation of ECLs

The Company calculates ECLs based on a four 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.

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

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.

3.1.11 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.

3.1.12 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.

3.1.13 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:-

3.1.13.1 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
ASSETS	Rupees			
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
Total Assets	**94,215,241,867**	**(297,421,669)**	**(1,196,133,699)**	**92,721,686,499**
LIABILITIES				
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
Total Liabilities	**74,599,200,551**	**(144,118,431)**	**(1,038,768,457)**	**73,416,313,663**
NET ASSETS	**19,616,041,316**	**(153,303,238)**	**(157,365,242)**	**19,305,372,835**
REPRESENTED BY				
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
	19,616,041,316	**(153,303,238)**	**(157,365,242)**	**19,305,372,835**

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

		Rupees
Unappropriated profit		
Retained earnings as of December 31, 2022		7,568,321,051
IFRS - 9 Impact		
Expected Credit loss (ECL) allowance		(228,810,803)
Reclassification of provision for impairment on AFS quoted securities		798,270,694
Reclassification of deficit on AFS quoted securities		102,102,299
Effective interest rate and modification loss		(234,873,496)
Transfer statutory reserve - net		(96,046,885)
Deferred tax on ECL	75,507,565	
Deferred tax on provision for Impairment adjustment	(99,783,837)	
Deferred tax on effective interest rate and modification loss	77,508,254	
Deferred tax on deficit on AFS quoted securities	(9,686,250)	
Related deferred tax impact		**43,545,732**
Adjusted Retained Earnings as of January 01, 2023		**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**

		Rupees
(Deficit) / Surplus on revaluation of assets		
As at December 31, 2022		244,804,835
IFRS 9 Impact		
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)
As at January 01, 2023		**(546,098,071)**
Deferred tax liabilities		
As at December 31, 2022		26,820,653
IFRS 9 Impact		
Expected Credit loss (ECL) allowance	(75,507,565)	
Effective interest rate and modification loss	(77,508,254)	
		(153,015,819)
As at January 01, 2023		**(126,195,166)**

3.1.13.2 Reclassification of investments due to adoption of IFRS-9

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

3.2 Standards, interpretations of and amendments to published approved accounting and reporting standards that are effective in the current period

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2023 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in these condensed interim financial statements.

3.3 Standards, interpretations of and amendments to published approved accounting and reporting standards that are not yet effective

There are various other standards, interpretations and amendments to accounting standards as applicable in Pakistan that are not yet effective in the current period. These are not likely to have material effect on the Company's financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements is the same as that applied in the preparation of the audited annual financial statements for the year ended December 31, 2022 except the effects of adoption of IFRS - 9.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual financial statements for the year ended December 31, 2022. These risk management policies continue to remain robust and the Company is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with the emerging risks.

		Note	(Unaudited) 30 June 2023	(Audited) 31 December 2022
6	**CASH AND BALANCES WITH TREASURY BANKS**		----------Rupees----------	
	In hand			
	Local currency		**50,000**	5,404
	With State Bank of Pakistan in			
	Local currency current account	6.1	**137,059,158**	86,954,943
	With National Bank of Pakistan in			
	Local currency current account		**10,054,596**	6,154,598
	Foreign currency current account		**317,836**	249,622
			147,481,590	93,364,567
	Less: Credit loss allowance held against cash and balances with treasury banks		**-**	-
	Cash and balances with treasury banks - net of credit loss allowance		**147,481,590**	93,364,567

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.

		(Unaudited) 30 June 2023	(Audited) 31 December 2022
7	**BALANCES WITH OTHER BANKS**	---------- Rupees ----------	
	In Pakistan		
	In current accounts	**450,781**	435,389
	In deposit accounts	**4,439,009,104**	3,312,953,859
		4,439,459,885	3,313,389,248
	Less: Credit loss allowance held against balances with other banks	**(181,569)**	-
	Balances with other banks - net of credit loss allowance	**4,439,278,316**	3,313,389,248
8	**LENDINGS TO FINANCIAL INSTITUTIONS**		
	Reverse repo agreements	**-**	99,825,849
		-	99,825,849
	Less: Credit loss allowance held against lending to financial institutions	**-**	-
	Lendings to financial institutions - net of credit loss allowance	**-**	99,825,849

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

9 Investments

9.1 Investments by type

	Note	(Unaudited) 30 June 2023				(Audited) 31 December 2022			
		Cost / Amortized cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
		Rupees				Rupees			
FVTPL									
Shares		**482,188,458**	**-**	**60,437,220**	**542,625,678**	-	-	-	-
		482,188,458	**-**	**60,437,220**	**542,625,678**	-	-	-	-
FVOCI									
Federal Government securities		44,273,794,917	-	(72,273,413)	44,201,521,504	-	-	-	-
Shares		1,573,163,239	(285,573,902)	(705,840,870)	581,748,467	-	-	-	-
Non Government debt securities	9.3	8,530,625,235	(512,799,287)	41,805,293	8,059,631,241	-	-	-	-
		54,377,583,391	(798,373,189)	(736,308,990)	52,842,901,212	-	-	-	-
Amortized cost									
Non Government debt securities		213,003,856	(460,153)	-	212,543,703	-	-	-	-
Total Investments		55,072,775,705	(798,833,342)	(675,871,770)	53,598,070,593	-	-	-	-
Held-for-trading securities									
Shares		-	-	-	-	249,107,207	-	(81,569,453)	167,537,754
Available-for-sale securities									
Federal Government Securities		-	-	-	-	63,587,717,693	-	(2,547,864)	63,585,169,829
Shares		-	-	-	-	1,600,497,074	(928,567,246)	202,721,519	874,651,347
Preference shares		-	-	-	-	315,000,000	-	77,490,000	392,490,000
Non Government Debt Securities		-	-	-	-	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
Held to maturity securities									
Non Government Debt Securities		-	-	-	-	-	-	-	-
Total Investments		55,072,775,705	(798,833,342)	(675,871,770)	53,598,070,593	74,449,803,811	(1,257,326,164)	248,101,881	73,440,579,528

