

PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016	2015
		Rupees	
ASSETS			
Cash and balances with treasury banks	5	2,080,940,035	116,864,752
Balances with other banks	6	3,086,523,031	2,033,472,081
Lendings to financial institutions	7	2,647,918,347	-
Investments	8	7,734,253,189	12,091,247,041
Advances	9	6,039,819,501	5,707,733,436
Operating fixed assets	10	177,302,573	183,466,497
Deferred tax assets	11	131,269,202	5,605,027
Other assets	12	620,213,706	411,026,743
		<u>22,518,239,584</u>	<u>20,549,415,577</u>
LIABILITIES			
Bills payable		-	-
Borrowings	13	8,196,454,866	6,903,225,721
Deposits and other accounts		-	-
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	14	195,701,401	84,984,474
		<u>8,392,156,267</u>	<u>6,988,210,195</u>
NET ASSETS		<u><u>14,126,083,317</u></u>	<u><u>13,561,205,382</u></u>
REPRESENTED BY			
Share capital	15	9,116,400,000	9,116,400,000
Reserve	16	977,364,488	854,266,780
Unappropriated profit		3,907,167,079	3,414,776,247
		<u>14,000,931,567</u>	<u>13,385,443,027</u>
Surplus on revaluation of assets	17	125,151,750	175,762,355
		<u><u>14,126,083,317</u></u>	<u><u>13,561,205,382</u></u>
CONTINGENCIES AND COMMITMENTS	18		

The annexed notes from 1 to 38 form an integral part of these financial statements.


CHAIRMAN


MANAGING DIRECTOR


DIRECTOR

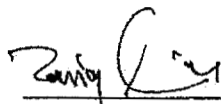

DIRECTOR

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PAK CHINA INVESTMENT COMPANY LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		Rupees	
Mark-up / return / interest earned	19	990,161,388	1,550,371,207
Mark-up / return / interest expensed	20	(293,493,410)	(406,220,476)
Net mark-up / interest income		696,667,978	1,144,150,731
Provision against non-performing loans and advances	9.4.1	(140,292,676)	48,809,814
Provision for diminution in the value of available-for-sale	8.2.8	71,805,000	72,980,757
Bad debts written off directly		-	-
		(68,487,676)	121,790,571
Net mark-up / interest income after provisions		765,155,654	1,022,360,160
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		65,700,276	29,787,079
Dividend income		1,000,000	-
Exchange gain		2,736,306	78,183,020
Income from dealing in foreign currency		-	-
Gain on sale of available-for-sale securities		356,628,069	120,848,509
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading		-	-
Other income	21	9,446,952	8,818,007
Total non mark-up / interest income		435,511,603	237,636,615
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	22	321,626,030	302,938,804
Impairment loss on available-for-sale investments	8.2.3	1,392,956	6,110,686
Non-markup expenses		19,177,411	-
Other provisions / write offs		-	-
Other charges	23	-	72,000
Total non mark-up / interest expenses		342,196,397	309,121,490
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		858,470,860	950,875,285
Taxation - Current		285,199,975	294,674,656
- Prior years		35,391,315	26,857,606
- Deferred		(77,249,821)	8,519,614
	24	243,341,469	330,051,876
PROFIT AFTER TAXATION		615,129,391	620,823,409
Unappropriated profit brought forward		3,414,776,247	2,915,980,853
Profit available for appropriation		4,029,905,638	3,536,804,262
Basic and diluted earnings per share	25	0.67	0.68

The annexed notes from 1 to 38 form an integral part of these financial statements.


 CHAIRMAN


 MANAGING DIRECTOR


 DIRECTOR


 DIRECTOR

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PAK CHINA INVESTMENT COMPANY LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 Rupees	2015
Profit after taxation for the year		615,129,391	620,823,409
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Re-measurement gains on defined benefit plan	28.8	359,149	2,670,834
Comprehensive income transferred to equity		<u>615,488,540</u>	<u>623,494,243</u>
Components of comprehensive income not reflected in equity			
Net change in fair value of available-for-sale securities - net of tax		(50,610,605)	(10,150,636)
Total comprehensive income for the year		<u>564,877,935</u>	<u>613,343,607</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.

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 CHAIRMAN


 MANAGING DIRECTOR

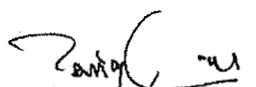

 DIRECTOR


 DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		858,470,860	950,875,285
Less: Dividend income		(1,000,000)	-
		<u>857,470,860</u>	<u>950,875,285</u>
Adjustments for:			
Depreciation		16,041,098	17,922,599
Amortization		181,164	83,606
Provision for gratuity		8,564,844	9,991,240
Provision against non-performing loans and advances		(140,292,676)	48,809,814
Provision for diminution in the value of available-for-sale investments		71,805,000	72,980,757
Impairment loss on available-for-sale investments		1,392,956	6,110,686
Exchange gain		(2,736,306)	(78,183,020)
Gain on sale of fixed assets		(45,772)	284,449
		<u>812,381,168</u>	<u>1,028,875,416</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(2,647,918,347)	-
Advances		(191,793,389)	200,361,141
Others assets		(208,007,700)	167,455,459
		<u>(3,047,719,436)</u>	<u>367,816,600</u>
Increase / (decrease) in operating liabilities			
Borrowings		1,293,229,145	161,536,714
Deposits and other accounts		-	(250,000,000)
Other liabilities		54,622,480	(12,213,179)
		<u>1,347,851,625</u>	<u>(100,676,465)</u>
Contribution to plan assets		(3,826,882)	(11,254,147)
Income tax paid		(303,698,967)	(310,275,333)
		<u>(307,525,849)</u>	<u>(321,529,480)</u>
Net cash (used in) / generated from operating activities		<u>(1,195,012,492)</u>	<u>974,486,071</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments realized / (made) during the year - net		4,218,414,985	(834,116,307)
Capital expenditure		(10,058,338)	(2,411,846)
Dividend income received		1,000,000	-
Sale proceeds of fixed assets		45,772	78,099
Net cash generated from / (used in) investing activities		<u>4,209,402,419</u>	<u>(836,450,054)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Advance received against issue of shares		-	-
Effects of exchange rate changes on cash and cash equivalents		2,736,306	78,183,020
Increase in cash and cash equivalents		<u>3,017,126,233</u>	<u>216,219,037</u>
Cash and cash equivalents at beginning of the year	26	<u>2,150,336,833</u>	<u>1,934,117,796</u>
Cash and cash equivalents at end of the year	26	<u>5,167,463,066</u>	<u>2,150,336,833</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.


CHAIRMAN


MANAGING DIRECTOR


DIRECTOR


DIRECTOR

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PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Statutory reserve	Unappropriated profit	Total
	(Rupees)			
Balance at 01 January 2015	9,116,400,000	729,567,931	2,915,980,853	12,761,948,784
Profit for the year	-	-	620,823,409	620,823,409
Re-measurement gains on defined benefit plan	-	-	2,670,834	2,670,834
Total comprehensive income transferred to equity	-	-	623,494,243	623,494,243
Transfer to statutory reserve	-	124,698,849	(124,698,849)	-
Balance at 31 December 2015	9,116,400,000	854,266,780	3,414,776,247	13,385,443,027
Profit for the year	-	-	615,129,391	615,129,391
Re-measurement gains on defined benefit plan	-	-	359,149	359,149
Total Comprehensive income transferred to equity	-	-	615,488,540	615,488,540
Transfer to statutory reserve	-	123,097,708	(123,097,708)	-
Balance at 31 December 2016	9,116,400,000	977,364,488	3,907,167,079	14,000,931,567

The annexed notes from 1 to 38 form an integral part of these financial statements.


CHAIRMAN


MANAGING DIRECTOR


DIRECTOR


DIRECTOR

WANGDA

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1 STATUS AND NATURE OF BUSINESS

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

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

2 BASIS OF PRESENTATION AND MEASUREMENT

2.1 Basis of presentation

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

2.2 Basis of measurement

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

3 STATEMENT OF COMPLIANCE

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

3.2 The SBP, vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies/DFIs till further instructions. Further, according to the notification of the SECP, dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks/DFIs. Accordingly, the requirements of these IFRS and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2017:

- Amendments to IAS 12 Income Taxes are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 7 Statement of Cash Flows are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have a significant impact on Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 Investment Property - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.

- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

• Amendments to IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments are not likely to have an impact on Company's financial statements.

• Amendments to IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2018) clarify that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not

• IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

4.2 Functional and presentation currencies

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

4.3 Cash and cash equivalents

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

4.4 Lendings to / borrowings from financial institutions

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

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Sale under repurchase agreement

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

Purchase under resale agreement

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

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

Other borrowings

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

Other lendings

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

4.5 Investments

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

Held-To-Maturity

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

Available-For-Sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Initial measurement

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

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

Subsequent measurement

Held-To-Maturity

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

Available-For-Sale

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

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

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

4.6 Advances

Advances are stated net of specific and general provisions which are charged to the profit and loss accounts. Specific and general provision against advances are determined on the basis of the Prudential Regulations and other directives issued by the SBP.

Advances are written off when there is no realistic prospect of recovery. The amount so written off is a book entry and does not necessarily prejudice the Company's right of recovery against the customer.

The Company determines write-offs in accordance with the criteria prescribed by the SBP vide BPRD Circular No.06 dated June 05, 2007.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

4.7 Operating fixed assets

Property and equipment

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

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

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

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

Capital work-in-progress

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

Intangible assets

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

4.8 Impairment

Impairment of available for sale equities investments

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

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Impairment in non-financial assets (excluding deferred tax)

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

4.9 Taxation

Current

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

Deferred

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

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

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

4.10 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events which makes it probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

4.11 Revenue recognition

Advances and investments

Mark-up / return / interest income from loans, term finance certificates, bank deposits, government securities and reverse-repo transactions, is recognized under the Effective Interest Rate method, except where recovery is considered doubtful, in which case the income is recognized on a receipts basis.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

Dividend income

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

Fee, brokerage and commission income

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

Rental Income

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

4.12 Staff retirement benefits

Defined benefit plan

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

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

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

The gratuity obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. The most recent valuation in this regard was carried out as at 31 December 2016. The present value of the obligation is determined by discounting the estimated future cash outflows, using interest rates of high quality government securities that have terms to maturity approximating the terms of the related obligation.

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

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

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

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

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

LIQUIDATION

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Defined contribution plan

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

4.13 Foreign currency translation

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

4.14 Offsetting of financial assets and financial liabilities

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

4.15 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities, which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of its revision and future periods, if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in note 37.

4.16 Earnings per share

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

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4.17 Dividend and appropriations to reserves

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

4.18 Segment information

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

Business Segments

(a) Corporate Finance

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

(b) Trading and Sales

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

(c) Others

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

Geographical Segments

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

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5	CASH AND BALANCES WITH TREASURY BANKS	Note	2016	2015
			-----Rupees-----	
	In hand-local currency		50,000	5,831
	With State Bank of Pakistan-local currency, current accounts	5.1	80,174,943	113,441,404
	With National Bank of Pakistan-local currency, current account		715,092	3,417,517
	With National Bank of Pakistan-local currency, Deposit account	5.2	2,000,000,000	-
			<u>2,080,940,035</u>	<u>116,864,752</u>

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

5.2 This represents the term deposit receipts for a period of one month and carry interest rate ranging from 6.40% to 6.50% and have matured on January 23, and January 27, 2017. (2015 : nil)

6	BALANCES WITH OTHER BANKS	Note	2016	2015
			-----Rupees-----	
	In Pakistan			
	- local currency, current accounts		8,079	6,820,908
	- local currency, deposit accounts	6.1	2,017,888,472	45,829,372
	- foreign currency, deposit account	6.2	1,068,626,480	1,980,821,801
			<u>3,086,523,031</u>	<u>2,033,472,081</u>

6.1 These carry interest at rates ranging from 2.40% to 4.25% (2015: 4% to 6.5%) per annum. This also includes TDR amounting to Rs. 2 billion and carry interest rates ranging 6.45% to 6.50% and have matured on January 27, 2017 and February 20, 2017. (2015: nil)

6.2 This represents a foreign currency term deposit of USD 10,216,314 (2015: USD 18,937,111) with Bank of Punjab. It carries mark-up at a rate of 2.55% (2015: 3.15%) per annum, and will mature on June 27, 2017.