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

	(Unaudited) 30 June 2023	(Audited) 31 December 2022
9.1.1 Investments given as collateral	Rupees	
Market Treasury Bills	25,988,181,618	54,890,201,468

9.2 Credit loss allowance / provision for diminution in value of investment

	Rupees	
Opening balance	1,257,326,164	1,041,141,932
Impact of reclassification due to adoption of IFRS-9	(798,270,694)	-
Impact of remeasurement due to adoption of IFRS-9	125,069,589	-
Charge / Reversal		
Charge for the period	219,027,673	227,218,617
Reversals for the period	(4,319,390)	(11,034,385)
	214,708,283	216,184,232
Closing Balance	798,833,342	1,257,326,164

9.3 Particulars of credit loss allowance against debt securities

		(Unaudited) 30 June 2023		(Audited) 31 December 2022	
		Outstanding amount	Credit loss allowance Held	Outstanding amount	Provision Held
Domestic		Rupees			
Performing	Stage 1	8,085,434,563	14,916,491	8,259,967,917	-
Underperforming	Stage 2	-	-	-	-
Non-performing	Stage 3	-	-	-	-
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		658,194,528	498,342,949	437,513,920	328,758,918
Total		8,743,629,091	513,259,440	8,697,481,837	328,758,918

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

10 ADVANCES

	Performing		Non performing		Total	
	(Unaudited) 30 June 2023	(Audited) 31 December 2022	(Unaudited) 30 June 2023	(Audited) 31 December 2022	(Unaudited) 30 June 2023	(Audited) 31 December 2022
	Rupees					
Loans, cash credits, running finances, etc.	**14,792,447,550**	13,719,836,397	**1,242,856,349**	1,266,189,682	**16,035,303,899**	14,986,026,079
Islamic Financing and related assets	**2,296,347,677**	2,257,060,085	**113,455,991**	262,946,667	**2,409,803,668**	2,520,006,752
Advances - gross	**17,088,795,228**	15,976,896,482	**1,356,312,340**	1,529,136,349	**18,445,107,568**	17,506,032,831
Credit loss allowance against advances						
- Stage 1	**78,538,486**	223,364,828	**-**	-	**78,538,486**	223,364,828
- Stage 2	**76,523,660**	-	**-**	-	**76,523,660**	-
- Stage 3	**-**	-	**1,185,736,056**	1,084,409,796	**1,185,736,056**	1,084,409,796
	155,062,147	223,364,828	**1,185,736,056**	1,084,409,796	**1,340,798,203**	1,307,774,624
Advances - net of credit loss allowance	**16,933,733,081**	15,753,531,654	**170,576,284**	444,726,553	**17,104,309,365**	16,198,258,207

10.1 Particulars of advances (Gross)

	(Unaudited) 30 June 2023	(Audited) 31 December 2022
	Rupees	
In local currency	**18,445,107,568**	17,506,032,831

10.2 Advances include Rs.1,356 million (2022: Rs.1,529 million) which have been placed under non-performing / Stage 3 status as detailed below:-

		(Unaudited) 30 June 2023		(Audited) 31 December 2022	
		Non Performing Loans	**Provision / Credit loss allowance**	Non Performing Loans	Provision / Credit loss allowance
Category of Classification		Rupees			
Domestic					
Other Assets Especially Mentioned (OAEM)	Stage 3	**113,455,991**	**85,356,960**	262,946,667	-
Substandard	Stage 3	**-**	**-**	-	-
Doubtful	Stage 3	**-**	**-**	-	-
Loss	Stage 3	**1,242,856,349**	**1,100,379,096**	1,266,189,682	1,084,409,796
		1,356,312,340	**1,185,736,056**	1,529,136,349	1,084,409,796

10.3 Particulars of credit loss allowance / provision against advances

	(Unaudited) 2023					(Audited) 2022	
	Stage 1	Stage 2	Stage 3	General Provision	Specific Provision	General Provision	Specific Provision
	Rupees						
Opening balance	194,410,089	25,010,538	1,088,353,996	1,084,409,796	223,364,828	208,365,648	846,230,182
Impact of IFRS - 9	(105,189,369)	126,096,930	151,377,030	(1,084,409,796)	(223,364,828)	-	-
Charge for the period / year	10,038,783	14,559,842	11,852,150	-	-	14,999,180	331,512,946
Reversals	(20,721,016)	(89,143,650)	(65,847,120)	-	-	-	(93,333,332)
	(10,682,234)	(74,583,808)	(53,994,970)	-	-	14,999,180	238,179,614
Closing balance	78,538,486	76,523,660	1,185,736,056	-	-	223,364,828	1,084,409,796

10.4 Advances - Particlurs of credit loss allowance / provision

	(Unaudited) 30 June 2023					(Audited) 31 December 2022	
	Stage 1	Stage 2	Stage 3	General Provision	Specific Provision	General Provision	Specific Provision
	Rupees						
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 IFRS - 9	(105,189,369)	126,096,930	151,377,030	(223,364,828)	(1,084,409,796)	-	-
New Advances	13,532,068	-	-	-	-	14,999,180	-
Advances derecognised or repaid	(1,826,829)	(10,079,225)	(23,333,333)	-	-	-	-
Transfer to stage 1	-	-	-	-	-	-	-
Transfer to stage 2	(7,159,484)	7,159,484	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-
	4,545,755	(2,919,741)	(23,333,333)	-	-	14,999,180	-
Amounts written off / charged off	-	-	-	-	-	-	-
Changes in risk parameters	(15,227,989)	(71,664,067)	(42,513,787)	-	-	-	-
Charge for the period	-	-	11,852,150	-	-	-	238,179,614
	(15,227,989)	(71,664,067)	(30,661,637)	-	-	-	238,179,614
Closing balance	78,538,486	76,523,660	1,185,736,056	-	-	223,364,828	1,084,409,796

10.4.1 Advances - Category of classification

		(Unaudited) 30 June 2023		(Audited) 31 December 2022	
		Outstanding amount	Credit loss allowance Held	Outstanding amount	Provision Held
		Rupees			
Domestic					
Performing	Stage 1	14,275,672,419	78,538,486	13,109,527,277	194,410,090
Underperforming	Stage 2	2,813,122,809	76,523,660	2,867,369,205	25,010,538
Non-Performing	Stage 3				
Other Assets Especially Mentioned (OAEM)		113,455,991	85,356,960	262,946,667	-
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		1,242,856,349	1,100,379,096	1,266,189,682	1,088,353,996
		18,445,107,568	1,340,798,203	17,506,032,831	1,307,774,624

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

The net availed FSV benefit reduced during the period by Rs. 199.4 million (2022: reduced by Rs. 132.2 million), which has resulted in increased charge for the period by the same amount. Had the availed FSV benefit not reduced, before and after tax profit would have been higher by Rs. 199.4 million (2022: higher by Rs. 132.2 million) and Rs. 133.6 million (2022: higher by Rs. 88.6 million), respectively. Accumulated availed FSV benefit as of June 30, 2023 was Rs. 181.7 million (June 30, 2022: Rs. 381.1 million). Unappropriated profit to that extent is not available for distribution by way of cash or stock dividend.

		Note	(Unaudited) 30 June 2023	(Audited) 31 December 2022
			---Rupees---	
11	**PROPERTY AND EQUIPMENT**			
	Capital work-in-progress	**11.1**	**1,437,775**	6,053,650
	Property and equipment		**168,758,368**	172,292,342
			170,196,143	178,345,992
11.1	**Capital work-in-progress**			
	Advances to suppliers		**1,437,775**	6,053,650

		(Unaudited) 30 June 2023	(Unaudited) 30 June 2022
11.2	**Additions to property and equipment**	---Rupees---	
	The following additions have been made to Property and Equipment during the period:		
	Capital work-in-progress	-	929,400
	Property and equipment		
	Furniture and fixture	**788,643**	367,498
	Electrical office and computer equipment	**3,209,194**	12,150,240
		3,997,837	12,517,738
		3,997,837	13,447,138

		(Unaudited) 30 June 2023	(Audited) 31 December 2022
12	**RIGHT-OF-USE ASSETS**	**Building**	Building
		---Rupees---	
	At 01 January		
	Cost	**288,804,003**	114,115,953
	Accumulated Depreciation	**(131,308,377)**	(94,834,855)
	Net Carrying amount at 31 January	**157,495,626**	19,281,098
	Additions during the period	**28,677,392**	174,688,050
	Deletions during the period	-	-
	Depreciation Charge for the period	**(22,172,220)**	(36,473,522)
	Net Carrying amount at 30 June / 31 December	**164,000,798**	157,495,626
13	**INTANGIBLE ASSETS**		
	Computer Software	**4,039,144**	-
13.1	**Additions to intangible assets**		
	The following additions have been made to intangible assets during the period:		
	Directly purchased	**4,839,000**	8,000