7	LENDINGS TO FINANCIAL INSTITUTIONS		2016	2015
			-----Rupees-----	
	In local currency			
	- Repurchase agreement lending's (Reverse Repo)	7.1 & 7.2	<u>2,647,918,347</u>	-

7.1 These carry mark-up at the rate of 5.60% to 5.80% (2015: nil) per annum and have matured on January 03, 2017 (2015 : nil).

7.2 Security held as collateral against lendings to financial institutions

	2016			2015		
	Held by the Company	Further given as collateral	Total	Held by the Company	Further given as collateral	Total
	-----Rupees-----					
Market Treasury Bills	<u>2,647,918,347</u>	-	<u>2,647,918,347</u>	-	-	-

7.2.1 As of 31 December, 2016, the market value of the above securities amounted to Rs. 2,649.288 million (2015 : Rs. nil).

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8 INVESTMENTS

8.1 Investments by type	Note	2016			2015		
		Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
		-----Rupees-----			-----Rupees-----		
Available-For-Sale							
Market treasury bills	8.2.1	4,469,297,000	-	4,469,297,000	1,454,233,590	4,744,840,410	6,199,074,000
Pakistan investment bonds	8.2.2	1,224,500,000	-	1,224,500,000	1,519,670,000	2,165,440,000	3,685,110,000
Ordinary shares of a listed company	8.2.3	90,744,062	-	90,744,062	92,137,018	-	92,137,018
Ordinary shares of a un listed company	8.2.4	250,000,000	-	250,000,000	-	-	-
Unlisted term finance certificates	8.2.5	935,653,513	-	935,653,513	876,764,364	-	876,764,364
Mutual fund units	8.2.6	100,000,000	-	100,000,000	1,000,106,914	-	1,000,106,914
Sukuks - unlisted	8.2.7	974,754,382	-	974,754,382	377,920,553	-	377,920,553
Total investments at cost		8,044,948,957	-	8,044,948,957	5,320,832,439	6,910,280,410	12,231,112,849
Less: provision for diminution in the value of investments	8.2.8	441,239,062	-	441,239,062	369,434,062	-	369,434,062
Total investments - net of provision		7,603,709,895	-	7,603,709,895	4,951,398,377	6,910,280,410	11,861,678,787
Surplus on revaluation of available-for-sale securities	17	130,543,294	-	130,543,294	162,447,139	67,121,115	229,568,254
Total investments at revalued amounts revaluation increase		7,734,253,189	-	7,734,253,189	5,113,845,516	6,977,401,525	12,091,247,041

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8.2 Investment by segments	Note	2016	2015
-----Rupees-----			
Federal Government Securities			
Market treasury bills	8.2.1	4,469,297,000	6,199,074,000
Pakistan investment bonds	8.2.2	1,224,500,000	3,685,110,000
		5,693,797,000	9,884,184,000
Fully paid-up ordinary shares of			
Listed company	8.2.3	90,744,062	92,137,018
Un-listed company	8.2.4	250,000,000	-
		340,744,062	92,137,018
Term Finance Certificates			
Unlisted	8.2.5	935,653,513	876,764,364
Other investments			
Mutual fund units	8.2.6	100,000,000	1,000,106,914
Sukuks - unlisted	8.2.7	974,754,382	377,920,553
Total investments - at cost		8,044,948,957	12,231,112,849
Less: provision for diminution in the value of investments	8.2.8	441,239,062	369,434,062
Investments - net of provisions		7,603,709,895	11,861,678,787
Surplus on revaluation of Available-for-sale securities	17	130,543,294	229,568,254
Total investments at revalued amounts		7,734,253,189	12,091,247,041

8.2.1 These carry interest at rates ranging between 5.86% to 5.95% (2015: 6.29% to 6.38%) per annum, with a redemption period of three months (2015: three to twelve months). These securities have an aggregate face value of Rs. 4,500 million (2015: Rs. 6,500 million).

8.2.2 These carry interest at coupon rates ranging between 11.25% to 11.50% (2015: 11.25% to 11.50%) per annum, with a redemption period of three to five years (2015: three to five years). The interest is receivable on a semi-annual basis. These securities have an aggregate face value of Rs. 1,200 million (2015: 3,700 million).

8.2.3 This represents an investment in 11,832,836 ordinary shares (of Rs. 10 each) of Agritech Limited, costing Rs. 364.149 million with a market value of Rs. 150.040 million (2015: Rs. 110.637 million) at the year end. During the year, the Company has recognized an impairment loss of Rs. 1.393 million (2015: Rs. 6.111 million) with cumulative impairment loss of Rs. 273.405 million (2015: Rs 272.012 million), in respect of this investment.

8.2.4 This represents 5,000,000 ordinary shares (unlisted) of Central Depository Company of Pakistan (CDC) held by the company (representing 5% shareholding in CDC) The face value of the share is Rs.10 / share and break-up value as per audited financial statements of CDC for the year ended 30 June 2016 was Rs. 43.60 per share. During the year, the Company purchased 3,250,000 ordinary shares from Citi Overseas Investment Corporation at Rs. 76.92 / share. The Company also received 1,750,000 of CDC during the year as bonus shares. The expected holding period is up to 4 years. Pursuant to the requirement of prudential regulations of State Bank of Pakistan, investment in unlisted shares is required to be remeasured at the respective break-up value. However, SBP vide its letter No. BPRD/BRD/PCICL/2016/26737 dated November 08, 2016 has allowed the Company to recognize impairment up to 20% of the required provision up to 31 December 2016 where as 40% of the provision is required to be recognized in each period ending 31 October 2017 and 31 March 2018. Further, the above letter also refrains the Company from declaring cash and stock dividends unless it has recognized full impairment against investment made in the shares of CDC. As at 31 December 2016 the required provision under the above referred exemption (after adjustment of break-up value as at 30 June 2016 for the impact of issue of bonus shares) amounts to Rs. 21.67 million, however management of the Company on a prudent basis has recognized provision of Rs. 71.81 million.

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		2016	2015
		-----Rupees-----	
8.2.8.1	Particulars of provision in respect of type and segment		
	Available-for-sale-securities		
	Unlisted term finance certificates	369,434,062	369,434,062
	Unlisted shares	71,805,000	-
		<u>441,239,062</u>	<u>369,434,062</u>

		2016		2015	
		-----Rupees-----			
8.3	Quality of 'available for sale' securities	Market Value	Credit Rating	Market Value	Credit Rating
	Market Treasury Bills	4,469,297,000	Not Available	6,195,275,000	Not Available
	Pakistan Investment Bonds	1,224,500,000	Not Available	3,849,676,800	Not Available
	Ordinary shares of a listed company				
	Agritech Limited	150,040,360	D	110,637,017	D
	Unlisted / Listed Term Finance Certificates				
	Bank Alfalah Limited	100,787,371	AA-	151,993,538	AA-
	Bank Al-Habib Limited - I	-	-	110,287,924	AA
	Bank Al-Habib Limited - II	177,049,533	AA	-	-
	Standard Chartered Bank Limited	200,800,000	AAA	200,308,600	AAA
	Fauji Akbar Portia Marine Terminals limited	91,514,351	Not Available	57,870,302	Not Available
	Funds				
	HBL Income Fund	-	-	206,313,596	A(f)
	ABL Income Fund	-	-	206,916,839	A(f)
	Alfalah GHP Sovereign Fund	-	-	101,449,168	AA-(f)
	HBL PICIC Income Fund	100,447,000	A(f)	-	-
	Sukuks - unlisted				
	Liberty Power Tech. Limited	324,754,382	A+	377,920,553	A+
	Neelum Jhelum Hydro Power Company Limited.	650,000,000	AAA	-	-
		<u>7,489,189,997</u>		<u>11,568,649,337</u>	

8.3.1 These are Government of Pakistan guaranteed securities.

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

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9	ADVANCES	Note	2016	2015
			-----Rupees-----	
	In Pakistan			
	Advances		6,448,339,327	6,327,760,063
	Staff loans	9.1	<u>35,866,924</u>	<u>25,972,799</u>
			<u>6,484,206,251</u>	<u>6,353,732,862</u>
	Net investment in finance lease	9.2	<u>61,320,000</u>	-
	Advances- gross		<u>6,545,526,251</u>	<u>6,353,732,862</u>
	Less: Provisions against non-performing loans and advances			
	Specific provision	9.4 & 9.4.1	<u>383,163,564</u>	<u>532,500,000</u>
	General provision	9.4.1	<u>122,543,186</u>	<u>113,499,426</u>
			<u>505,706,750</u>	<u>645,999,426</u>
	Advances - net of provision		<u>6,039,819,501</u>	<u>5,707,733,436</u>
9.1	Staff loans			
	Opening balance		25,972,799	32,323,256
	Amounts disbursed / adjusted during the year		11,610,314	5,920,000
	Amounts recovered during the year		<u>(1,716,188)</u>	<u>(12,270,457)</u>
			<u>35,866,925</u>	<u>25,972,799</u>

9.2 This represents Lease Finance Facility, extended to Securlog Pvt Limited for leasing of Prime Movers and Trailers. PCICL share in this investment is 70 % whereas Securlog Pvt. Limited has contributed 30%, which also represents its residual value. The Lease Finance Facility is for 5 years and priced at 3 months KIBOR plus 3.75% (2015: nil)

Net Investment in Finance Lease

2016

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

9.3	Particulars of advances - gross	Note	2016	2015
			-----Rupees-----	
	In local currency	9.3.1	<u>6,545,526,251</u>	<u>6,353,732,862</u>
9.3.1	Short-term (for upto one year)		400,000,000	-
9.3.1	Long-term (for over one year)		<u>6,145,526,251</u>	<u>6,353,732,862</u>
			<u>6,545,526,251</u>	<u>6,353,732,862</u>

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9.4 Advances include Rs.383.164 million (2015: Rs.652.789 million) which have been placed under non-performing status as detailed below:

Category of classification	2016			2015			2014		
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees								
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Loss	383,163,564	-	383,163,564	383,163,564	-	383,163,564	383,163,564	-	383,163,564
	<u>383,163,564</u>	<u>-</u>	<u>383,163,564</u>	<u>383,163,564</u>	<u>-</u>	<u>383,163,564</u>	<u>383,163,564</u>	<u>-</u>	<u>383,163,564</u>
	Rupees								
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	270,288,783	-	270,288,783	150,000,000	-	150,000,000	150,000,000	-	150,000,000
Loss	382,500,000	-	382,500,000	382,500,000	-	382,500,000	382,500,000	-	382,500,000
	<u>652,788,783</u>	<u>-</u>	<u>652,788,783</u>	<u>532,500,000</u>	<u>-</u>	<u>532,500,000</u>	<u>532,500,000</u>	<u>-</u>	<u>532,500,000</u>

9.4.1 Particulars of provision against non-performing advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
	Rupees					
Opening balance	532,500,000	113,499,426	645,999,426	482,004,185	115,185,427	597,189,612
Charge for the year	663,564	9,043,760	9,707,324	58,857,000	(1,686,001)	57,170,999
Reversed during the year	(150,000,000)	-	(150,000,000)	(8,361,185)	-	(8,361,185)
	<u>383,163,564</u>	<u>122,543,186</u>	<u>505,706,750</u>	<u>532,500,000</u>	<u>113,499,426</u>	<u>645,999,426</u>

9.4.1.1 General provision is maintained at the rate of 2% of the performing portfolio of advances.

9.4.2 Particulars of provision against non-performing advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
	Rupees					
In local currencies	383,163,564	122,543,186	505,706,750	532,500,000	113,499,426	645,999,426
In foreign currencies	-	-	-	-	-	-
	<u>383,163,564</u>	<u>122,543,186</u>	<u>505,706,750</u>	<u>532,500,000</u>	<u>113,499,426</u>	<u>645,999,426</u>

9.4.3 Particulars of write-offs

The Company has not written-off any loans and advances, or allowed any financial relief, during the year.

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	Note	2016	2015
		-----Rupees-----	
10 OPERATING FIXED ASSETS			
Capital work-in-progress	10.1	4,415,592	1,500,000
Property and equipment	10.2	172,245,933	181,620,123
Intangible assets	10.5	641,048	346,374
		<u>177,302,573</u>	<u>183,466,497</u>
10.1 Capital work-in-progress			
Advances to suppliers and contractors	10.1.1	<u>4,415,592</u>	<u>1,500,000</u>

10.1.1 This represents Rs. 3 million advance payment for development and installation of certain software, for use in the Company's Credit Administration, Corporate Finance and Risk Management Departments and Rs. 1 million for purchase of new vehicle.

10.2 PROPERTY AND EQUIPMENT

	COST		DEPRECIATION			NET BOOK VALUE		Rate of depreciation per annum %
	As at 01 January, 2016	Additions / (deletions)	As at 31 December, 2016	As at 01 January, 2016	Charge during the year (On deletions)	As at 31 December, 2016	As at 31 December, 2016	
	-----Rupees-----							
Freehold Land (refer note 10.2.1)	136,000,000	-	136,000,000	-	-	-	136,000,000	-
Building (refer note 10.2.1)	39,951,307	-	39,951,307	10,640,799	3,995,136	14,635,935	25,315,372	10%
Leasehold improvement	12,219,340	-	12,219,340	12,219,338	-	12,219,338	2	20%
Electrical fittings	5,519,035	-	5,519,035	5,519,034	-	5,519,034	1	20%
Furniture and fixtures	14,293,256	-	14,293,256	13,442,057	382,455	13,824,512	468,744	20%
Computers and office equipment	38,151,055	6,666,908	44,277,589	33,925,495	4,191,923	37,577,044	6,700,545	33%
Vehicles	40,431,609	(540,374)	40,431,609	29,198,756	(540,374)	36,670,340	3,761,269	20%
	<u>286,565,602</u>	<u>6,666,908</u>	<u>292,692,136</u>	<u>104,945,479</u>	<u>16,041,098</u>	<u>120,446,203</u>	<u>172,245,933</u>	
		<u>(540,374)</u>			<u>(540,374)</u>			

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	COST		DEPRECIATION			NET BOOK VALUE		Rate of depreciation per annum
	As at 01 January, 2015	Additions / (deletions)	As at 31 December, 2015	As at 01 January, 2015	Charge during the year (On deletions)	As at 31 December, 2015	As at 31 December, 2015	
	Rupees							%
Freehold land	136,000,000	-	136,000,000	-	-	-	136,000,000	-
Building	40,341,662	-	39,951,307	6,723,614	4,004,889	10,640,799	29,310,508	10%
		(390,355)			(87,704)			
Leasehold improvements	12,354,940	-	12,219,340	12,354,938	-	12,219,338	2	20%
		(135,600)			(135,600)			
Electrical fittings	5,866,435	-	5,519,035	5,866,434	-	5,519,034	1	20%
		(347,400)			(347,400)			
Furniture and fixtures	14,664,305	-	14,293,256	13,411,042	402,064	13,442,057	851,199	20%
		(371,049)			(371,049)			
Computers and office equipment	37,594,005	1,981,871	38,151,055	29,246,276	6,044,068	33,925,495	4,225,560	33%
		(1,424,821)			(1,364,849)			
Vehicles	40,431,609	-	40,431,609	21,727,178	7,471,578	29,198,756	11,232,853	20%
	287,252,956	1,981,871	286,565,602	89,329,482	17,922,599	104,945,479	181,620,123	
		(2,669,225)			(2,306,602)			

10.2.1 The Company's freehold land and building is situated in Karachi, Pakistan and the related rental income is included in note 21 of these financial statements.

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

	2016	2015
	Rupees	
Leasehold improvements	12,219,340	12,219,340
Electrical fittings	5,519,035	5,519,035
Furniture and fixtures	12,384,416	12,370,416
Computers and office equipment	31,477,463	16,319,551
Vehicles	3,073,716	3,073,716
	64,673,970	49,502,058

10.3 During the year, computers and office equipment having book values of Rs.5/- (2015: 7,617/-) were sold for Rs. 45,772/- (2015: Rs. 78,099/-) to the employees of the Company, in accordance with the Company's policy.

10.4 The Company has not disposed-off fixed assets whose original cost or book value exceeded Rs. 1 million or Rs. 250,000, which ever is less.

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10.5 Intangible assets

	COST		AMORTISATION		NET BOOK VALUE		Rate of amortization per annum %	
	As at 01 January, 2016	Additions / (deletions)	As at 31 December, 2016	As at 01 January, 2016	Charge during the year (On deletions)	As at 31 December, 2016		As at 31 December, 2016
2016	Rupees							
Computer software	5,104,454	475,838	5,580,292	4,758,080	181,164	4,939,244	641,048	33%

	COST		AMORTISATION		NET BOOK VALUE		Rate of amortization per annum %	
	As at 01 January, 2015	Additions / (deletions)	As at 31 December, 2015	As at 01 January, 2015	Charge during the year (On deletions)	As at 31 December, 2015		As at 31 December, 2015
2015	Rupees							
Computer software	4,674,479	429,975	5,104,454	4,674,474	83,606	4,758,080	346,374	33%

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11 DEFERRED TAX ASSETS/ (LIABILITIES)	01 January, 2016	Recognized in profit and loss account	Recognized in equity	31 December, 2016
	-----Rupees-----			
Difference between accounting book value and tax base of operating fixed assets	4,754,905	1,374,033	-	6,128,938
Unrealized exchange gain	(110,005,931)	52,801,826	-	(57,204,105)
Provision for staff retirement gratuity	1,148,065	1,313,644	-	2,461,709
Provision against non-performing advances	15,000,000	-	-	15,000,000
Provision for diminution in the value of available-for-sale investments	110,830,219	14,361,000	-	125,191,219
Impairment loss on available-for-sale investments	37,683,668	7,598,386	-	45,282,054
Surplus on revaluation of available-for-sale securities	(53,805,899)	-	48,414,355	(5,391,544)
Others	-	(199,069)	-	(199,069)
	<u>5,605,027</u>	<u>77,249,820</u>	<u>48,414,355</u>	<u>131,269,202</u>
	01 January, 2015	Recognized in profit and loss account	Recognized in equity	31 December, 2015
	-----Rupees-----			
Difference between accounting book value and tax base of operating fixed assets	3,034,446	1,720,459	-	4,754,905
Unrealized exchange gain	(100,904,322)	(9,101,609)	-	(110,005,931)
Provision for staff retirement gratuity	2,716,218	(1,568,153)	-	1,148,065
Provision against non-performing advances	17,500,000	(2,500,000)	-	15,000,000
Provision for diminution in the value of available-for-sale investments	103,758,657	7,071,562	-	110,830,219
Impairment loss on available-for-sale investments	41,825,539	(4,141,871)	-	37,683,668
Surplus on revaluation of available-for-sale securities	(25,312,528)	-	(28,493,371)	(53,805,899)
	<u>42,618,010</u>	<u>(8,519,612)</u>	<u>(28,493,371)</u>	<u>5,605,027</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 -----Rupees-----	2015
12 OTHER ASSETS			
Income / mark-up accrued in local currency		167,540,348	395,709,493
Income / mark-up accrued in foreign currency		302,777	1,559,897
Advances, deposits and prepayments		27,496,364	12,962,271
Earnst Money paid	12.1	424,782,598	-
Others		91,619	795,082
		<u>620,213,706</u>	<u>411,026,743</u>

12.1 During the year the Company as a part of consortium with Habib Bank Limited, China Financial Futures Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange submitted a bid to acquire 320,590,640 shares which constitute 40% equity stake in Pakistan Stock Exchange at Rs. 28 per share. The company is required to purchase 5% out of total equity stake of 40%. On 23rd December 2016 the bid of the consortium was approved by Pakistan Stock Exchange and the consortium is in the process of completing legal formalities to complete the transaction. The earnest money paid on the behalf of consortium Rs.392,723,534 has been reimbursed subsequently. The company's share in earnest money of Rs.56,103,362 will be adjusted against purchase price.

		2016 -----Rupees-----	2015
13 BORROWINGS			
In Pakistan		<u>8,196,454,866</u>	<u>6,903,225,721</u>
13.1 Particulars of borrowings with respect to currencies			
In local currency		<u>8,196,454,866</u>	<u>6,903,225,721</u>
13.2 Details of borrowings - secured / unsecured			
Secured			
Short-term			
Repurchase agreement borrowings		-	6,744,476,430
Long-term			
Borrowing from SBP under FFSAP	13.2.1	24,663,175	41,105,291
Borrowing from SBP under LTFF		-	117,644,000
Borrowing from SBP under PPRE	13.2.2	171,791,691	-
		<u>196,454,866</u>	<u>6,903,225,721</u>
Unsecured			
Short-term			
Call money borrowing from financial institutions		8,000,000,000	-
		<u>8,196,454,866</u>	<u>6,903,225,721</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
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13.2.1 This represents a Financing Facility for Storage of Agricultural Produce (FAPSAP) obtained on concessional rates, for the objectives of developing agricultural produce, marketing it and the enhancement of storage capacities for agriculture produce. The loan availed under the facility is repayable within a maximum period of seven years, including a maximum grace period of six months and mark-up payable at 2.5% (2015: 6.5%) per annum. The Company has utilized the funds under this facility, by disbursing advances to an entity undertaking the relevant project.

13.2.2 This represents a SBP Refinance Facility under Finance Scheme for Renewable Energy Power Projects (PPRE) for developing and encouraging the private sector participation in small renewable energy power projects. The loan availed under the said scheme shall be payable in a maximum of 10 years with an inclusive grace period of maximum of 2 years at a concessional SBP service rate of 3.00%.

14 OTHER LIABILITIES	Note	2016	2015
		-----Rupees-----	
Mark-up/ return/ interest payable in local currency		35,773,754	4,964,701
Mark up on advance to FAPMT	14.1	95,706,041	60,882,729
Accrued liabilities		10,990,192	7,387,686
Advance rent received		850,306	787,320
Advance income received		-	500,000
Provision for tax - (provision less payments)		21,066,003	4,173,681
Withholding tax / federal excise duty payable		6,871,058	139,832
Payable to provident fund		181,820	-
Payable to gratuity fund	28.3	8,205,695	3,826,882
Salary payable		15,479,435	2,082,125
Others		577,097	239,518
		<u>195,701,401</u>	<u>84,984,474</u>

14.1 This represents mark-up accrued on an advance to Fauji Akbar Portia Marine Terminals (FAPMT), for the period from 24 November, 2013 to 31 December, 2016. Under a restructuring agreement for this advance, between the Company and FAPMT, the Company is entitled to TFCs of the FAPMT, maturing in 2021, in respect of this mark-up. In accordance with directives of the State Bank of Pakistan, the Company intends to recognize this income in the profit and loss account, on its realization in cash.