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

		Note	(Unaudited) 30 June 2023	(Audited) 31 December 2022
			------- Rupees -------	
14	**DEFERRED TAX LIABILITIES**			
	Deductible Temporary Differences on			
	- Post retirement employee benefits		6,199,925	3,172,456
	- Provision for diminution in the value of FVOCI / AFS		94,239,388	251,272,142
	- Liabilities against assets subject to lease		49,422,851	44,368,636
	- Credit loss allowance / provision against advances, off balance sheet etc.		543,379,448	363,304,524
	- Revaluation of investments - FVOCI / AFS		150,949,558	(84,866,498)
	- Effective interest rate and modification loss		78,188,368	-
	- Capital Losses		7,008,957	50,065
			929,388,495	577,301,325
	Taxable Temporary Differences - FVOCI			
	- Accelerated tax depreciation		(47,270,797)	(45,926,006)
	- Revaluation of investments - FVPL / HFT		(6,008,733)	10,196,182
	- Unrealized exchange gain		(859,423,771)	(568,392,154)
			(912,703,301)	(604,121,978)
			16,685,194	(26,820,653)
15	**OTHER ASSETS**			
	Income / Mark-up accrued in local currency		671,990,707	442,586,871
	Income / Mark-up accrued in foreign currency		11,614,788	160,608,703
	Advances, deposits, advance rent and other prepayments		88,602,127	12,442,563
	Receivable against fee, commission and advisory services		34,883,052	48,199,149
	Advance taxation		114,365,043	64,667,672
	Receivable from provident fund		-	5,345,606
	Others		194,716	132,287
			921,660,277	733,982,851
	Less: Credit loss allowance held against other ass		-	-
	Other assets - total		921,660,277	733,982,851
16	**BORROWINGS**			
	Secured			
	Borrowings from State Bank of Pakistan			
	Renewable Energy Power Projects (REPP)		29,998,275	42,947,931
	Long Term Finance Facility (LTFF)		1,598,589,950	2,153,087,527
	Temporary Economic Relief Facility (TERF)		933,408,710	1,294,924,187
			2,561,996,935	3,490,959,645
	Repurchase agreement borrowings		6,558,858,300	342,849,573
	Borrowing from banks			
	Against book debts/receivables		9,373,020,833	8,274,229,167
	Against government securities		19,229,858,247	54,229,359,000
			28,602,879,080	62,503,588,167
	Total secured		37,723,734,315	66,337,397,385
	Unsecured			
	Borrowing from Financial institutions			
	Bai Muajjal		15,081,038,379	5,840,432,961
	Clean borrowings		127,000,000	-
	Total unsecured		15,208,038,379	5,840,432,961
			52,931,772,694	72,177,830,346
17	**DEPOSITS AND OTHER ACCOUNTS**			
	Customers			
	- Term deposits	17.1	1,659,332,773	1,503,420,313

17.1 All the deposits are in local currency.

	Note	(Unaudited) 30 June 2023	(Audited) 31 December 2022
		---------- Rupees ----------	
14 DEFERRED TAX ASSETS / (LIABILITIES)			
Deductible Temporary Differences on			
- Post retirement employee benefits		6,199,925	3,172,456
- Provision for diminution in the value of FVOCI / AFS		94,239,388	251,272,142
- Liabilities against assets subject to lease		49,422,851	44,368,636
- Credit loss allowance / provision against advances, off balance sheet etc.		543,379,448	363,304,524
- Revaluation of investments - FVOCI / AFS		150,949,558	(84,866,498)
- Effective interest rate and modification loss		78,188,368	-
- Capital Losses		7,008,957	50,065
		929,388,495	577,301,325
Taxable Temporary Differences - FVOCI			
- Accelerated tax depreciation		(47,270,797)	(45,926,006)
- Revaluation of investments - FVPL / HFT		(6,008,733)	10,196,182
- Unrealized exchange gain		(859,423,771)	(568,392,154)
		(912,703,301)	(604,121,978)
		16,685,194	(26,820,653)
15 OTHER ASSETS			
Income / Mark-up accrued in local currency		671,990,707	442,586,871
Income / Mark-up accrued in foreign currency		11,614,788	160,608,703
Advances, deposits, advance rent and other prepayments		88,602,127	12,442,563
Receivable against fee, commission and advisory services		34,883,052	48,199,149
Advance taxation		114,365,043	64,667,672
Receivable from provident fund		-	5,345,606
Others		194,716	132,287
		921,660,277	733,982,851
Less: Credit loss allowance held against other assets		-	-
Other assets - total		921,660,277	733,982,851
16 BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan			
Renewable Energy Power Projects (REPP)		29,998,275	42,947,931
Long Term Finance Facility (LTFF)		1,598,589,950	2,153,087,527
Temporary Economic Relief Facility (TERF)		933,408,710	1,294,924,187
		2,561,996,935	3,490,959,645
Repurchase agreement borrowings		6,558,858,300	342,849,573
Borrowing from banks			
Against book debts/receivables		9,373,020,833	8,274,229,167
Against government securities		19,229,858,247	54,229,359,000
		28,602,879,080	62,503,588,167
Total secured		37,723,734,315	66,337,397,385
Unsecured			
Borrowing from Financial institutions			
Bai Muajjal		15,081,038,379	5,840,432,961
Clean borrowings		127,000,000	-
Total unsecured		15,208,038,379	5,840,432,961
		52,931,772,694	72,177,830,346
17 DEPOSITS AND OTHER ACCOUNTS			
Customers			
- Term deposits	17.1	1,659,332,773	1,503,420,313

17.1 All the deposits are in local currency.

	Note	(Unaudited) 30 June 2023	(Audited) 31 December 2022
		----------Rupees----------	