15 SHARE CAPITAL

15.1 Authorised capital			2016	2015
	2016	2015	-----Rupees-----	
	Number of shares			
	1,214,000,000	1,214,000,000	12,140,000,000	12,140,000,000
			Ordinary shares of Rs. 10 each	
			<u>12,140,000,000</u>	<u>12,140,000,000</u>
15.2 Issued, subscribed and paid-up share capital				
	2016	2015		
	Number of shares			
	911,640,000	911,640,000	9,116,400,000	9,116,400,000
			Ordinary shares of Rs. 10 each, issued for cash	
			<u>9,116,400,000</u>	<u>9,116,400,000</u>

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NOTES TO THE FINANCIAL STATEMENTS
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15.3 The Ministry of Finance, Government of Pakistan, and the China Development Bank on behalf of the Government of Pakistan and the Government of China, respectively, each hold 455,820,000 (2015: 455,820,000) Ordinary shares of the Company, at the year end.

16 RESERVES	2016	2015
	-----Rupees-----	
Statutory reserve	<u>977,364,488</u>	<u>854,266,780</u>
At the beginning of the year	854,266,780	729,567,931
Add: transfer during the year	<u>123,097,708</u>	<u>124,698,849</u>
	<u>977,364,488</u>	<u>854,266,780</u>

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

17 SURPLUS /(DEFICIT) ON REVALUATION OF ASSETS	2016	2015
	-----Rupees-----	
Market treasury bills	(44,000)	(3,799,000)
Pakistan investment bonds	66,912,192	164,566,800
Shares of Agritech Limited, a listed company	59,296,298	18,499,999
	<u>126,164,490</u>	<u>179,267,799</u>
Term Finance Certificates		
Bank Al-Falah Limited.	1,047,271	2,353,538
Bank Al-Habib Limited - I	-	10,467,924
Bank Al-Habib Limited - II	2,084,533	-
Standard Chartered Bank Limited.	800,000	308,600
	<u>3,931,804</u>	<u>13,130,062</u>
Mutual Funds		
HBL Income Fund	-	6,313,596
ABL Income Fund	-	6,916,839
Alfalah GHP IGI Income Fund	-	3,801,762
Alfalah GHP Income Multiplier Fund	-	3,649,949
Askari High Yield Scheme Fund	-	8,583,133
Askari Sovereign Yield Enhancer Fund	-	2,469,104
Alfalah GIIP Sovereign Fund-Income Units	-	5,436,010
HBL PICIC Income Fund	447,000	-
	<u>447,000</u>	<u>37,170,393</u>
	<u>130,543,294</u>	<u>229,568,254</u>
Deferred tax	(5,391,544)	(53,805,899)
	<u>125,151,750</u>	<u>175,762,355</u>

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 NOTES TO THE FINANCIAL STATEMENTS
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	2016	2015
	-----Rupees-----	
18 CONTINGENCIES AND COMMITMENTS		
Transaction related contingent liabilities		
Letters of guarantees	<u>613,500,000</u>	<u>-</u>
Trade related contingent liabilities		
Letters of credit	<u>36,900,798</u>	<u>48,424,813</u>
Commitments to extend credits		

The Company makes commitments to extend credit in the normal course of its business, but these being revocable commitments, normally do not attract any significant penalty or expense if the facility is unilaterally withdrawn. As at the balance sheet date, however, the Company's outstanding irrevocable commitments amounts to Rs.1,235.852 million (2015: Rs.616.419 million).

Other Commitments

During the year the Company as part of consortium contract with the Divestment Committee established under Rule 23 of the Stock Exchanges (Corporation Demutualization and Integration) regulations 2012 to purchase 40% share holding of Pakistan Stock Exchange. Accordingly the Company is committed to purchase 5% of the equity to be purchased at a total price of Rs. 1,122,067,240 (2015: Nil).

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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		2016	2015
		-----Rupees-----	
19	MARK - UP / RETURN / INTEREST EARNED		
	On loans and advances	448,887,027	566,158,297
	On investments		
	- Available-for-sale	448,037,356	911,849,380
	On deposits with banks	46,145,429	72,363,530
	On securities purchased under resale agreements	47,091,576	-
		<u>990,161,388</u>	<u>1,550,371,207</u>
20	MARK - UP / RETURN / INTEREST EXPENSED		
	Deposits	-	13,938,357
	Borrowings	134,195,447	166,063,231
	Securities sold under repurchase agreements	159,297,963	226,218,888
		<u>293,493,410</u>	<u>406,220,476</u>
21	OTHER INCOME		
	Rent income	9,401,185	8,704,800
	Gain on sale of operating fixed assets	45,767	73,207
	Miscellaneous income	-	40,000
		<u>9,446,952</u>	<u>8,818,007</u>
22	ADMINISTRATIVE EXPENSES		
	Salaries, allowances and other benefits	199,419,301	184,198,724
	Directors' fee	2,617,170	1,236,222
	Gratuity	8,564,844	9,991,240
	Employer's contribution to the provident fund	6,344,140	5,911,870
	Traveling, conveyance, boarding and lodging	22,008,945	22,135,947
	Rent, rates and taxes	29,189,096	28,081,036
	Utilities	4,523,189	5,160,686
	Communication	3,281,746	3,453,211
	Office security charges	3,724,870	2,799,942
	Professional training and staff welfare	4,553,277	805,020
	Advertisements, periodicals and membership fees	1,390,823	1,839,917
	Printing and stationery	3,691,526	2,693,131
	Depreciation	16,041,098	17,922,599
	Amortization	181,164	83,606
	Auditors' remuneration	1,538,400	1,500,000
	Legal, consultancy and other professional services	2,524,842	3,052,092
	Repairs and maintenance	2,082,749	3,148,759
	Insurance	2,746,617	2,917,157
	Entertainment	2,149,390	1,828,572
	Bank charges	390,896	368,325
	Loss on sale of fixed assets	-	357,656
	Miscellaneous	4,661,947	3,453,092
		<u>321,626,030</u>	<u>302,938,804</u>

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	2016	2015
	-----Rupees-----	
22.1 Auditors' remuneration		
Audit fee	600,000	600,000
Half yearly review	200,000	200,000
Special certifications and sundry services	600,000	600,000
Out of pocket expenses	138,400	100,000
	<u>1,538,400</u>	<u>1,500,000</u>

23 OTHER CHARGES

Penalty imposed by the SBP	-	72,000
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This represents penalty imposed by Off-Site Supervision and Enforcement Department of State Bank of Pakistan.

	2016	2015
	-----Rupees-----	
24 TAXATION		
For the year		
Current	285,199,975	294,674,656
Deferred	(77,249,821)	8,519,614
For the prior year		
Current	35,391,315	26,857,606
	<u>243,341,469</u>	<u>330,051,876</u>

24.1

24.1 Relationship between tax expense and accounting profit

Profit before taxation	858,470,860	950,875,285
Tax at applicable rate of 31% (2015: 32%)	266,125,967	304,280,091
Tax effects of - income taxable at reduced rates	(59,391,596)	(12,183,400)
Other temporary differences	1,215,783	11,097,579
Prior year current tax charge	35,391,315	26,857,606
	<u>243,341,469</u>	<u>330,051,876</u>

24.2 Tax related contingencies

24.2.1 The income tax returns of the Company have been filed for and up to Tax Year 2016 and are deemed assessed under section 120 of the Income Tax Ordinance, 2001. However, the tax authorities are empowered to question or amend the assessment(s) within 5 years of the end of the financial year in which the return was filed.

24.2.2 The assessment for the Tax Year 2009 was amended by the Taxation Officer by disallowing 'provision against lending to financial institutions' resulting in tax demand of Rs. 11.83 million which was upheld up to the level of the Appellate Tribunal Inland Revenue [ATIR]. The Company has filed reference application to the Islamabad High Court against the decision of the ATIR which is pending decision.

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- 24.2.3 For the Tax Year 2013, a tax demand of Rs. 95.01 million was raised by the Taxation Officer by disallowing provision for bad debts, profit on debt, other provisions and charging Workers Welfare Fund. The Company's appeal was partly accepted by the CIR(A). The Company and the tax authorities have filed appeals to the ATIR on issued not decided in their favour. These are pending decision.
- 24.2.4 For the Tax Year 2015, demand of Rs. 2.47 million was raised by the Taxation Officer on account of default surcharge (additional tax) alleging short payment of advance tax. The Company's appeal on this matter is pending decision by the CIR(A) while the ATIR has granted stay against recovery proceedings.
- 24.2.5 For the Tax Year 2016, a tax demand of Rs. 82.54 million has been raised by the Taxation Officer mainly by disallowing provision against non-performing loans and contending short payment of super tax. The Company's appeal is pending decision by the CIR(A).
- 24.2.6 On the basis of opinion of its tax advisor and appellate history, the Company's management is confident of a favorable resolution of these matters and hence no provision has been made in these financial statements.

25	BASIC AND DILUTED EARNINGS PER SHARE	2016	2015
	Net profit for the year (Rupees)	<u>615,129,391</u>	<u>620,823,409</u>
	Weighted average number of ordinary shares (Number)	<u>911,640,000</u>	<u>911,640,000</u>
	Basic earnings per share (Rupees)	<u>0.67</u>	<u>0.68</u>

There were no convertible dilutive potential Ordinary shares outstanding as on 31 December, 2016 and 2015.

26	CASH AND CASH EQUIVALENTS	Note	2016 -----Rupees-----	2015
	Cash and balances with treasury banks	5	<u>2,080,940,035</u>	116,864,752
	Balances with other banks	6	<u>3,086,523,031</u>	<u>2,033,472,081</u>
			<u>5,167,463,066</u>	<u>2,150,336,833</u>

27	STAFF STRENGTH	Number of employees	Number of employees
	Permanent	<u>41</u>	<u>34</u>
	Temporary / on contractual basis	<u>-</u>	<u>3</u>
	The Company's own staff strength at the end of the year	<u>41</u>	<u>37</u>
	Outsourced	<u>10</u>	<u>10</u>
	Total Staff strength	<u>51</u>	<u>47</u>
	Average number of employees during the year	<u>49</u>	<u>47</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016

28 DEFINED BENEFIT PLAN

28.1 General description

The Company operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with an actuarial valuation. The latest actuarial valuation was carried out as at 31 December 2016.

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

28.2 Principal actuarial assumptions	2016	2015
Discount rate used for Profit and Loss	9.50%	10.00%
Discount rate used for year end obligation	9.50%	10.00%
Salary increase rate - long term	9.50%	10.00%
Salary increase rate - short term next one year	6.50%	7.00%
Average remaining working lives of employees	5.27%	5.65 years
Normal retirement age	60 years	60 years

28.3 Reconciliation of amount payable to defined benefit plan	Note	2016	2015
		-----Rupees-----	
Present value of defined benefit obligation	28.5	35,722,682	27,133,286
Fair value of plan assets	28.6	(27,516,987)	(23,306,404)
		<u>8,205,695</u>	<u>3,826,882</u>

28.4 Movement in payable to defined benefit plan		2016	2015
Opening balance		3,826,882	7,760,623
Charge for the year		8,564,844	9,991,240
Remeasurements gains chargeable to the other comprehensive income		(359,149)	(2,670,834)
Benefits paid on behalf of trust		(1,876,500)	-
Company's contributions for the year		(1,950,382)	(11,254,147)
		<u>8,205,695</u>	<u>3,826,882</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
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28.5 The movement in the present value of the defined benefit obligation over the year is as follows:

	2016	2015
	-----Rupees-----	
Opening balance	27,133,286	30,071,994
Current service cost	8,357,246	9,851,031
Interest cost	2,619,504	2,650,238
Benefits paid	(1,876,500)	(11,254,147)
Remeasurement gain	(510,853)	(4,185,830)
Closing balance	<u>35,722,682</u>	<u>27,133,286</u>

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

Opening balance	23,306,403	22,311,370
Interest income on plan assets	2,411,906	2,510,029
Contributions	1,950,382	11,254,147
Benefits paid on behalf of trust	1,876,500	(11,254,147)
Benefits paid	(1,876,500)	-
Return on plan assets excluding interest income	(151,704)	(1,514,996)
Closing balance	<u>27,516,987</u>	<u>23,306,403</u>
Actual return on plan assets	<u>2,260,202</u>	<u>995,033</u>

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

Current service cost	8,357,246	9,851,031
Interest cost	2,619,504	2,650,238
Interest income on plan assets	(2,411,906)	(2,510,029)
	<u>8,564,843</u>	<u>9,991,240</u>

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

	2016	2015
	-----Rupees-----	
Remeasurement gain/ (loss):		
Actuarial gain - experience adjustment	510,853	4,185,830
Return on plan assets, excluding interest income	(151,704)	(1,514,996)
	<u>359,149</u>	<u>2,670,834</u>

28.9 Plan assets comprise of the following:

	2016	2015		
	-----%-----			
National Savings Certificates	90.50	99.71	19,370,518	19,370,518
Bank balances	9.50	0.29	2,033,973	55,694
	<u>100</u>	<u>100.00</u>	<u>21,404,491</u>	<u>19,426,212</u>

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	2016	2015
28.10 Experience adjustment	-----Rupees-----	
Defined benefit obligation	35,722,682	27,133,286
Fair value of plan assets	(27,516,987)	(23,306,403)
Net defined benefit liability	<u>8,205,695</u>	<u>3,826,883</u>
Remeasurement gain on obligations	(510,853)	(4,185,830)
Remeasurement loss on plan assets	151,704	1,514,996
Other comprehensive income	<u>(359,149)</u>	<u>(2,670,834)</u>
	2016	2015
28.11 Year end sensitivity analysis (+/- 100 bps) on the defined benefit obligation	-----Rupees-----	
Current liability	35,722,683	27,133,286
Discount rate +100 bps	<u>(31,863,994)</u>	<u>(24,281,410)</u>
Discount rate -100 bps	<u>40,273,144</u>	<u>30,504,650</u>
Average salary increase +100 bps	<u>40,431,867</u>	<u>30,649,467</u>
Average salary increase -100 bps	<u>31,669,581</u>	<u>24,117,294</u>

28.12 Risk associated with defined benefit plan

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

Investment risk

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

Mortality risks

The risk that actual mortality experience is different to that assumed in calculation of liability. The effect will depend upon the beneficiaries' servage/ age distribution and benefit.

Salary increase risk

The risk arises when the actual increases are higher than expectation, which impacts the related liability

Withdrawal risk

The risk of higher or lower withdrawal, as compared to that assumed in calculation of liability.

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Particulars	2016	2015
	-----Rupees-----	
	Undiscounted Payments (Amounts in PKR)	
Year 1	1,860,871	1,723,114
Year 2	1,677,190	1,584,907
Year 3	1,548,144	1,463,441
Year 4	3,272,715	1,342,470
Year 5	1,346,368	2,968,055
Year 6 to Year 10	7,449,658	6,551,293
Year 11 and above	124,929,744	101,894,697

28.14 Historical information of the defined benefit plan

	2016	2015	2014	2013	2012
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligations	35,722,682	27,133,286	30,071,994	24,751,685	14,106,470
Fair value of plan assets	(27,516,987)	(23,306,403)	(22,311,371)	(11,987,167)	(7,320,547)
Deficit/ (surplus)	<u>8,205,695</u>	<u>3,826,883</u>	<u>7,760,623</u>	<u>12,764,518</u>	<u>6,785,923</u>
Experience adjustments					
- on obligations	510,853	4,185,830	1,711,129	(3,531,433)	(1,311,501)
- on plan assets	(151,704)	(1,514,996)	656,280	53,390	16,877

28.15 Based on actuarial advice, the management estimates that the gratuity charge for the next year would be Rs. 9.679 million.

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29 DEFINED CONTRIBUTION PLAN

The Company also operates a recognized contributory provident fund scheme for all its regular employees, where contributions are made by the Company and employees at 10% per annum (2015: 10% per annum) of the employees' basic salary. During the year the company contributed Rs. 6.344 million (2015: Rs. 5.912 million) in respect of this fund.

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

	2016	2015
	-----Rupees-----	
Contribution from the Company	6,344,140	5,911,870
Contribution from the employees	6,344,140	5,911,870
	<u>12,688,280</u>	<u>11,823,740</u>

29.1 Provident fund trust

Size of the trust (Rupees)	<u>59,727,460</u>	<u>45,291,249</u>
Cost of investments made (Rupees)	<u>57,495,772</u>	<u>44,666,992</u>
Percentage of investment made (%)	<u>96.26%</u>	<u>98.62%</u>
Fair value of investment made (Rupees)	<u>57,253,952</u>	<u>44,626,992</u>

	2016	2015	2016	2015
	-----%-----		-----Rupees-----	
Break-up of investments				
With a scheduled bank	9.73	6.50	5,810,829	2,943,001
In savings accounts	86.13	92.04	51,443,123	41,683,991
	<u>95.86</u>	<u>98.53</u>	<u>57,253,952</u>	<u>44,626,992</u>

29.1.1 Investments out of the provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for that purpose.

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PAK CHINA INVESTMENT COMPANY LIMITED
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30 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
	-----Rupees-----					
Fee	-	-	2,617,170	1,236,222	-	-
Managerial remuneration	38,677,687	30,406,679	21,528,917	21,521,867	126,131,642	113,756,403
Charge for defined benefit plan	1,395,417	2,280,522	1,410,049	1,462,902	5,631,544	6,051,730
Contribution to defined contribution plan	980,120	918,319	1,161,600	1,161,600	4,158,389	3,814,331
Rent and house maintenance	1,594,527	2,099,333	-	-	-	-
Utilities	251,926	396,526	750,624	562,862	-	-
Medical	597,995	1,175,004	474,771	766,743	4,713,996	4,973,662
Travelling and conveyance	2,480,797	3,975,095	2,773,971	686,362	-	-
Boarding and lodging	442,900	655,797	599,332	302,630	-	-
Daily allowance	885,870	2,041,680	784,200	572,340	-	-
Others	704,103	1,030,276	3,733,305	766,128	-	-
	<u>48,011,342</u>	<u>44,979,231</u>	<u>35,833,939</u>	<u>29,039,656</u>	<u>140,635,571</u>	<u>128,596,126</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>39</u>	<u>32</u>

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

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

30.3 In Article of Association "The remuneration to be paid to any Director for attending the meetings of the Directors or a committee of Directors shall not exceed the limit approved by the Board of Directors".

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PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

On balance sheet financial instruments

	Note	BOOK VALUE					FAIR VALUE						
		Available for sale	Held to maturity	Held for trading	Loans and receivables	Other financial assets	other financial liabilities	Total	Level 1	Level 2	Level 3	Securities not at fair value	Total
		2016					2016						
Rupees					Rupees								
Financial assets measured at fair value													
- Investments													
Government Securities (T bills and PIBs)	5,693,797,000	-	-	-	-	-	5,693,797,000	-	5,760,665,192	-	-	5,760,665,192	
Ordinary shares of listed companies	90,744,062	-	-	-	-	-	90,744,062	150,040,360	-	-	-	150,040,360	
Ordinary shares of unlisted companies	178,195,000	-	-	-	-	-	178,195,000	-	-	178,195,000	-	178,195,000	
Debt securities (listed TFCs)	1,540,973,833	-	-	-	-	-	1,540,973,833	478,636,904	-	-	1,066,268,733	1,544,905,637	
Investment in mutual fund	100,000,000	-	-	-	-	-	100,000,000	100,447,000	-	-	-	100,447,000	
Financial assets not measured at fair value													
- Cash and bank balances with treasury banks	31.1	-	-	-	-	2,080,940,035	-	-	-	-	-	-	
- Balances with other banks	31.1	-	-	-	-	3,086,523,031	-	-	-	-	-	-	
- Lending to financial institutions	31.1	-	-	-	-	2,647,918,347	-	-	-	-	-	-	
- Advances	31.1	-	-	-	6,039,819,501	-	-	-	-	-	-	-	
- Other assets	31.1	-	-	-	506,389,987	90,894,555	-	-	-	-	-	-	
- Equity security securities unlisted		-	-	-	-	-	-	-	-	-	-	-	
- Subsidiaries													
Unlisted shares		-	-	-	-	-	-	-	-	-	-	-	
Financial liabilities not measured at fair value													
- Deposits	31.2	-	-	-	-	-	-	-	-	-	-	-	
- Borrowings	31.2	8,196,454,866	-	-	-	-	-	-	-	-	-	-	
- Other Liabilities	31.2	-	-	-	-	-	195,701,401	-	-	-	-	-	

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PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016

On balance sheet financial instruments (continued)

	BOOK VALUE						FAIR VALUE					
	Available for sale	Held to maturity	Held for trading	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Securities not at fair value	Total
	2015						2015					
Rupees						Rupees						
Financial assets measured at fair value												
- Investments												
Government Securities (T bills and PIBs)	9,884,184,000	-	-	-	-	-	9,884,184,000	-	10,044,951,800	-	-	10,044,951,800
Ordinary shares of listed companies	92,137,018	-	-	-	-	-	92,137,018	110,637,017	-	-	-	110,637,017
Ordinary shares of unlisted companies	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities (listed TFCs)	885,250,855	-	-	-	-	-	885,250,855	662,350,062	-	-	236,030,855	898,380,917
Investment in mutual fund	1,000,106,914	-	-	-	-	-	1,000,106,914	1,037,277,307	-	-	-	1,037,277,307
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks	-	-	-	116,864,752	-	-	116,864,752	-	-	-	-	-
- Balances with other banks	-	-	-	2,033,472,081	-	-	2,033,472,081	-	-	-	-	-
- Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
- Advances	-	-	-	5,707,733,436	-	-	5,707,733,436	-	-	-	-	-
- Other assets	-	-	-	401,188,184	2,732,709	-	403,920,893	-	-	-	-	-
- Equity security securities unlisted	-	-	-	-	-	-	-	-	-	-	-	-
- Subsidiaries												
Unlisted shares	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value												
- Deposits	-	-	-	-	-	-	-	-	-	-	-	-
- Borrowings	6,903,225,721	-	-	-	-	-	6,903,225,721	-	-	-	-	-
- Other Liabilities	-	-	-	-	-	24,101,745	24,101,745	-	-	-	-	-

On Balance sheet financial instruments

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

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

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

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

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

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

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PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016

32 SEGMENT DETAILS WITH RESPECT TO BUSINESS
 ACTIVITIES

	2016			
	Corporate Finance	Trading and Sales	Others	Total
	----- (Rupees) -----			
Total income	620,274,674	795,951,365	9,446,952	1,425,672,991
Total expenses	42,507,849	(288,083,950)	(321,626,030)	(567,202,131)
Profit / (loss) before taxation	662,782,523	507,867,415	(312,179,078)	858,470,860
Segment assets - gross	9,401,482,168	13,730,955,694	332,747,534	23,465,185,396
Segment non-performing assets	383,163,564	-	-	383,163,564
Segment provision including general provision	(946,945,812)	-	-	(946,945,812)
Segment liabilities	(284,463,447)	(8,034,323,288)	(73,369,532)	(8,392,156,267)
Segment return on net assets	8.11%	8.92%	-120.36%	6.08%
Segment cost of funds	4.63%	5.94%	-	5.29%