21 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS

	Note	(Unaudited) 30 June 2023	(Audited) 31 December 2022
(Deficit) / surplus on revaluation of			
- Securities measured at FVOCI / AFS - Debt	9.1	(30,468,120)	49,459,815
- Securities measured at FVOCI / AFS - Shares	9.1	(705,840,870)	280,211,518
		(736,308,990)	329,671,333
Deferred tax on (Deficit) / surplus on revaluation of:			
- Securities measured at FVOCI / AFS - Debt		10,054,480	(16,321,737)
- Securities measured at FVOCI / AFS - Shares		140,895,077	(68,544,760)
		150,949,557	(84,866,497)
		(585,359,433)	244,804,836

22 CONTINGENCIES AND COMMITMENTS

	Note	(Unaudited) 30 June 2023	(Audited) 31 December 2022
Guarantees	22.1	4,169,112,353	3,572,561,685
Commitments	22.2	27,619,366,441	8,402,083,225
Other contingent liability	22.3	168,100,000	168,100,000
		31,956,578,794	12,142,744,910

22.1 Guarantees

Financial guarantees		4,169,112,353	3,572,561,685

22.2 Commitments

	Note	(Unaudited) 30 June 2023	(Audited) 31 December 2022
Documentary credits and short term trade related transactions			
Letters of credit		-	253,997,522
Commitments in respect of:			
- Forward government securities transactions	22.2.1	25,988,181,618	6,277,033,116
- Forward lending	22.2.2	1,629,941,698	1,869,586,337
Commitment for acquisition of property and equipment		1,243,125	1,466,250
		27,619,366,441	8,402,083,225

22.2.1 Commitments in respect of forward government securities transactions

Purchase		25,988,181,618	6,177,119,768
Sale		-	99,913,348
		25,988,181,618	6,277,033,116

22.2.2 Commitments in respect of forward lending

These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

22.3 Other contingent liability

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 favorable outcome is highly expected. Accordingly, no provision has been made in these condensed interim financial statements.

PAK CHINA INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIOD ENDED 30 JUNE 2023

		Note	(Unaudited) For the half year ended 30 June 2023	30 June 2022
			---------------- Rupees	----------------
23	**MARK-UP / RETURN / INTEREST EARNED**			
	On loans and advances		**1,550,645,215**	856,161,365
	On investments		**3,915,908,791**	1,299,488,603
	On lending's to financial institutions		**58,260,583**	152,778,814
	On deposits with banks		**193,986,314**	137,829,281
			5,718,800,903	2,446,258,063
23.1	**Interest income (calculated using effective interest rate method) recognised on:**			
	Financial assets measured at amortised cost;		**1,802,892,112**	1,146,769,460
	Financial assets measured at fair value through OCI.		**3,915,908,791**	1,299,488,603
			5,718,800,903	2,446,258,063
24	**MARK-UP / RETURN / INTEREST EXPENSED**			
	On deposits		**71,661,457**	158,315,416
	On borrowings		**3,795,555,021**	1,305,335,214
	On lease liability		**9,758,671**	1,196,628
			3,876,975,149	1,464,847,258
24.1	Interest expense calculated using effective interest rate method		**3,876,975,149**	1,464,847,258
25	**FEE AND COMMISSION INCOME**			
	Credit related fee		**4,621,615**	21,273,679
	Investment banking fees		**1,391,304**	26,724,952
	Commission on trade		**398,171**	1,226,171
	Commission on guarantees		**16,941,748**	9,872,108
			23,352,838	59,096,910
26	**GAIN / (LOSS) ON SECURITIES**			
	Realized - net	26.1	**3,661,479**	-
	Unrealised - Measured at FVPL	9.1	**(3,840,311)**	(39,202,200)
			(178,832)	(39,202,200)
26.1	**Realized (loss) / gain on:**			
	Federal Government Securities		**(566,925)**	-
	Shares		**4,228,404**	-
			3,661,479	-
27	**OTHER INCOME**			
	Rent on property		**7,569,047**	7,008,372
	Gain on sale of property and equipment - net		-	-
			7,569,047	7,008,372

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		Note	(Unaudited) For the half year ended 30 June 2023	30 June 2022
			---- Rupees ----	
28	**OPERATING EXPENSES**			
	Total Compensation expenses		266,184,806	229,161,346
	Property expense			
	Rent and taxes		829,961	820,789
	Insurance		34,578	36,960
	Utilities cost		3,883,157	3,106,556
	Security		3,165,402	2,720,136
	Repair and maintenance		3,384,471	1,900,795
	Depreciation		22,907,244	18,188,467
			34,204,813	26,773,703
	Information technology expenses			
	Software maintenance		1,091,756	1,048,578
	Hardware maintenance		135,530	347,640
	Depreciation		2,248,374	1,535,832
	Amortization		799,869	122,006
	Network charges		523,410	394,155
			4,798,939	3,448,211
	Other operating expenses			
	Directors' fees and allowances		-	-
	Legal and professional charges		2,065,973	3,173,724
	Outsourced services costs		3,607,600	3,439,919
	Travelling and conveyance		21,305,948	14,177,481
	Insurance		2,428,262	2,171,632
	Repair and maintenance		1,263,955	1,241,462
	Depreciation		4,548,429	4,087,410
	Training and development		5,719,600	187,655
	Communication		2,417,267	1,868,681
	Stationery and printing		2,331,211	1,645,006
	Marketing, advertisement and publicity		2,352,493	1,775,566
	Auditors remuneration		2,059,430	1,755,850
	Bank charges		171,442	205,454
	Entertainment		3,447,890	2,733,743
	Loss on sale of fixed assets		-	563,485
	Miscellaneous		2,817,365	2,646,137
			56,536,865	41,673,205
			361,725,423	301,056,465
29	**OTHER CHARGES**			
	Penalties imposed by Securities and exchange commission of Pakistan		250,000	-
30	**CREDIT LOSS ALLOWANCE & WRITE OFFS - NET**			
	Impairment loss on investments	9.2	155,277,350	-
	Credit loss allowance for diminution in value of investments - net	9.2	59,430,933	-
	Credit loss allowance against loans & advances - net	10.3	(139,261,012)	105,560,620
	Other credit loss allowance	7 & 19.1	(2,867,476)	-
			72,579,795	105,560,620
31	**TAXATION**			
	Current		606,691,175	268,738,488
	Prior period		-	46,827,470
	Deferred		236,840,884	66,409,944
			843,532,059	381,975,902
32	**BASIC EARNINGS PER SHARE**			
	Profit for the period - Rupees		1,490,603,616	613,140,179
	Weighted average number of ordinary shares - Numbers		990,597,528	969,663,754
	Basic earnings per share - Rupees		1.50	0.63