	2015			
	Corporate Finance	Trading and Sales	Others	Total
	----- (Rupees) -----			
Total income	712,147,116	1,067,042,699	8,818,007	1,788,007,822
Total expenses	(142,865,322)	(391,256,411)	(303,010,804)	(837,132,537)
Profit / (loss) before taxation	569,281,794	675,786,288	(294,192,797)	950,875,285
Segment assets - gross	7,918,073,219	13,445,680,875	201,094,971	21,564,849,065
Segment non-performing assets	1,022,222,845	-	-	1,022,222,845
Segment provision including general provision	(1,015,433,488)	-	-	(1,015,433,488)
Segment liabilities	(223,707,874)	(6,745,865,277)	(18,637,044)	(6,988,210,195)
Segment return on net assets	8.52%	10.09%	-161.24%	7.01%
Segment cost of funds	7.45%	7.14%	-	7.29%

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PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016

33. RELATED PARTY TRANSACTIONS

The Company has related party relationships with entities in which its shareholders have any interest, key management personnel, directors and employees' funds. The Government of Pakistan (Ministry of Finance) is a related party of the Company; therefore all government authorities, agencies, affiliates and other organizations ("state-controlled entities") are related parties of the Company. Transactions with these state-controlled entities are not very significant and impracticable to quantify, for disclosure in these condensed interim financial statements. Other entity which for its business acquisition or provision of services relies / depends to a greater extent on the bank / 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 balances outstanding at period end and transactions with related parties are as follows:

	December 31, 2016						December 31, 2015					
	Key Management Personnel	Directors	Companies with having equity 50% and above	Associated companies	Employees benefit plans	Employees Provident Trust	Key Management Personnel	Directors	Companies with having equity 50% and above	Associated companies	Employees benefit plans	Employees Provident Trust
	(Rupees)						(Rupees)					
Balances outstanding as at												
- Advances	-	-	264,631,510	15,601,718	-	-	-	-	300,000,000	-	-	-
- Investments	-	-	-	250,000,000	-	-	-	-	-	-	-	-
- Receivables/markup	-	-	2,996,309	-	-	-	-	567,545	5,661,123	-	-	-
- Payables/markup	-	-	164,400	-	8,205,695	-	-	-	-	2,285,602	3,826,882	-
Transactions during the year ended												
- Net mark-up / interest earned	-	-	-	6,588,864	-	-	-	-	-	-	-	-
- Net mark-up / interest received	-	-	26,572,056	6,588,864	-	-	-	-	14,747,638	-	-	-
- Dividend received	-	-	-	1,000,000	-	-	-	-	-	-	-	-
- Net mark-up / interest expensed	-	-	-	1,206,109	-	-	-	-	-	3,487,443	-	-
- Payments made on behalf of	-	-	-	33,625,394,523	-	-	-	-	200,097,482	9,310,539,911	-	-
- Payments received from	567,545	-	5,368,490	29,428,844,523	-	-	-	-	-	9,310,539,911	-	-
- Payment of rent expense to Saudi Pak	-	-	-	35,774,640	-	-	-	-	-	14,939,977	-	-
- Remuneration and allowances	80,014,491	3,830,790	-	-	-	-	72,782,665	1,236,222	-	-	-	-
- Payments to employees benefit plans	-	-	-	-	3,826,882	6,344,140	-	-	-	-	11,254,147	5,911,870
- Charge for the year relating to employees benefit plans	-	-	-	-	8,564,844	6,344,140	-	-	-	-	9,991,240	5,911,870
- Fee and commission income	-	-	6,500,000	-	-	-	-	-	2,873,603	-	-	-
- Fee and commission expensed	-	-	4,606,895	532,134	-	-	-	-	-	-	-	-
- Rent Expensed	-	-	-	17,887,320	-	-	-	-	-	-	-	-
- Provision	-	-	-	71,805,000	-	-	-	-	-	-	-	-

Remuneration of chief executive officer, Directors and executives is disclosed in note 30 to the financial statements.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

34 CAPITAL ADEQUACY

34.1 Scope of application

2013. The Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risks while the Basic Indicator Approach (BIA) is used for calculating the Capital Adequacy for Operational risk.

34.2 Capital structure

For the main features of capital structure of the Company, please refer to note 34.7

34.3 Capital management

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

The Company's objectives when managing its capital are:

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

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

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

34.4 Regulatory capital requirements

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

The paid up capital of the Company, as of 31 December, 2016, amounted to Rs. 9,116 million (2015: 9,116 million) while CAR stands at 103.86% (2015: 96.51%) as of that date.

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The leverage ratio of the Company is 57.56% (2015: 47.38%. The total Tier 1 capital is Rs. 13,997,291 million (2015: 13,385,097 million) and the total exposure is Rs. 24,316.492 million (2015: 28,253.061 million)

34.5 Capital Adequacy Ratio (CAR) disclosure

		2016	2015
		-----Rupees ('000)-----	
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital/ Capital deposited with SBP	9,116,400	9,116,400
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General/ Statutory Reserves	977,364	854,267
6	Gain/(losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	3,907,167	3,414,776
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation)		
9	CET 1 before Regulatory Adjustments	14,000,932	13,385,443
10	Total regulatory adjustments applied to CET1 (Note 34.5.1)	3,641	346
11	Common Equity Tier 1	13,997,291	13,385,097

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 NOTES TO THE FINANCIAL STATEMENTS
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	2016	2015
	Rupees ('000)	
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 34.5.2)	-	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 Additional Tier 1 capital recognized for capital adequacy		
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	13,997,291	13,385,097
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23 Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	122,543	113,499
27 Revaluation Reserves (net of taxes)		
28 of which: Revaluation reserves on fixed assets	-	-
29 of which: Unrealized gains/losses on AFS	97,618	117,761
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	220,162	231,260
33 Total regulatory adjustment applied to T2 capital (Note 34.5.3)	-	-
34 Tier 2 capital (T2) after regulatory adjustments	220,162	231,260
35 Tier 2 capital recognized for capital adequacy	220,162	231,260
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital		
37 Total Tier 2 capital admissible for capital adequacy	220,162	231,260
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	14,217,452	13,616,357
39 Total Risk Weighted Assets (RWA) {for details refer Note 34.8}	13,688,604	14,109,404

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

40 CET1 to total RWA	102.26%	94.87%
41 Tier-1 capital to total RWA	102.26%	94.87%
42 Total capital to total RWA	103.86%	96.51%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
44 of which: capital conservation buffer requirement	-	-
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	6.00%	5.50%
49 Tier 1 minimum ratio	7.50%	7.00%
50 Total capital minimum ratio	10.00%	10.00%

2016 2015

Regulatory Adjustments and Additional Information

Amount Amounts
 subjects to pre
 - Basel III
 treatment

34.5.1 Common Equity Tier 1 capital: Regulatory adjustments

	2016	2015
	Rupees ('000)	
1 Goodwill (net of related deferred tax liability)	-	-
2 All other intangibles (net of any associated deferred tax liability)	3,641	346
3 Shortfall in provisions against classified assets	-	-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
5 Defined-benefit pension fund net assets	-	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-

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PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016

7	Cash flow hedge reserve	-	-
8	Investment in own shares/ CET1 instruments	-	-
9	Securitization gain on sale	-	-
10	Capital shortfall of regulated subsidiaries	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
15	Amount exceeding 15% threshold	-	-
16	of which: significant investments in the common stocks of financial entities	-	-
17	of which: deferred tax assets arising from temporary differences	-	-
18	National specific regulatory adjustments applied to CET1 capital	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-
20	Any other deduction specified by SBP (mention details)	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-
22	Total regulatory adjustments applied to CET1	3,641	346

34.5.2 Additional Tier-1 and Tier-1 Capital: regulatory adjustments

23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-
24	Investment in own AT1 capital instruments	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
30	Total regulatory adjustment applied to AT1 capital	-	-

34.5.3 Tier 2 Capital: regulatory adjustments

31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33	Investment in own Tier 2 capital instrument	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36	Total regulatory adjustment applied to T2 capital	-	-

34.5.4 Additional Information

Risk Weighted Assets subject to pre-Basel III treatment

	2016	2015	
	Rupees ('000)		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	131,269	5,605
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

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NOTES TO THE FINANCIAL STATEMENTS
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34.6 Capital Structure Reconciliation

Step 1

	Balance sheet of the published financial statements As at December 31, 2016	Under regulatory scope of consolidation As at December 31, 2016
-----Rupees ('000)-----		
Assets		
Cash and balances with treasury banks	2,080,940	2,080,940
Balanced with other banks	3,086,523	3,086,523
Lending to financial institutions	2,647,918	2,647,918
Investments	7,734,253	7,734,253
Advances	6,039,820	6,039,820
Operating fixed assets	177,303	177,303
Deferred tax assets	131,269	131,269
Other assets	620,214	620,214
Total assets	22,518,240	22,518,240
Liabilities and Equity		
Bills payable	-	-
Borrowings	8,196,455	8,196,455
Deposits and other accounts	-	-
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	195,701	195,701
Total liabilities	8,392,156	8,392,156
Share capital/ Head office capital account	9,116,400	9,116,400
Reserves	977,364	977,364
Unappropriated/ Unremitted profit/ (losses)	3,907,167	3,907,167
Minority Interest	-	-
	14,000,932	14,000,932
Surplus on revaluation of assets - net of tax	125,152	125,152
Total liabilities & equity	22,518,240	22,518,240

Step 2

	Balance sheet of the published financial statements As at December 31, 2016	Under regulatory scope of consolidation As at December 31, 2016	Reference
-----Rupees ('000)-----			
Assets			
Cash and balances with treasury banks	2,080,940	2,080,940	
Balanced with other banks	3,086,523	3,086,523	
Lending to financial institutions	2,647,918	2,647,918	
Investments	7,734,253	7,734,253	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others (see note 8)	7,734,253	7,734,253	e
Advances	6,039,820	6,039,820	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	122,543	122,543	g
Fixed Assets	177,303	177,303	
of which: Intangibles	641	641	k

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PAK CHINA INVESTMENT COMPANY LIMITED
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Deferred Tax Assets	131,269	131,269
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-
Other assets	620,214	620,214
of which: Goodwill	-	-
of which: Intangibles	3,000	3,000
of which: Defined-benefit pension fund net assets	-	-
Total assets	22,518,240	22,518,240

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Step 2 continued

	Balance sheet of the published financial statements As at December 31, 2016	Under regulatory scope of consolidation As at December 31, 2016
Liabilities and Equity		
Bills payable	-	-
Borrowings	8,196,455	8,196,455
Deposits and other accounts	-	-
Sub-ordinated loans	-	-
of which: eligible for inclusion in AT1	-	-
of which: eligible for inclusion in Tier 2	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
of which: DTLs related to goodwill	-	-
of which: DTLs related to intangible assets	-	-
of which: DTLs related to defined pension fund net assets	-	-
of which: other deferred tax liabilities	-	-
Other liabilities	195,701	195,701
Total liabilities	8,392,156	8,392,156
Share capital	9,116,400	9,116,400
of which: amount eligible for CET1	9,116,400	9,116,400
of which: amount eligible for AT1	-	-
Reserves	977,364	977,364
of which: portion eligible for inclusion in CET1 (provide breakup)	977,364	977,364
Statutory	-	-
of which: portion eligible for inclusion in Tier 2	-	-
Unappropriated profit/ (losses)	3,907,167	3,907,167
Minority Interest	-	-
of which: portion eligible for inclusion in CET1	-	-
of which: portion eligible for inclusion in AT1	-	-
of which: portion eligible for inclusion in Tier 2	-	-
Surplus on revaluation of assets	125,152	125,152
of which: Revaluation reserves on Fixed Assets	-	-
of which: Unrealized Gains/Losses on AFS	125,152	125,152
In case of Deficit on revaluation (deduction from CET1)	-	-
Total liabilities & Equity	22,518,240	22,518,240

Reference

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WPM-02

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
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Step 3	Component of regulatory capital reported by bank ---Rupees ('000)---	Source based on reference number from step 2
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	9,116,400	(s)
2 Balance in Share Premium Account		
3 Reserve for issue of Bonus Shares		
4 General/ Statutory Reserves	977,364	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	3,907,167	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		(x)
8 CET 1 before Regulatory Adjustments	14,000,932	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)		(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	3,641	(k) - (p)
11 Shortfall of provisions against classified assets		(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		{(h) - (r) * x%
13 Defined-benefit pension fund net assets		{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments		(d)
15 Cash flow hedge reserve		
16 Investment in own shares/ CET1 instruments		
17 Securitization gain on sale		
18 Capital shortfall of regulated subsidiaries		
19 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS		(ab)

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PAK CHINA INVESTMENT COMPANY LIMITED
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20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the		
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold		
24	of which: significant investments in the common stocks of financial entities		
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments applied to CET1 capital		
27	Investment in TFCs of other banks exceeding the prescribed limit		
28	Any other deduction specified by SBP (mention details)		
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		
30	Total regulatory adjustments applied to CET1	3,641	
31	Common Equity Tier 1	13,997,291	
	Additional Tier 1 (AT1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium		(i)
33	of which: Classified as equity		(m)
34	of which: Classified as liabilities		(y)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT		
36	of which: instrument issued by subsidiaries subject to phase out		
37	AT1 before regulatory adjustments	-	
	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		
39	Investment in own AT1 capital instruments		
40	Reciprocal cross holdings in Additional Tier 1 capital instruments		
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the		
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of		(ad)
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
45	Total of Regulatory Adjustment applied to AT1 capital	-	
46	Additional Tier 1 capital	-	
47	Additional Tier 1 capital recognized for capital adequacy	-	
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	13,997,291	
	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		(n)
50	Capital instruments subject to phase out arrangement from tier 2		(z)
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		
52	of which: instruments issued by subsidiaries subject to phase out		
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	122,543	(g)
54	Revaluation Reserves		
55	of which: Revaluation reserves on fixed assets		
56	of which: Unrealized Gains/Losses on AFS	97,618	portion of (aa)
57	Foreign Exchange Translation Reserves		(v)

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58	Undisclosed/Other Reserves (if any)	
59	T2 before regulatory adjustments	220,162
Tier 2 Capital: regulatory adjustments		
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	
61	Reciprocal cross holdings in Tier 2 instruments	
62	Investment in own Tier 2 capital instrument	
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)
65	Amount of Regulatory Adjustment applied to T2 capital	-
66	Tier 2 capital (T2)	220,162
67	Tier 2 capital recognized for capital adequacy	220,162
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-
69	Total Tier 2 capital admissible for capital adequacy	220,162
70	TOTAL CAPITAL (T1 + admissible T2)	14,217,452

34.7 Main Features of Regulatory Capital Instruments

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

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PAK CHINA INVESTMENT COMPANY LIMITED
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34.8 Risk Weighted Assets

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

	Capital Requirements		Risk Weighted Assets	
	2016	2015	2016	2015
	Rupees ('000)		Rupees ('000)	
Credit Risk				
Portfolios subject to standardized approach (Simple or Comprehensive)				
On-Balance sheet				
Cash and cash equivalents	-	-	-	-
Sovereign	-	-	-	-
Public Sector entities	13,117	-	131,170	-
Banks/ DFI	133,917	199,204	1,339,173	1,992,036
Corporate portfolio	523,862	583,641	5,238,617	5,836,409
Retail	271	213	2,708	2,132
Residential Mortgages	1,385	909	13,849	9,090
Past due loans	-	6,014	-	60,144
Operating Fixed Assets	17,666	18,312	176,662	183,120
Other assets	44,610	2,651	446,104	26,507
Significant Investment in DTAs above 15% threshold	32,817	-	328,173	-
	767,646	810,944	7,676,456	8,109,438
Off-Balance sheet				
Non-market related	146,441	51,131	1,464,411	511,310
Market related	-	-	-	-
	146,441	51,131	1,464,411	511,310
Equity Exposure Risk in the Banking Book				
Listed, Unlisted	84,141.70	53,346	841,417	533,462
Total Credit risk	998,228	915,421	9,982,284	9,154,210
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	7,729	56,470	77,286	564,700
Equity position risk	30,601	27,198	306,013	271,975
Foreign Exchange risk	138,243	198,083	1,382,425	1,980,825
Total Market Risk	176,572	281,751	1,765,724	2,817,500
Operational Risk				
Capital Requirement for operational risks	194,060	213,769	1,940,596	2,137,694
Total	1,368,860	1,410,941	13,688,604	14,109,404
Capital Adequacy Ratios				
	2016		2015	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	102.26%	5.50%	94.87%
Tier-1 capital to total RWA	7.50%	102.26%	7.00%	94.87%
Total capital to total RWA	10.00%	103.86%	10.00%	96.51%

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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35 RISK MANAGEMENT

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

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

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

35.1 Credit risk

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

Credit Risk is the predominant risk type faced by the Company in its lending activities. All credit risk related aspects are governed by a credit policy approved by the Board of Directors. The policy outlines the type of products that can be offered, targeted customer profile and the credit approval process and limits. In order to assess the credit risk associated with any corporate financing proposal, variety of risks relating to the borrower and relevant industry are assessed. A structured and standardized credit approval process is followed which includes a well established procedure of comprehensive credit appraisal and credit rating. The credit evaluation system comprises of well-designed credit appraisal, review and approval procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. Each credit proposal is evaluated on standalone basis as well as its implication on the Company's portfolio in terms of portfolio pricing and rating is also assessed. The internal credit rating methodologies have been developed for rating obligors. The rating serves as the key input in the approval as well as post approval credit process. All the credit applications and reviews are thoroughly analyzed by Risk Management Function. The application approval process is further supplemented by regular review of the existing credit limits, overall credit portfolio and the monitoring of early warning indicators that can trigger a tightening of lending standards and an increase in the frequency and depth of credit portfolio review.

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

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PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
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35.1.1 Segment by class of business

	2016			
	Advances - Gross		Contingencies and commitments	
	Rupees	%	Rupees	%
Fertilizer	25,000,000	0.38	-	-
Power	2,659,800,881	40.64	748,012,891	73.14
Steel	264,122,487	4.04	-	-
Sugar	282,500,000	4.32	-	-
Telecommunication	251,617,559	3.84	-	-
Storage	536,344,521	8.19	-	-
Real Estate	70,000,000	1.07	-	-
Cement	346,940,000	5.30	53,060,000	5.19
Textile	312,500,000	4.77	-	-
Engineering	462,500,000	7.07	-	-
Financials	170,000,000	2.60	-	-
Petroleum	38,888,879	0.59	-	-
Food & Beverages	275,000,000	4.20	-	-
Electronics	500,000,000	7.64	150,000,000	14.67
Others	350,311,924	5.35	71,680,000	7.01
	6,545,526,251	100	1,022,752,891	100.00
	2015			
	Advances - Gross		Contingencies and commitments	
	Rupees	%	Rupees	%
Fertilizer	90,000,000	1.42	-	-
Power	2,803,047,991	44.12	198,369,053	29.82
Steel	275,236,249	4.33	-	-
Sugar	372,500,000	5.86	-	-
Telecommunication	270,288,783	4.25	-	-
Storage	619,808,374	9.76	-	-
Real Estate	70,000,000	1.10	-	-
Cement	200,000,000	3.15	-	-
Glass	100,837,000	1.59	-	-
Textile	437,500,000	6.89	-	-
Engineering	252,083,336	3.97	-	-
Financial	366,666,668	5.77	-	-
Petroleum	116,666,662	1.84	-	-
Food & Beverages	100,000,000	1.57	-	-
Others	279,097,799	4.39	466,875,000	70.18
	6,353,732,862	100	665,244,053	100

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PAK CHINA INVESTMENT COMPANY LIMITED
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35.1.2 Segment by sector	2016			
	Advances - Gross		Contingencies and commitments	
	Rupees	%	Rupees	%
Public/Government	-	-	-	-
Private	6,545,526,251	100	1,022,752,891	100
	6,545,526,251	100	1,022,752,891	100
	2015			
	Advances - Gross		Contingencies and commitments	
	Rupees	Percent	Rupees	Percent
Public/Government	66,666,668	1.05	-	-
Private	6,287,066,194	98.95	665,244,053	100.00
	6,353,732,862	100	665,244,053	100.00

35.1.3 Details of non-performing advances and specific	2016		2015	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees-----			
Cement	200,000,000	200,000,000	200,000,000	200,000,000
Real Estate	70,000,000	70,000,000	70,000,000	70,000,000
Sugar	112,500,000	112,500,000	112,500,000	112,500,000
Telecommunication	-	-	270,288,783	150,000,000
Others	663,564	663,564	-	-
	383,163,564	383,163,564	652,788,783	532,500,000

35.1.4 Details of non-performing advances and specific provisions by sector	2016		2015	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees		Rupees	
Public/Government	-	-	-	-
Private	383,163,564	383,163,564	652,788,783	532,500,000
	383,163,564	383,163,564	652,788,783	532,500,000

35.1.5 Geographical Segment Analysis	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	----- (Rupees) -----			
In Pakistan	858,470,860	22,518,239,584	14,126,083,317	1,022,752,891
	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	----- (Rupees) -----			
In Pakistan	950,875,285	20,549,415,577	13,561,205,382	665,244,053

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

35.2 Liquidity risk

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

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

The maturity profile of assets and liabilities has been prepared based on their contractual maturity, except for assets and liabilities that do not have contractual maturity. In this regard, assumptions for the Company's maturity profile in respect of allocation of non-contractual items, based on their expected maturities, were deliberated and approved by the ALCO. The ALCO agreed upon various assumptions for such allocation including the Company's historical trend and past experience, expected utilization of assets, expected useful lives of fixed assets, statutory requirements and variance approach.