33 DILUTED EARNINGS/ (LOSS) PER SHARE

Diluted earning per share has not been separately presented as the Company does not have convertible instruments in issue.

34 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.

34.1 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).

34.2 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:

		(Unaudited) 30 June 2023			
	Carrying value	Level 1	Level 2	Level 3	Total
		Rupees			
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	44,201,521,504	-	44,201,521,504	-	44,201,521,504
Shares	461,172,020	461,172,020	-	-	461,172,020
Preference Shares	378,000,000	378,000,000	-	-	378,000,000
Non-Government Debt Securities	5,373,527,045	-	5,127,306,488	-	5,127,306,488
	50,414,220,569	839,172,020	49,328,827,992	-	50,168,000,012
Financial assets - disclosed but not measured at fair value					
Shares	285,202,125	-	-	-	-
Commercial Paper	212,543,703	-	-	-	-
Non-Government Debt Securities	2,686,104,196	-	-	-	-
	3,183,850,024	-	-	-	-
	53,598,070,593	839,172,020	49,328,827,992	-	50,168,000,012

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

Off-balance sheet financial instruments - measured at fair value					
Forward government securities transactions - purchase	**25,988,181,618**	**-**	**25,988,181,618**	**-**	**25,988,181,618**
Forward government securities transactions - sale	**1,629,941,698**	**-**	**-**	**1,629,941,698**	**1,629,941,698**

	(Audited) 31 December 2022				
	Carrying value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments			----------Rupees----------		
Financial assets - measured at fair value					
Investments					
Federal Government Securities	63,585,169,830	-	63,585,169,830	-	63,585,169,830
Shares	543,280,432	543,280,432	-	-	543,280,432
Preference Shares	392,490,000	392,490,000	-	-	392,490,000
Non-Government Debt Securities	3,790,810,598	-	3,790,810,598		3,790,810,598
	68,311,750,860	935,770,432	67,375,980,428	-	68,311,750,860
Financial assets - disclosed but not measured at fair value					
Shares	498,908,667	-	-	-	498,908,667
Non-Government Debt Securities	4,629,920,000	-	-	-	4,629,920,000
	5,128,828,667	-	-	-	5,128,828,667
	73,440,579,527	935,770,432	67,375,980,428	-	73,440,579,527
Off-balance sheet financial instruments - measured at fair value					
Forward government securities transactions - purchase	-	-	6,277,033,116	-	6,277,033,116
Forward government securities transactions - sale	-	-	-	1,869,586,337	1,869,586,337

34.3 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	PKRV rates (Reuters page)
Listed Securities	Market Prices
Non-Government Debt Securities	MUFAP

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

35 SEGMENT INFORMATION

Segment Details with respect to Business Activities

	(Unaudited) 30 June 2023				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
Profit & Loss	----------Rupees----------				
Net mark-up / return / profit	1,373,855,246	44,380,816	223,392,004	200,197,688	1,841,825,754
Inter segment revenue - net	(1,290,800,246)	(85,456,000)	(96,991,000)	1,473,247,246	-
Non mark-up income	21,369,892	16,579,135	(566,925)	889,483,037	926,865,139
Total Income	104,424,892	(24,496,049)	125,834,079	2,562,927,971	2,768,690,893
Segment direct expenses	(38,687,000)	(20,361,753)	(16,899,296)	(286,027,375)	(361,975,424)
Provisions / Impairment	(47,917,287)	(24,662,507)	-	-	(72,579,794)
Profit before tax	17,820,605	(69,520,309)	108,934,783	2,276,900,596	2,334,135,675