35.2.1 Maturities of assets and liabilities

	2016									
	Total	Up to one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
(Rupees)										
Assets										
Cash and balances										
with treasury banks	2,080,940,035	2,080,940,035	-	-	-	-	-	-	-	-
Balances with other banks	3,086,523,031	1,017,896,551	1,000,000,000	1,068,626,480	-	-	-	-	-	-
Lendings to financial institution	2,647,918,347	2,647,918,347	-	-	-	-	-	-	-	-
Investments	7,734,253,189	1,599,244,000	2,985,394,827	65,238,989	811,758,444	264,369,196	909,035,979	425,582,438	673,629,316	-
Advances	6,039,819,501	136,526,359	210,333,146	322,434,227	1,045,899,983	1,335,681,309	1,069,580,664	1,168,276,634	589,032,797	162,054,381
Operating fixed assets	177,302,573	1,270,603	2,956,794	4,811,803	6,913,226	7,518,015	4,502,167	7,990,272	5,339,693	136,000,000
Deferred tax assets	131,269,202	-	131,269,202	-	-	-	-	-	-	-
Other assets	620,213,706	472,545,244	30,971,994	96,657,870	6,994,634	3,659,424	927,295	2,550,062	5,907,182	-
	<u>22,518,239,584</u>	<u>7,956,341,139</u>	<u>4,360,925,963</u>	<u>1,557,769,369</u>	<u>1,871,566,287</u>	<u>1,611,227,944</u>	<u>1,984,046,105</u>	<u>1,604,399,406</u>	<u>1,273,908,989</u>	<u>298,054,381</u>
Liabilities										
Borrowings	8,196,454,866	13,589,548	5,368,490	8,005,368,490	18,958,038	29,695,019	21,473,960	42,947,920	59,053,401	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Other liabilities	195,701,401	39,399,388	26,272,684	38,514,978	-	91,514,351	-	-	-	-
	<u>8,392,156,267</u>	<u>52,988,936</u>	<u>31,641,174</u>	<u>8,043,883,468</u>	<u>18,958,038</u>	<u>121,209,370</u>	<u>21,473,960</u>	<u>42,947,920</u>	<u>59,053,401</u>	<u>-</u>
Net assets	<u>14,126,083,317</u>	<u>7,903,352,204</u>	<u>4,329,284,789</u>	<u>(6,486,114,099)</u>	<u>1,852,608,249</u>	<u>1,490,018,574</u>	<u>1,962,572,145</u>	<u>1,561,451,486</u>	<u>1,214,855,588</u>	<u>298,054,381</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
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	---Rupees---
Share capital	9,116,400,000
Reserve	977,364,488
Unappropriated profit	3,907,167,079
Surplus on revaluation of assets	125,151,750
	<u>14,126,083,317</u>

	2015									
	Total	Up to one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	(Rupees)									
Assets										
Cash and balances with treasury banks	116,864,752	116,864,752	-	-	-	-	-	-	-	-
Balances with other banks	2,033,472,081	52,650,280	1,980,821,801	-	-	-	-	-	-	-
Investments	12,091,247,041	1,509,933,500	7,175,465,383	1,050,418,958	135,808,937	1,026,560,945	73,673,829	800,918,663	318,466,826	-
Advances	5,707,733,436	131,460,531	236,215,528	326,015,345	773,486,164	997,330,625	852,298,419	1,238,673,897	1,089,267,017	62,985,910
Deferred tax assets	5,605,027	-	-	5,605,027	-	-	-	-	-	-
Operating fixed assets	183,466,497	1,515,586	3,031,168	3,496,629	8,493,258	9,549,973	4,054,853	7,990,272	9,334,758	136,000,000
Other assets	411,026,743	337,996,135	38,329,318	30,744,517	1,224,064	2,732,709	-	-	-	-
	<u>20,549,415,577</u>	<u>2,150,420,784</u>	<u>9,433,863,198</u>	<u>1,416,280,476</u>	<u>919,012,423</u>	<u>2,036,174,252</u>	<u>930,027,101</u>	<u>2,047,582,832</u>	<u>1,417,068,601</u>	<u>198,985,910</u>
Liabilities										
Borrowings	6,903,225,721	6,769,504,488	-	25,028,058	41,835,058	66,858,117	-	-	-	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Other liabilities	84,984,474	18,260,143	5,102,084	739,518	-	-	-	-	60,882,729	-
	<u>6,988,210,195</u>	<u>6,787,764,631</u>	<u>5,102,084</u>	<u>25,767,576</u>	<u>41,835,058</u>	<u>66,858,117</u>	<u>-</u>	<u>-</u>	<u>60,882,729</u>	<u>-</u>
Net assets	<u>13,561,205,382</u>	<u>(4,637,343,847)</u>	<u>9,428,761,114</u>	<u>1,390,512,900</u>	<u>877,177,365</u>	<u>1,969,316,135</u>	<u>930,027,101</u>	<u>2,047,582,832</u>	<u>1,356,185,872</u>	<u>198,985,910</u>
Share capital	9,116,400,000									
Reserves	854,266,780									
Un-appropriated profit	3,414,776,247									
Surplus on revaluation of assets	175,762,355									
	<u>13,561,205,382</u>									

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PAK CHINA INVESTMENT COMPANY LIMITED
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35.3 Market risk

Market risk is the loss due to adverse movements in market rates or price such as foreign exchange rates, interest rates and equity prices and / or commodity prices. Market risk pertaining to the trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. The Company does not have a defined trading book and all investments are classified as Available-For-Sale or Held-to-Maturity. Due to diversified nature of investments in banking book, the Company is primarily subject to interest rate risk. The Company, in accordance with its Joint Venture agreement, is not allowed to engage in secondary market equity trading. The Company is using Basel-III standardized approach to calculate risk weighted assets against market risk exposure

35.3.1 Interest rate risk

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

Effective yield / interest rate %	2016										Not exposed to yield / interest rate risk	
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years		
Rupees												
On balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks	6.45%	2,080,940,035	2,000,000,000	-	-	-	-	-	-	-	-	80,940,035
Balances with other banks	4.00%	3,086,523,031	1,017,896,551	1,000,000,000	1,068,626,480	-	-	-	-	-	-	-
Lendings to financial institutions	5.73%	2,647,918,347	2,647,918,347	-	-	-	-	-	-	-	-	-
Investments	8.00%	7,734,253,189	1,599,244,000	2,985,394,827	65,238,989	811,758,444	114,328,836	730,840,979	1,007,697,403	-	-	419,749,711
Advances	8.00%	6,039,819,501	136,526,359	210,333,146	322,434,227	1,045,899,973	1,335,681,309	1,069,580,664	1,759,922,692	159,441,130	-	-
Other assets		597,284,542	-	-	-	-	-	-	-	-	-	597,284,542
		22,186,738,645	7,401,585,257	4,195,727,973	1,456,299,696	1,857,658,417	1,450,010,145	1,800,421,643	2,767,620,095	159,441,130	-	1,097,974,289
Financial Liabilities												
Borrowings	3.77%	8,196,454,866	13,589,548	5,368,490	8,005,368,490	18,958,038	29,695,019	21,473,960	42,947,920	59,053,401	-	-
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		195,701,401	-	-	-	-	-	-	-	-	-	195,701,401
		8,392,156,267	13,589,548	5,368,490	8,005,368,490	18,958,038	29,695,019	21,473,960	42,947,920	59,053,401	-	195,701,401
On balance sheet gap		13,794,582,378	7,387,995,709	4,190,359,483	(6,549,068,794)	1,838,700,379	1,420,315,126	1,778,947,683	2,724,672,175	100,387,729	-	902,272,888
Off-balance sheet financial instruments												
Commitments to extend credits (in case these materialize)		1,235,852,093	-	-	-	-	-	-	-	-	-	1,235,852,093
Off-balance sheet gap - net		1,235,852,093	-	-	-	-	-	-	-	-	-	1,235,852,093
Total yield/ interest risk sensitivity gap			7,387,995,709	4,190,359,483	(6,549,068,794)	1,838,700,379	1,420,315,126	1,778,947,683	2,724,672,175	100,387,729	-	2,138,124,981
Cumulative yield/ interest rate sensitivity gap			7,387,995,709	11,578,355,192	5,029,286,398	6,867,986,777	8,288,301,903	10,067,249,586	12,791,921,761	12,892,309,490	12,892,309,490	15,030,434,471

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Effective yield / interest rate %	2015										Not exposed to yield / interest rate risk	
	Total	Upto one month	Over one to three months	Over three to six months	Exposed to yield / profit risk		Over two to three years	Over three to five years	Over five to ten years	Above ten years		
					Over six months to one year	Over one to two years						
Rupees												
On balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks		116,864,752	-	-	-	-	-	-	-	-	-	116,864,752
Balances with other banks	6.50%	2,033,472,081	52,644,023	1,980,821,801	-	-	-	-	-	-	-	6,257
Lendings to financial institutions		-	-	-	-	-	-	-	-	-	-	-
Investments	10.00%	12,091,247,041	1,509,933,500	7,175,465,383	1,050,418,958	135,808,937	915,923,928	73,673,829	667,449,995	133,468,668	260,596,524	168,507,319
Advances	9.00%	5,707,733,436	131,460,531	236,215,528	326,015,346	773,486,164	997,330,625	852,298,485	1,390,784,251	937,156,597	62,985,909	-
Other assets		403,920,893	-	-	-	-	-	-	-	-	-	403,920,893
		20,353,238,203	1,694,038,054	9,392,502,712	1,376,434,304	909,295,101	1,913,254,553	925,972,314	2,058,234,246	1,070,625,265	323,582,433	689,299,221
Financial Liabilities												
Borrowings	9.00%	6,903,225,721	6,769,504,488	-	25,028,058	41,835,058	66,858,117	-	-	-	-	-
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		24,101,745	-	-	-	-	-	-	-	-	-	24,101,745
		6,927,327,466	6,769,504,488	-	25,028,058	41,835,058	66,858,117	-	-	-	-	24,101,745
On balance sheet gap		13,425,910,737	(5,075,466,434)	9,392,502,712	1,351,406,246	867,460,043	1,846,396,436	925,972,314	2,058,234,246	1,070,625,265	323,582,433	665,197,476
Off-balance sheet financial instruments												
Commitments to extend credit (In case materialize)		616,419,240	-	-	-	-	-	-	-	-	-	616,419,240
Off-balance sheet gap - net		616,419,240	-	-	-	-	-	-	-	-	-	616,419,240
Total yield/ interest risk sensitivity gap			(5,075,466,434)	9,392,502,712	1,351,406,246	867,460,043	1,846,396,436	925,972,314	2,058,234,246	1,070,625,265	323,582,433	1,281,616,716
Cumulative yield/ interest rate sensitivity gap			(5,075,466,434)	4,317,036,278	5,668,442,524	6,535,902,567	8,382,299,003	9,308,271,317	11,366,505,563	12,437,130,828	12,760,713,261	14,042,329,977

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PAK CHINA INVESTMENT COMPANY LIMITED
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35.3.2 Foreign exchange risk

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

	2016			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
-----Rupees-----				
Pakistan Rupee	21,141,041,329	8,392,156,267	-	12,748,885,062
United States Dollar	1,068,626,480	-	-	1,068,626,480
	<u>22,209,667,809</u>	<u>8,392,156,267</u>	<u>-</u>	<u>13,817,511,542</u>
	2015			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
-----Rupees-----				
Pakistan Rupee	18,379,522,252	6,988,210,195	-	11,391,312,057
United States Dollar	1,980,821,801	-	-	1,980,821,801
	<u>20,360,344,053</u>	<u>6,988,210,195</u>	<u>-</u>	<u>13,372,133,858</u>

35.3.3 Equity risk

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

35.4 Operational risk

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

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

The Company has invited proposals for consultancy services to implement a comprehensive Operational Risk Framework.

35.4.1 Operational Risk-Disclosures Basel III Specific

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

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PAK CHINA INVESTMENT COMPANY LIMITED
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36 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

36.1 Provision against non-performing loans and advances

The management reviews the loan portfolio to assess non-performing accounts and expected recovery on a quarterly basis. In determining the non-performing accounts and provision requirements, the relevant Prudential Regulations issued by SBP, payment status of mark-up and principal, expected future cash

36.2 Classification / valuation of investments

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

36.3 Impairment of investments

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

36.4 Provision for income taxes

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

36.5 Operating fixed assets

The Company reviews the useful lives and residual value of fixed assets on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of fixed assets, with a corresponding effect on the depreciation charge/ amortization and impairment.

36.6 Contingencies

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

36.7 Provision for gratuity

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

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37 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue in the Board of Directors meeting held on
14 APR 2017.

38 GENERAL

38.1 The Pakistan Credit Rating Agency Limited has issued a long term credit rating of AA, and the short term rating of A1+, for the Company.

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

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

W.M.A.


CHAIRMAN


MANAGING DIRECTOR


DIRECTOR


DIRECTOR