	(Unaudited) 30 June 2023				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
Balance Sheet	----------Rupees----------				
Cash & Bank balances	-	-	-	4,586,759,906	4,586,759,906
Investments	8,142,706,597	1,253,842,492	44,201,521,504	-	53,598,070,593
Advances					
Performing	16,669,132,916	300,000,000	-	124,152,078	17,093,284,994
Credit loss allowance	(155,039,906)	(4,500,000)	-	(12,007)	(159,551,913)
	16,514,093,010	295,500,000	-	124,140,071	16,933,733,081
Non-performing	1,355,648,776	-	-	663,564	1,356,312,340
Credit loss allowance	(1,185,072,492)	-	-	(663,564)	(1,185,736,056)
	170,576,284	-	-	-	170,576,284
Others	648,543,712	37,109,893	16,036,342	574,891,609	1,276,581,556
Total Assets	25,475,919,603	1,586,452,385	44,217,557,846	5,285,791,586	76,565,721,421
Borrowings	11,719,799,262	250,205,000	40,961,768,432	-	52,931,772,694
Deposits	-	-	1,659,332,773	-	1,659,332,773
Others	205,127,064	12,812,668	735,285,360	253,690,830	1,206,915,922
Total liabilities	11,924,926,326	263,017,668	43,356,386,565	253,690,830	55,798,021,389
Equity	-	-	-	20,767,700,032	20,767,700,032
Total Equity & liabilities	11,924,926,326	263,017,668	43,356,386,565	21,021,390,862	76,565,721,421
Contingencies & Commitments	5,799,054,051	-	25,988,181,618	169,343,125	31,956,578,794

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

	(Unaudited) 30 June 2022				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
Profit & Loss	----------Rupees----------				
Net mark-up / return / profit	840,331,133	4,329,032	81,164,024	55,586,616	981,410,805
Inter segment revenue - net	(317,171,000)	(7,627,000)	(25,938,000)	350,736,000	-
Non mark-up income	25,296,958	5,094	-	395,020,309	420,322,361
Total Income	548,457,091	(3,292,874)	55,226,024	801,342,925	1,401,733,166
Segment direct expenses	(29,486,540)	(35,260,424)	(13,897,730)	(222,411,771)	(301,056,465)
Provisions	(102,560,620)	(3,000,000)	-	-	(105,560,620)
Profit before tax	416,409,931	(41,553,299)	41,328,295	578,931,154	995,116,081

	(Audited) 31 December 2022				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
Balance Sheet	----------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
Total Assets	24,612,810,447	2,325,138,462	63,685,083,177	3,592,209,782	94,215,241,868
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
Total liabilities	11,340,315,458	363,771,211	62,552,953,588	342,160,294	74,599,200,551
Equity	-	-	-	19,616,041,317	19,616,041,317
Total Equity & liabilities	11,340,315,458	363,771,211	62,552,953,588	19,958,201,611	94,215,241,868
Contingencies & Commitments	5,696,145,544	-	6,277,033,116	169,566,250	12,142,744,910

36 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 condensed interim financial statements are as follows:

	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Directors	**Key management personnel**	**Other related parties**	Directors	Key management personnel	Other related parties
			----------Rupees----------			
Lendings to financial institutions						
Opening balance	-	-	-	-	-	-
Addition during the period	-	-	8,697,158,115	-	-	83,266,548,545
Repaid during the period	-	-	(8,697,158,115)	-	-	(83,266,548,545)
Closing balance	-	-	-	-	-	-
Investments						
Opening balance	-	-	822,705,212	-	-	822,705,212
Investment made during the period	-	-	-	-	-	-
Investment redeemed / disposed off during the pe	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-
Revaluation impact	-	-	(240,956,745)	-	-	-
Closing balance	-	-	581,748,467	-	-	822,705,212
Advances						
Opening balance	-	76,461,653	394,736,843	-	79,400,676	500,000,000
Addition during the period / year	-	17,635,833	-	-	4,627,620	-
Transferred to other assets	-	(22,489,933)	-	-	-	-
Repaid during the period / year	-	(6,490,296)	(52,631,579)		(7,566,643)	(105,263,157)
Closing balance	-	65,117,257	342,105,264	-	76,461,653	394,736,843
Credit loss allowance held against advances	-	6,390	1,292,941	-	-	-

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
			----Rupees----			
Other Assets						
Deferred Employees Benefits						
Opening balance	-	-	-	-	-	-
Transferred from advances	-	22,489,933	-	-	-	-
Addition during the period / year	-	21,414,875	-	-	-	-
Repaid during the period / year	-	(1,921,829)	-	-	-	-
Amortized during the period / year	-	(1,331,665)	-	-	-	-
Closing balance	-	40,651,314	-	-	-	-
Interest / mark-up accrued	-	-	5,380,707	-	-	5,080,209
Receivable from staff retirement fund	-	-	-	-	-	5,345,606
Other receivable	-	3,959	2,366,908	-	483,554	2,366,908
	-	3,959	7,747,615	-	483,554	12,792,723
Borrowings						
Opening balance	-	-	-	-	-	-
Borrowings during the period	-	-	6,623,803,655	-	-	9,648,205,968
Settled during the period	-	-	(6,496,803,655)	-	-	(9,648,205,968)
Closing balance	-	-	127,000,000	-	-	-
Deposits						
Opening balance	-	-	203,420,313	-	-	-
Received during the period / year	-	-	535,542,375	-	-	399,229,975
Withdrawn during the period / year	-	-	(510,087,168)	-	-	(195,809,975)
Closing balance	-	-	228,875,520	-	-	203,420,000
Other Liabilities						
Interest / mark-up payable	-	-	5,668,184	-	-	2,937,046
Payable to staff retirement fund	-	-	21,413,193	-	-	9,613,504
Other liabilities	-	6,801,485	138,578,275	2,550,537	11,515,936	98,805,108
	-	6,801,485	165,659,652	2,550,537	11,515,936	111,355,658

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

	30 June 2023 (Unaudited)			30 June 2022 (Unaudited)		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
			---------------Rupees---------------			
Income						
Mark-up / return / interest earned	-	2,875,760	48,663,801	-	1,509,971	66,653,615
Fee and commission income	-	-	-	-	-	200,000
Dividend Received	-	-	-	-	-	11,250,000
Expense			-			
Mark-up / return / interest paid	184,736	184,736	8,650,250	398,876	-	397,698
Operating expenses						
Charge for defined benefit plan	385,902	4,178,322	5,378,322	91,632	3,196,200	5,946,204
Charge for contribution plan	1,134,120	2,452,704	3,286,022	842,918	2,327,571	3,085,427
Salaries	18,712,980	40,469,582	-	14,260,179	40,818,933	-
Bonus expense	6,485,147	22,711,816	-	4,779,687	21,060,738	-
Overseas allowances	5,844,358	-	-	3,727,484	-	-
Leave fair assistance & encashment	-	4,703,137	-	-	3,852,586	-
Tax borne by employer	17,883,085	7,185,807	-	10,728,894	5,214,449	-
Others	7,858,652	19,736,595	1,871,663	7,433,109	14,788,200	1,819,197
Depreciation expense on lease hold building	1,378,607	1,378,607	13,900,579	2,511,892	-	9,885,766
CDC Charges paid	-	-	-	-	-	473,075

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. 10.6 million (2022: Rs. 6.6 million), Rs. 1,050 million (2022: Rs. 1,200 million), Rs. 514.6 million (2022: Rs. 567.1 million) and Rs. nil (2022: Rs. 99.8 million) respectively, and income earned on deposits, advances, investment and lendings and interest expense on borrowings amounted to Rs. nil (2022: Rs. 77.4 million) Rs. 118 million (2022: Rs. 93.1 million), Rs. 52.4 million (2022: Rs. 45.8 million), Rs. 2.8 million (2022: Rs. 20 million) and Rs. 18.7 million (2022: Rs. 5.2 million) respectively.

		(Unaudited)	(Audited)
37	**CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**	**30 June 2023**	31 December 2022
		------------- Rupees -------------	
37.1	**Minimum Capital Requirement (MCR):**		
	Paid-up capital (net of losses)	**9,905,975,280**	9,905,975,280
37.2	**Capital Adequacy Ratio (CAR):**		
	Eligible Common Equity Tier 1 (CET 1) Capital	**16,721,607,839**	15,867,454,650
	Eligible Tier 2 Capital	**-**	-
	Total Eligible Capital (Tier 1 + Tier 2)	**16,721,607,839**	15,867,454,650
	Risk Weighted Assets (RWAs):		
	Credit Risk	**21,897,568,839**	16,786,952,392
	Market Risk	**7,929,479,197**	7,547,481,608
	Operational Risk	**4,267,725,030**	4,278,071,776
	Total	**34,094,773,066**	28,612,505,776
	Common Equity Tier 1 Capital Adequacy ratio	**49.04%**	55.46%
	Tier 1 Capital Adequacy Ratio	**49.04%**	55.46%
	Total Capital Adequacy Ratio	**49.04%**	55.46%
37.3	**Other information:**		
	Minimum capital requirements prescribed by the SBP		
	CET1 minimum ratio (%)	**6.00%**	6.00%
	Tier 1 minimum ratio (%)	**7.50%**	7.50%
	Total capital minimum ratio (%)	**10.00%**	10.00%
	Capital Conservation Buffer (CCB)	**1.50%**	1.50%
	Total capital plus CCB minimum ratio (%)	**11.50%**	11.50%
37.4	**Leverage Ratio (LR):**		
	Eligible Tier-1 Capital	**16,721,607,839**	15,867,454,650
	Total Exposures	**94,925,962,767**	100,205,083,006
	Leverage Ratio	**17.62%**	15.83%
	Minimum Requirement	**3.00%**	3.00%
37.5	**Liquidity Coverage Ratio (LCR):**		
	Total High Quality Liquid Assets	**14,906,386,893**	16,313,020,791
	Total Net Cash Outflow	**807,222,860**	3,064,041,335
	Liquidity Coverage Ratio	**1846.63%**	532.40%
37.6	**Net Stable Funding Ratio (NSFR):**		
	Total Available Stable Funding	**29,638,599,088**	31,417,151,478
	Total Required Stable Funding	**20,715,651,117**	26,682,858,025
	Net Stable Funding Ratio	**143.07%**	117.74%
	Minimum Requirement	**100.00%**	100.00%

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-june-23.pdf

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2023

38 GENERAL

38.1 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.

38.2 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.

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

38.4 The JCR-VIS has issued a long term credit rating of AAA, and the short term rating of A1+, for the Company as of June 26, 2023.

39 DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors meeting held on 24 JUL 2025

MANAGING DIRECTOR	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR