

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

	Note	(Un-Audited) 30 September 2019	(Audited) 31 December 2018
<b>ASSETS</b>			
Cash and balances with treasury banks	6	11,818,093	62,586,073
Balances with other banks	7	2,045,175,674	1,553,209,315
Lendings to financial institutions		-	-
Investments	8	24,032,661,071	9,976,198,978
Advances	9	6,103,995,494	7,620,187,771
Fixed assets	10	302,041,006	187,345,540
Intangible assets	11	97,291	239,762
Deferred tax assets	12	4,715,703	36,897,187
Other assets	13	566,068,020	325,569,633
		<b>33,066,572,352</b>	<b>19,762,234,259</b>
<b>LIABILITIES</b>			
Bills payable		-	-
Borrowings	14	16,034,397,907	4,180,682,821
Deposits and other accounts		-	-
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	15	507,538,016	220,251,158
		<b>16,541,935,923</b>	<b>4,400,933,979</b>
<b>NET ASSETS</b>		<b>16,524,636,429</b>	<b>15,361,300,280</b>
<b>REPRESENTED BY</b>			
Share capital		9,696,637,540	9,116,400,000
Advance against issue of shares	16	9,881,237	-
Reserves		1,362,018,727	1,232,830,002
Surplus on revaluation of assets	17	10,314,891	83,041,146
Unappropriated profit		5,445,784,034	4,929,029,132
		<b>16,524,636,429</b>	<b>15,361,300,280</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	18		

The annexed notes 1 to 36 form an integral part of these condensed interim financial statements.

CHAIRMAN

MANAGING DIRECTOR

DIRECTOR

DIRECTOR

DIRECTOR

CFO

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

Note	For the quarter ended		For the nine months ended		
	30 September 2019	30 September 2018	30 September 2019	30 September 2018	
	Rupees		Rupees		
Mark-up/ return/ interest earned	19	694,292,120	263,920,627	1,490,742,986	889,219,816
Mark-up/ return/ interest expensed	20	(234,341,431)	(6,726,964)	(274,519,577)	(101,591,131)
Net mark-up/ interest income		459,950,689	257,193,663	1,216,223,409	787,628,685
<b>NON MARK-UP/INTEREST INCOME</b>					
Fee and commission income	21	2,240,311	6,528,925	23,851,712	26,351,207
Dividend income		-	-	-	743,593
Foreign exchange income		(91,610,403)	28,150,300	190,471,614	144,371,998
Income / (loss) from derivatives		-	-	-	-
Gain on securities	22	23,600	20,289,864	529,600	47,815,610
Other income	23	2,930,095	3,033,074	12,916,337	9,331,074
Total non-markup/ interest income		(86,416,397)	58,002,163	227,769,263	228,613,482
Share in profit of associated companies		-	-	15,648,620	13,154,586
Total income		373,534,292	315,195,826	1,459,641,292	1,029,396,753
<b>NON MARK-UP/INTEREST EXPENSES</b>					
Operating expenses	24	119,392,539	103,241,325	350,273,609	257,966,294
Workers welfare fund		-	-	-	-
Other charges	25	-	-	-	120,000
Total non-markup/interest expenses		119,392,539	103,241,325	350,273,609	258,086,294
Profit before provisions		254,141,753	211,954,501	1,109,367,683	771,310,459
Provisions and write offs - net	26	115,250,241	1,100,302	217,709,022	11,896,581
Extra ordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		138,891,512	210,854,199	891,658,661	759,413,878
Taxation	27	15,269,609	69,808,521	245,663,984	227,949,879
<b>PROFIT AFTER TAXATION</b>		123,621,903	141,045,678	645,994,677	531,463,999
Basic earnings per share	28	0.13	0.15	0.70	0.58

The annexed notes 1 to 36 form an integral part of these condensed interim financial statements.

CHAIRMAN

MANAGING DIRECTOR

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

	For the quarter ended		For the nine months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	(Rupees)		(Rupees)	
Profit after taxation for the period	123,621,903	141,045,678	645,994,677	531,463,999
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>				
Re-measurement loss on defined benefit plan - net of tax	119,253	-	119,253	-
Share of other Comprehensive profit /(loss) from associates	-	-	(200,357)	(3,106,516)
Related tax	-	-	30,054	469,116
	-	-	(170,303)	(2,637,400)
	<u>123,741,156</u>	<u>141,045,678</u>	<u>645,943,627</u>	<u>528,826,599</u>
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
Net change in fair value of available-for-sale securities - net of tax	(2,497,541)	25,536,854	(72,726,255)	26,568,215
Company's share of equity accounted investees' OCI:				
Available-For-Sale securities financial assets - Net change in fair value	-	376,045	-	170,416
	<u>(2,497,541)</u>	<u>25,912,899</u>	<u>(72,726,255)</u>	<u>26,738,631</u>
<b>Total comprehensive income</b>	<u>121,243,615</u>	<u>166,958,577</u>	<u>573,217,372</u>	<u>555,565,230</u>

The annexed notes 1 to 36 form an integral part of these condensed interim financial statements.

CHAIRMAN

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DIRECTOR

DIRECTOR

DIRECTOR







CFO

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

	Share capital	Statutory reserve	Surplus on revaluation on investments	Advance against issue of shares	Unappropriated profit	Total
	(Rupees)					
Balance as at 01 January 2018	9,116,400,000	1,110,843,079	245,740	-	4,441,081,441	14,668,570,260
Profit after taxation (30 September 2018)	-	-	-	-	531,463,999	531,463,999
Other comprehensive income - net of tax	-	-	26,738,631	-	(2,637,400)	24,101,231
Total comprehensive income	-	-	26,738,631	-	528,826,599	555,565,230
Transfer to statutory reserve	-	105,765,320	-	-	(105,765,320)	-
Opening Balance as at 01 October 2018	9,116,400,000	1,216,608,399	26,984,371	-	4,864,142,720	15,224,135,490
Profit after taxation (31 December 2018)	-	-	-	-	89,993,544	89,993,544
Other comprehensive income - net of tax	-	-	56,056,775	-	(8,885,529)	47,171,246
Total comprehensive income	-	-	56,056,775	-	81,108,015	137,164,790
Transfer to statutory reserve	-	16,221,603	-	-	(16,221,603)	-
Opening Balance as at 01 January 2019	9,116,400,000	1,232,830,002	83,041,146	-	4,929,029,132	15,361,300,280
Profit after taxation	-	-	-	-	645,994,677	645,994,677
Other comprehensive loss - net of tax	-	-	(71,726,255)	-	(51,050)	(72,777,305)
Total comprehensive income	-	-	(71,726,255)	-	645,943,627	573,217,372
Transfer to statutory reserve	-	129,188,725	-	-	(129,188,725)	-
Transaction with owners recognized directly in equity						
Issue of share capital	580,237,540					580,237,540
Advance against issue of shares				9,881,237		9,881,237
Balance as at 30 September 2019	<u>9,696,637,540</u>	<u>1,362,018,727</u>	<u>10,314,891</u>	<u>9,881,237</u>	<u>5,445,784,034</u>	<u>16,524,636,429</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.

The annexed notes 1 to 36 form an integral part of these condensed interim financial statements.







 CHAIRMAN	 MANAGING DIRECTOR	 DIRECTOR	 DIRECTOR	 DIRECTOR	 CFO
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**PAK CHINA INVESTMENT COMPANY LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

		For the nine months ended	
		30 September 2019	30 September 2018
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES	Note		
Profit before taxation		891,658,661	759,413,878
Less: Dividend income		-	(743,593)
Share of profit from associate companies		<u>(15,648,620)</u>	<u>(13,154,586)</u>
		876,010,041	745,515,699
<b>Adjustments for:</b>			
Depreciation	24	27,868,474	6,732,398
Amortization	24	142,471	180,979
Provision for gratuity		13,228,670	9,284,517
Provision against non-performing loans and advances		111,898,597	9,056,684
Impairment loss on available-for-sale investments		105,810,425	2,839,897
Gain on sale of fixed assets		(4,422,768)	(1,230,719)
Exchange gain		<u>(190,471,614)</u>	<u>(144,371,998)</u>
		64,054,255	(117,508,242)
		940,064,296	628,007,457
<b>(Increase)/ Decrease in operating assets</b>			
Lendings to financial institutions		-	(1,460,878,955)
Advances		1,404,293,680	178,492,189
Others assets (excluding advance taxation)		<u>(222,778,063)</u>	<u>(98,507,175)</u>
		1,181,515,617	(1,380,893,941)
<b>Increase/(decrease) in operating liabilities</b>			
Borrowings from financial institutions		11,853,715,086	(9,442,647,649)
Liabilities against assets subject to finance lease		-	-
Others Liabilities (excluding advance taxation)		<u>279,332,900</u>	<u>(24,551,036)</u>
		12,133,047,986	(9,467,198,685)
Contribution to plan assets		(26,580,194)	(6,667,687)
Income tax paid		<u>(211,691,836)</u>	<u>(186,939,914)</u>
Net cash flow used in operating activities		14,016,355,869	(10,413,692,770)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		<u>(14,217,606,712)</u>	9,449,851,068
Net investment in held to maturity securities		-	-
Dividends received		-	2,747,285
Investment in operating fixed assets		<u>(142,579,099)</u>	<u>(23,264,859)</u>
Proceeds from sale of fixed assets		4,437,930	1,231,383
Net cash flow from investing activities		<u>(14,355,747,881)</u>	9,430,564,877
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of share capital		580,237,540	-
Advance for issue of shares		<u>9,881,237</u>	-
Net cash flow from financing activities		590,118,777	-
Effects of exchange rate changes on cash and cash equivalents		190,471,614	144,371,998
Decrease in cash and cash equivalents		441,198,379	(838,755,895)
Cash and cash equivalents at beginning of the period		<u>1,615,795,388</u>	<u>2,195,474,528</u>
Cash and cash equivalents at end of the period	29	<u>2,056,993,767</u>	<u>1,356,718,633</u>

The annexed notes 1 to 36 form an integral part of these condensed interim financial statements.

 CHAIRMAN	 MANAGING DIRECTOR	 DIRECTOR	 DIRECTOR	 DIRECTOR	 CFO
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**PAK CHINA INVESTMENT COMPANY LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

**1 STATUS AND NATURE OF BUSINESS**

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

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

**2 BASIS OF PRESENTATION**

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

**2.1 STATEMENT OF COMPLIANCE**

**2.2** This condensed interim financial statements has 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) and Islamic Financial accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017 provisions of and directives issued under the Banking Companies Ordinance, 1962, the companies Act, 2017 and directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP). Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

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

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 1 January 2018 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these condensed interim financial statements.

**3 SIGNIFICANT ACCOUNTING POLICIES**

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

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

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. Details of these new requirements are described in Note 4. The impact of the adoption of IFRS 16 on the Company's condensed interim financial statements is described below.

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

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

**Impact of the new definition of a lease**

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

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

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

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

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

Lease payments included in the measurement of lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives;
- Variable lease payments that depends on index or rate, initially measure using the index or rate at commencement
- The amount expected to be paid by lessee under residual value guarantee;
- The exercise price of purchase options , if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.
- The lease liability is presented as a separate line in the condensed interim statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability ( using the effective interest method) and by reducing the carrying amount to reflect the lease payment made.
- the company remeasures the lease liability ( and makes corresponding adjustments to the related right -of-use asset) whenever;
- the lease term has changed or there is a change in the assessment of exercise of purchase option , in which case the lease liability is remeasured using revised lease payments and revised discount rate.
- The lease payments change due to changes in an index or rate or change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which cases revised rate is used).
- a lease contract is modified and ease modification is not accounted for as separate lease , in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rates.

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

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

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

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

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

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

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

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

**Impact on Lessee Accounting**

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

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

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

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

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

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

**Financial impact of initial application of IFRS 16**

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



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

<b>Impact on profit for the period</b>	<b>For the nine months ended 30 September 2019 Rupees</b>
Increase in depreciation expense	20,669,471
Increase in finance costs	7,285,563
Decrease in operating expenses	(22,630,650)
Decrease in profit for the period	<u>(5,324,384)</u>
Increase / (Decrease) in other comprehensive income for	<u>-</u>
<b>Impact on earnings per share</b>	
Decrease in basic & diluted earnings per share (Re.)	(0.006)

**Impact on Assets, Liabilities and Equity as at 30 September 2019**

	As if IAS 17 still applied	IFRS 16 adjustments	As presented
Right of use asset (property and equipment)	-	113,389,314	113,389,314
Other Assets (prepayments)	7,740,180	(7,740,180)	-
Net impact on total assets		<u>105,649,134</u>	
Lease liabilities		110,973,518	110,973,518
Net impact on total liabilities		110,973,518	2,415,796
Retained earnings		-	-
Total impact on total liabilities and equity		110,973,518	

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

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

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

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

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

**4 Critical accounting estimates and judgments**

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

**5 FINANCIAL RISK MANAGEMENT**

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

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

		(Un-Audited) 30 September 2019	(Audited) 31 December 2018
	Note	-----Rupees-----	
<b>6</b>	<b>CASH AND BALANCES WITH TREASURY BANKS</b>		
	<b>In hand</b>		
	Local currency	50,000	30,880
	<b>With State Bank of Pakistan in</b>		
	Local currency current account	6.1 10,754,325	61,128,823
	<b>With National Bank of Pakistan in</b>		
	Local currency current account	1,013,768	1,426,370
		<u>11,818,093</u>	<u>62,586,073</u>
<b>6.1</b>	This includes the minimum cash reserve required to be maintained with SBP, in accordance with the requirements of DMMD Circular No. 21 dated 05 October 2012.		
		(Un-Audited) 30 September 2019	(Audited) 31 December 2018
		-----Rupees-----	
<b>7</b>	<b>BALANCES WITH OTHER BANKS</b>		
	<b>In Pakistan</b>		
	In deposit account - Local Currency	7.1 15,659,019	56,444,160
	In deposit account - Foreign Currency	7.2 2,029,038,000	1,496,765,155
	In current account - Foreign Currency	478,655	-
		<u>2,045,175,674</u>	<u>1,553,209,315</u>
<b>7.1</b>	These carry interest rates ranging from 7.06% to 11.25% (2018 : 2.4% to 8%) per annum.		
<b>7.2</b>	This represents foreign currency term deposits of USD 7.41 million and USD 5.58 million with banks carrying markup rate of 3.50% to 4 % (2018: 7.55%) per annum and will mature on 26 December 2019 and 10 January 2020, respectively.		

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

8 INVESTMENTS

8.1 Investments by type	(Un-Audited) 30 September 2019				(Audited) 31 December 2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	-----Rupees-----				-----Rupees-----			
Available-for-sale securities								
Federal Government Securities	20,132,228,729	-	19,721,896	20,151,950,625	5,872,787,000	-	75,803,375	5,948,590,375
Shares	27,333,834	-	-	27,333,834	54,786,014	-	828,298	55,614,312
Non Government Debt Securities	3,026,353,697	(369,434,062)	(7,435,674)	2,649,483,961	3,053,557,042	(369,434,062)	21,068,678	2,705,191,658
	23,185,916,260	(369,434,062)	12,286,222	22,828,768,420	8,981,130,056	(369,434,062)	97,700,351	8,709,396,345
Associates	1,203,892,651	-	-	1,203,892,651	1,266,802,633	-	-	1,266,802,633
<b>Total Investments</b>	<b>24,389,808,911</b>	<b>(369,434,062)</b>	<b>12,286,222</b>	<b>24,032,661,071</b>	<b>10,247,932,689</b>	<b>(369,434,062)</b>	<b>97,700,351</b>	<b>9,976,198,978</b>
8.2 Investments by segments								
Federal Government Securities								
Market Treasury Bills	19,257,228,729	-	(1,256,229)	19,255,972,500	4,935,287,000	-	(166,000)	4,935,121,000
Ijarah Sukuks	875,000,000	-	20,978,125	895,978,125	937,500,000	-	75,969,375	1,013,469,375
	20,132,228,729	-	19,721,896	20,151,950,625	5,872,787,000	-	75,803,375	5,948,590,375
Shares:								
Listed Companies	27,333,834	-	-	27,333,834	54,786,014	-	828,298	55,614,312
Non Government Debt Securities								
Listed	261,165,000	-	-	261,165,000	261,165,000	-	-	261,165,000
Unlisted	2,765,188,697	(369,434,062)	(7,435,674)	2,388,318,961	2,792,392,042	(369,434,062)	21,068,678	2,444,026,658
	3,026,353,697	(369,434,062)	(7,435,674)	2,649,483,961	3,053,557,042	(369,434,062)	21,068,678	2,705,191,658
Associates								
Pakistan Stock Exchange Limited	891,586,822	-	-	891,586,822	969,610,517	-	-	969,610,517
Central Depository Company of Pakistan Limited	312,305,829	-	-	312,305,829	297,192,116	-	-	297,192,116
<b>Total Investments</b>	<b>24,389,808,911</b>	<b>(369,434,062)</b>	<b>12,286,222</b>	<b>24,032,661,071</b>	<b>10,247,932,689</b>	<b>(369,434,062)</b>	<b>97,700,351</b>	<b>9,976,198,978</b>

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

	(Un-Audited) 30 September 2019	(Audited) 31 December 2018
-----Rupees-----		
8.2.1 Investments given as collateral		
Market Treasury Bills	<u>6,015,710,700</u>	<u>2,814,011,200</u>
8.3 Provision for diminution in value of investments		
8.3.1 Opening balance	369,434,062	369,434,062
Charge / (Reversal) for the period	-	-
Closing Balance	<u>369,434,062</u>	<u>369,434,062</u>

	(Un-Audited) 30 September 2019		(Audited) 31 December 2018	
-----Rupees-----				
8.3.2 Particulars of provision against debt securities	NPI	Provision	NPI	Provision
Category of classification				
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	<u>369,434,062</u>	<u>369,434,062</u>	<u>369,434,062</u>	<u>369,434,062</u>
<b>Total</b>	<u>369,434,062</u>	<u>369,434,062</u>	<u>369,434,062</u>	<u>369,434,062</u>

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

**8.4 Investment in Pakistan Stock Exchange Limited**

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

The market value of PSX as at 30 September 2019 was Rs. 8.43 per share, which is below the purchase price of Rs. 28 per share. The management believes that the decline in market value as at the reporting date is significant. The management has conducted an impairment assessment of its equity investment as at 30 June 2019 and recorded further impairment of Rs. 78.35 million in these condensed interim financial statements. The recoverable amount for equity investment in PSX is based on value-in-use calculations which require the use of assumptions.

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

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

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

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

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

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



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

9 ADVANCES

	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)
	Performing		Non Performing		Total	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	-----Rupees-----					
Loans, cash credits, running finances, etc.	5,106,013,863	6,963,590,249	1,294,468,366	815,163,564	6,400,482,229	7,778,753,813
Islamic Financing and related assets	358,717,119	384,739,215	-	-	358,717,119	384,739,215
Advances - gross	<u>5,464,730,982</u>	<u>7,348,329,464</u>	<u>1,294,468,366</u>	<u>815,163,564</u>	<u>6,759,199,348</u>	<u>8,163,493,028</u>
Provision against advances						
- Specific	-	-	547,353,044	397,439,324	547,353,044	397,439,324
- General	107,850,810	145,865,933	-	-	107,850,810	145,865,933
	<u>107,850,810</u>	<u>145,865,933</u>	<u>547,353,044</u>	<u>397,439,324</u>	<u>655,203,854</u>	<u>543,305,257</u>
Advances - net of provision	<u>5,356,880,172</u>	<u>7,202,463,531</u>	<u>747,115,322</u>	<u>417,724,240</u>	<u>6,103,995,494</u>	<u>7,620,187,771</u>

9.1 Particulars of advances (Gross)

In local currency

	(Un-Audited)	(Audited)
	30 September 2019	31 December 2018
	-----Rupees-----	
	6,759,199,348	8,163,493,028
	<u>6,759,199,348</u>	<u>8,163,493,028</u>

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

9.2 Advances include Rs.1,294.5 million (2018: Rs.815.2 million) which have been placed under non-performing status as detailed below:-

Category of Classification	(Un-Audited) 30 September 2019		(Audited) 31 December 2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
-----Rupees-----				
Domestic				
Other Assets Especially Mentioned	518,679,802	-	-	-
Substandard	-	-	190,000,000	47,500,000
Doubtful	232,000,000	34,776,480	312,000,000	36,775,760
Loss	543,788,564	512,576,564	313,163,564	313,163,564
	<u>1,294,468,366</u>	<u>547,353,044</u>	<u>815,163,564</u>	<u>397,439,324</u>

9.3 Particulars of provision against advances	(Un-Audited) 30 September 2019			(Audited) 31 December 2018		
	Specific	General (Note 9.3.1)	Total	Specific	General	Total
-----Rupees-----						
Opening balance	397,439,324	145,865,933	543,305,257	313,163,564	160,480,893	473,644,457
Charge for the period	189,288,720	-	189,288,720	84,275,760	-	84,275,760
Reversals	(39,375,000)	(38,015,123)	(77,390,123)	-	(14,614,960)	(14,614,960)
	149,913,720	(38,015,123)	111,898,597	84,275,760	(14,614,960)	69,660,800
Closing balance	<u>547,353,044</u>	<u>107,850,810</u>	<u>655,203,854</u>	<u>397,439,324</u>	<u>145,865,933</u>	<u>543,305,257</u>

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

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

The net FSV benefit availed during the period has increased by Rs. 0.7 million (2018: Rs. 119.2 million), which has resulted in decreased charge for the period by the same amount. Had the FSV benefit not increased, before and after tax profit would have been lower by Rs. 0.7 million (2018: Rs. 119.2 million) and Rs. 0.5 million (2018: Rs. 84.6 million) respectively. Unappropriated profit to that extent is not available for distribution by way of cash or stock dividend.

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

	(Un-Audited) 30 September 2019	(Audited) 31 December 2018
Note	-----Rupees-----	
<b>10</b>	<b>FIXED ASSETS</b>	
	4,500,000	4,500,000
Capital work-in-progress	297,541,006	182,845,540
Property and equipment	<u>302,041,006</u>	<u>187,345,540</u>
<b>10.1</b>	<b>Capital work-in-progress</b>	
	4,500,000	4,500,000
Advances to suppliers	<u>4,500,000</u>	<u>4,500,000</u>
<b>10.2</b>	<b>Additions to fixed assets</b>	
	For the nine months ended	
	30 September 2019	30 September 2018
	-----Rupees-----	
	The following additions have been made to fixed assets during the period:	
	134,058,785	-
Right of use assets (leased buildings)	2,642,544	81,284
Furniture and fixture	1,880,270	1,061,644
Electrical office and computer equipment	3,997,500	21,408,428
Vehicles	<u>142,579,099</u>	<u>22,551,356</u>
Total	<u>142,579,099</u>	<u>22,551,356</u>
<b>11</b>	<b>INTANGIBLE ASSETS</b>	
	97,291	239,762
Computer Software	<u>97,291</u>	<u>239,762</u>
<b>12</b>	<b>DEFERRED TAX ASSETS</b>	
	<b>Deductible Temporary Differences on</b>	
- Post retirement employee benefits	2,170,033	5,833,630
- Provision for diminution in the value of available-for-sale investments	107,135,878	103,441,537
- Provision against advances, off balance sheet etc.	72,548,796	38,715,507
- Lease liability against right of use assets	32,182,320	-
- Impairment loss on available for sale investments	89,935,677	68,591,175
	<u>303,972,704</u>	<u>216,581,849</u>
	<b>Taxable Temporary Differences on</b>	
- Surplus on revaluation of investments	(1,842,935)	(14,530,808)
- Accrued Interest on Market Treasury Bills	(42,425,959)	(7,121,550)
- Share of profit of associated companies	(10,353,035)	(8,035,797)
- Unrealized exchange gain	(215,893,428)	(155,116,775)
- Accelerated tax depreciation	(28,741,644)	5,120,268
	<u>(299,257,001)</u>	<u>(179,684,662)</u>
	<u>4,715,703</u>	<u>36,897,187</u>
<b>13</b>	<b>OTHER ASSETS</b>	
Income / mark-up accrued in local currency	356,769,558	217,170,834
Income / mark-up accrued in foreign currency	17,994,047	313,905
Advances, deposits, advance rent and other prepayments	16,016,296	43,361,810
Receivable against consultancy services	3,000,000	4,172,474
Advance against shares	111,720,000	11,000,000
Advance taxation (payments less provisions)	59,152,318	48,105,802
Receivable from provident fund	274,826	1,349,047
Others	1,140,975	95,761
	<u>566,068,020</u>	<u>325,569,633</u>

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

14	BORROWINGS	Note	(Un-Audited) 30 September 2019	(Audited) 31 December 2018
	Secured		-----Rupces-----	
	Borrowings from State Bank of Pakistan Renewable Energy Power Projects	14.1	<u>107,369,811</u>	<u>123,475,281</u>
			107,369,811	123,475,281
	Repurchase agreement borrowings	14.2	6,013,254,500	2,813,207,540
	Other borrowings	14.3	<u>200,000,000</u>	<u>200,000,000</u>
	<b>Total secured</b>		<u>6,320,624,311</u>	<u>3,136,682,821</u>
	Unsecured			
	Borrowing from financial institutions	14.4	<u>9,713,773,596</u>	<u>1,044,000,000</u>
	<b>Total unsecured</b>		<u>9,713,773,596</u>	<u>1,044,000,000</u>
			<u>16,034,397,907</u>	<u>4,180,682,821</u>

- 14.1 This represents SBP Refinance Facility under Finance Scheme for Renewable Energy Power Projects (REPP) for developing and encouraging the private sector participation in small renewable energy power projects. The loan availed under the said scheme shall be payable in a maximum of 10 years with an inclusive grace period of maximum of 2 years at a concessional SBP service rate of 2.00%.
- 14.2 These are secured against pledge of Government securities having maturity upto 1-4 days (2018: 2 days). These carry markup rates of Rs. 13.42% to 13.75% (2018: 10.10% to 10.15%)
- 14.3 This represents first draw down from Term Loan Facility of Rs. 2 billion from a commercial bank payable in maximum of 4 years with an inclusive grace period of maximum of 2 years. Markup payable is on quarterly basis at the rate of 3MK + 0.15% per annum. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company for Rs. 2,667 million inclusive of 25% margin.
- 14.4 This represent unsecured borrowings from financial institutions carrying markup rate of 13.00% to 13.50% (2018: 10.10%) per annum having maturity from 30-83 days (2018: 2 days)

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

15 OTHER LIABILITIES	Note	(Un-Audited)	(Audited)
		30 September 2019	31 December 2018
		-----Rupees-----	
Mark-up / return / interest payable in local currency		376,942,748	164,566,067
Accrued expenses		10,643,508	31,847,425
Withholding tax / sales tax payable		395,922	987,089
Payable to defined benefit plan		7,482,871	20,834,393
Payable to Employees Old Age Benefit Institution		-	29,640
Lease liability against right-of-use assets	15.1	110,973,518	-
Others		1,099,449	1,986,544
		<u>507,538,016</u>	<u>220,251,158</u>

15.1 LEASE LIABILITY AGAINST RIGHT OF USE ASSETS

	(Un-Audited)			(Audited)		
	30 September 2019			31 December 2018		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	-----Rupees-----			-----Rupees-----		
Not later than one year	57,754,815	5,751,299	52,003,516	-	-	-
Later than one year and up to five years	62,525,302	3,555,300	58,970,002	-	-	-
Over five years	-	-	-	-	-	-
	<u>120,280,117</u>	<u>9,306,599</u>	<u>110,973,518</u>	<u>-</u>	<u>-</u>	<u>-</u>

16 ADVANCE AGAINST ISSUE OF SHARES

This represents difference between amount received from MOF of Rs. 300,000,000 and shares issued to MOF amounting to Rs. 290,118,770. The shares were issued in the ratio of 50:50 to both the sponsors. As approved by the BOD meeting held on 27 September 2019, this amount will be adjusted against next tranche of equity injection.

17 SURPLUS ON REVALUATION OF ASSETS	Note	(Un-Audited)	(Audited)
		30 September 2019	31 December 2018
		-----Rupees-----	
Surplus on revaluation of			
- Available for sale securities	8.1	12,286,222	97,700,351
Deferred tax on surplus on revaluation of:			
- Available for sale securities		<u>(1,842,933)</u>	<u>(14,530,807)</u>
		10,443,289	83,169,544
Company's share of equity-accounted investees' OCI:			
- Change in fair value of available-for-sale financial assets - net of tax		<u>(128,398)</u>	<u>(128,398)</u>
		<u>10,314,891</u>	<u>83,041,146</u>

18 CONTINGENCIES AND COMMITMENTS

Guarantees	18.1	654,499,952	816,765,400
Commitments	18.2	<u>6,650,519,171</u>	<u>2,872,062,860</u>
		<u>7,305,019,123</u>	<u>3,688,828,260</u>
18.1 Guarantees			
Financial guarantees		<u>654,499,952</u>	<u>816,765,400</u>
18.2 Commitments			
Documentary credits and short term trade related transactions			
Letters of credit		85,667,600	14,563,142
Commitments in respect of forward government securities transactions			
Purchase		6,015,710,700	2,814,011,200
Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend	18.2.1	547,640,871	41,988,518
Commitment for acquisition of intangible assets		<u>1,500,000</u>	<u>1,500,000</u>
		<u>6,650,519,171</u>	<u>2,872,062,860</u>

18.2.1 Commitments to extend credits

The Company makes commitments to extend credit in the normal course of its business, but these being revocable commitments, normally do not attract any significant penalty or expense if the facility is unilaterally withdrawn. As at date of statement of financial position, however, the Company's outstanding irrevocable commitments amount to Rs. 547.6 million (2018: Rs. 42.0 million).



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

	Note	(Un-Audited)	
		For the nine months ended	
		30 September 2019	30 September 2018
-----Rupees-----			
<b>19 MARK-UP/RETURN/INTEREST EARNED</b>			
On loans and advances		620,269,346	524,557,470
On Investments		687,703,461	256,784,012
On balances with banks		100,787,497	46,860,303
On securities purchased under resale agreement		81,982,682	61,018,031
		<u>1,490,742,986</u>	<u>889,219,816</u>
<b>20 MARK-UP/RETURN/INTEREST EXPENSED</b>			
On borrowings		238,239,649	32,892,441
On securities sold under repurchase agreements		28,994,365	68,698,690
On liabilities against assets subject to finance lease		7,285,563	-
		<u>274,519,577</u>	<u>101,591,131</u>
<b>21 FEE &amp; COMMISSION INCOME</b>			
Credit related fee		9,581,192	15,772,398
Commission on letter of credits		1,487,920	515,250
Commission on guarantees		2,866,750	1,495,000
Investment banking fees		9,915,850	8,568,559
		<u>23,851,712</u>	<u>26,351,207</u>
<b>22 GAIN ON SECURITIES</b>			
Realized	22.1	529,600	47,815,610
<b>22.1 Realized gain on:</b>			
Federal Government Securities		506,000	(6,830)
Shares		23,600	47,821,586
Non Government Debt Securities		-	854
		<u>529,600</u>	<u>47,815,610</u>
<b>23 OTHER INCOME</b>			
Rent on property		8,493,569	8,100,355
Gain on sale of fixed assets-net		4,422,768	1,230,719
		<u>12,916,337</u>	<u>9,331,074</u>
<b>24 OPERATING EXPENSES</b>			
Total Compensation expenses		240,296,156	177,219,284
Property expense			
Rent and taxes		8,590,200	22,381,044
Insurance		64,800	66,087
Utilities cost		3,968,127	3,732,940
Security		2,880,138	2,410,064
Repair and maintenance		4,385,933	1,493,197
Depreciation		21,868,010	1,198,539
		41,757,208	31,281,871
Information technology expenses			
Software maintenance		757,478	722,065
Amortization		142,471	180,979
Network charges		979,830	964,530
		1,879,779	1,867,574

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

	Note	(Un-Audited)	
		30 September 2019	30 September 2018
-----Rupees-----			
<b>Other operating expenses</b>			
Directors' fees and allowances		2,485,560	2,035,836
Legal and professional charges		5,943,113	3,340,304
Outsourced services costs		5,404,214	4,459,218
Travelling and conveyance		27,429,441	17,498,278
Insurance		3,485,579	1,701,613
Repair and maintenance		706,537	1,213,129
Depreciation		6,000,464	5,533,859
Training and development		1,106,572	835,511
Utilities		588,486	320,929
Communication		2,083,366	1,895,476
Stationery and printing		2,256,612	1,930,227
Marketing, advertisement and publicity		1,360,386	827,003
Auditors remuneration		1,209,494	1,290,000
Bank charges		302,777	288,106
Entertainment		3,389,562	2,110,445
Miscellaneous		2,588,303	2,317,631
		66,340,466	47,597,565
		<u>350,273,609</u>	<u>257,966,294</u>
<b>25 OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		-	120,000
<b>26 PROVISIONS AND WRITE OFFS - NET</b>			
Provisions against loans & advances	9,3	111,898,597	9,056,684
Impairment loss on shares		105,810,425	2,839,897
		<u>217,709,022</u>	<u>11,896,581</u>
<b>27 TAXATION</b>			
<b>For the Year</b>			
Current		200,645,320	162,302,414
Deferred		45,018,664	40,327,633
<b>For the prior year</b>			
Current		-	25,319,832
		<u>245,663,984</u>	<u>227,949,879</u>

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

**27.1 Tax status**

- 27.1.1** For the Tax Year 2011, a tax demand of Rs. 109.219 million was raised by Assistant Commissioner Inland Revenue (the "ACIR") by disallowing provision for bad debts, provision against non-performing loan and advances, credit for an installment of advance tax and Worker's Welfare Fund. Subsequently, the assessment was rectified. The Company had paid Rs. 15.109 million under protest and preferred an appeal before CIR(A). The CIR (A) decided the appeal in the favor of the Company and the tax deposited under protest returned to refund. The instant refund was adjusted against tax demand for tax year 2014. However, the department has filed an appeal before ATIR against appellate order of CIR(A). The hearing of this appeal is yet to be fixed by ATIR.
- 27.1.2** For the Tax Year 2013, a tax demand of Rs. 95.01 million was raised by the Taxation Officer by disallowing provision for non performing loans, profit on debt, other provisions and charging Workers Welfare Fund. The CIR (A) upheld the orders of the assessing officer. The Company filed appeal before ATIR against the order of CIR (A) and ATIR upheld the contentions of the appellate orders of the CIR (A). Returned refund of Rs. 15 million pertaining to tax year 2011 was adjusted against the instant demand and PCICL paid balance amount of Rs. 49 million under protest. The Company filed writ petition before High Court, which is yet to be fixed for hearing.
- 27.1.3** For the Tax Year 2014 and 2015, assessment was amended by the ACIR in terms of Section 122 of the Ordinance, creating an aggregate tax demand amounting PKR 128 million on Provisions, Apportionment, super tax and default surcharge. PCICL submitted appeal before the CIR(A) on the amended assessment order which has been disposed of in favor of tax department. Later PCICL attained stay form tax department and upon the expiry of stay, payment of Rs. 38.5 million was made to tax department as a cumulative payment for all the pending issues pertaining to tax year 2014 and 2015. PCICL pleaded for further stay and a stay of 40 days was extended by ATIR. PCICL filed writ petition for interim relief before High court. The High Court has granted the stay recovery for outstanding demand and also restrained the tax department to take extreme measures. However, the main appeal is pending for fixation by ATIR and the order is expected to be partially in favor of PCICL.
- 27.1.4** For the Tax Year 2016, a tax demand of Rs. 82.54 million has been raised by the Taxation Officer mainly by disallowing provision against non-performing loans, suspended markup, disallowance of expenses attributable to capital gain, contending short payment of super tax and claim of tax credit. The CIR(A) has disposed of the appeal and major portion of the demand has been confirmed while disallowance of the tax credits is remanded back. Additional Commissioner (IR) without allowing tax credits issued a notice for payment of tax liability. Stay was rejected by CIR (Appeals) against order of Additional Commissioner (IR). Company has filed stay application before Appellant Tribunal against order of CIR (Appeals). ATIR granted stay till the disposal of main appeal.
- 27.1.5** On the basis of opinion of its tax advisor and appellate history, the Company's management is confident of a favorable resolution of these matters and hence no provision has been made in these condensed interim un-audited financial statements.

**28 BASIC AND DILUTED EARNINGS PER SHARE**

(Un-Audited)  
For the nine months ended  
30 September 2019    30 September 2018  
-----Rupees-----

Profit for the period - Rupees	645,994,677	531,463,999
Weighted average number of ordinary shares - Numbers	926,742,073	911,640,000
Basic earnings per share - Re	0.70	0.58
<b>29 CASH AND CASH EQUIVALENTS</b>		
Cash and balance with treasury banks	11,818,093	25,247,724
Balance with other banks	2,045,175,674	1,331,470,909
	2,056,993,767	1,356,718,633

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

30 FAIR VALUE MEASUREMENTS

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

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

30.1 Fair value of financial assets

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

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

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

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

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

Carrying value	As of 30 September 2019 (Un-Audited)				
	Level 1	Level 2	Level 3	Total	
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
<b>Investments</b>					
Federal Government Securities	20,151,950,625	-	20,151,950,625	-	20,151,950,625
Shares	27,333,834	27,333,834	-	-	27,333,834
Non-Government Debt Securities	1,128,304,326	261,165,000	867,139,326	-	1,128,304,326
	<u>21,307,588,785</u>	<u>288,498,834</u>	<u>21,019,089,951</u>	<u>-</u>	<u>21,307,588,785</u>
<b>Financial assets - disclosed but not measured at fair value</b>					
<b>Investments</b>	<u>1,890,613,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>23,198,202,482</u>	<u>288,498,834</u>	<u>21,019,089,951</u>	<u>-</u>	<u>21,307,588,785</u>

Carrying value	As of 31 December 2018 (Audited)				
	Level 1	Level 2	Level 3	Total	
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
<b>Investments</b>					
Federal Government Securities	5,948,590,375	-	5,948,590,375	-	5,948,590,375
Shares	55,614,312	55,614,312	-	-	55,614,312
Non-Government Debt Securities	1,157,018,678	261,165,000	895,853,678	-	1,157,018,678
	<u>7,161,223,365</u>	<u>316,779,312</u>	<u>6,844,444,053</u>	<u>-</u>	<u>7,161,223,365</u>
<b>Financial assets - disclosed but not measured at fair value</b>					
<b>Investments</b>	<u>1,917,607,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>9,078,830,407</u>	<u>316,779,312</u>	<u>6,844,444,053</u>	<u>-</u>	<u>7,161,223,365</u>

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

Federal Government Securities	MUFAP
Listed Securities	Market Prices
Non-Government Debt Securities	MUFAP

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

31 SEGMENT INFORMATION

31.1 Segment Details with respect to Business Activities

As of 30 September 2019 (Un-Audited)

	Corporate Finance	Trading & Sales	Others	Total
<b>Profit &amp; Loss</b>	-----Rupees-----			
Net mark-up/return/profit	920,541,230	300,833,882	(5,151,702)	1,216,223,410
Inter segment revenue - net	-	-	-	-
Non mark-up income	39,523,932	190,977,614	12,916,337	243,417,883
Total Income	960,065,162	491,811,496	7,764,635	1,459,641,293
Segment direct expenses	(39,212,995)	(12,945,663)	(298,114,951)	(350,273,609)
Provisions	(217,709,022)	-	-	(217,709,022)
Profit before tax	703,143,145	478,865,833	(290,350,316)	891,658,662

As of 30 September 2019 (Un-Audited)

	Corporate Finance	Trading & Sales	Others	Total
<b>Balance Sheet</b>	-----Rupees-----			
Cash & Bank balances	871,289	2,056,072,478	50,000	2,056,993,767
Lendings to financial institutions	-	-	-	-
Investments	4,776,688,571	19,255,972,500	-	24,032,661,071
Advances				
Performing	4,736,673,088	-	72,854,040	4,809,527,128
Non-performing	1,294,468,366	-	-	1,294,468,366
Others	548,047,828	18,020,192	306,854,000	872,922,020
<b>Total Assets</b>	11,356,749,142	21,330,065,170	379,758,040	33,066,572,352
Borrowings	16,034,397,907	-	-	16,034,397,907
Liabilities against assets subject to finance lease	-	-	-	-
Others	376,942,748	-	130,595,268	507,538,016
<b>Total liabilities</b>	16,411,340,655	-	130,595,268	16,541,935,923
Equity	-	-	16,524,636,429	16,524,636,429
<b>Total Equity &amp; liabilities</b>	16,411,340,655	-	16,655,231,697	33,066,572,352
<b>Contingencies &amp; Commitments</b>	7,305,019,123	-	-	7,305,019,123



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

Nine Months Ended 30 September 2018 (Un-Audited)

	Corporate Finance	Trading & Sales	Others	Total
<b>Profit &amp; Loss</b>	-----Rupees-----			
Net mark-up/return/profit	617,410,518	168,856,806	1,361,361	787,628,685
Inter segment revenue - net	-	-	-	-
Non mark-up income	88,070,972	144,366,022	9,331,074	241,768,068
Total Income	705,481,490	313,222,828	10,692,435	1,029,396,753
Segment direct expenses	(75,950,020)	(9,823,569)	(172,312,705)	(258,086,294)
Provisions	(11,896,581)	-	-	(11,896,581)
Profit before tax	617,634,889	303,399,259	(161,620,270)	759,413,878

As of 31 December 2018 (Audited)

	Corporate Finance	Trading & Sales	Others	Total
<b>Balance Sheet</b>	-----Rupees-----			
Cash & Bank balances	1,623,813	1,614,140,695	30,880	1,615,795,388
Investments	5,041,077,978	4,935,121,000	-	9,976,198,978
Advances				
Performing	6,749,327,834	-	55,696,372	6,805,024,207
Non-Performing	815,163,564	-	-	815,163,564
Others	237,319,207	315,890	312,417,025	550,052,122
<b>Total Assets</b>	12,844,512,396	6,549,577,585	368,144,277	19,762,234,258
Borrowings	323,475,281	3,857,207,540	-	4,180,682,821
Others	163,497,009	1,069,058	55,685,091	220,251,158
<b>Total liabilities</b>	486,972,290	3,858,276,598	55,685,091	4,400,933,979
Equity	-	-	15,361,300,280	15,361,300,280
<b>Total Equity &amp; liabilities</b>	486,972,290	3,858,276,598	15,416,985,371	19,762,234,259
<b>Contingencies &amp; Commitments</b>	3,688,828,260	-	-	3,688,828,260

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

**32 RELATED PARTY TRANSACTIONS**

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

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

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

	30 September 2019 (Un-Audited)				31 December 2018 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
<b>Lendings to financial institutions</b>	<b>Rupees</b>							
Opening balance	-	-	-	-	-	-	-	-
Addition during the period / year	-	-	27,336,899,956	-	-	-	48,473,938,289	-
Repaid during the period / year	-	-	(27,336,899,956)	-	-	-	(48,473,938,289)	-
Closing balance	-	-	-	-	-	-	-	-
<b>Investments</b>								
Opening balance	-	1,383,067,240	-	-	-	1,383,067,240	-	-
Investment made during the period / year	-	100,720,000	-	-	-	-	-	-
Investment disposed off during the period / year	-	-	-	-	-	-	-	-
Closing balance	-	1,483,787,240	-	-	-	1,383,067,240	-	-
<b>Advances</b>								
Opening balance	24,513,896	-	-	-	14,631,586	-	30,000,000	-
Addition during the period / year	15,642,935	-	-	-	11,211,996	-	-	-
Repaid during the period / year	(1,533,439)	-	-	-	(1,329,686)	-	(30,000,000)	-
Closing balance	38,623,392	-	-	-	24,513,896	-	-	-

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

	30 September 2019 (Un-Audited)				31 December 2018 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
<b>Other Assets</b>	<b>Rupees</b>							
Interest / mark-up accrued	-	-	-	-	-	-	-	-
Receivable from staff retirement fund	-	-	-	-	-	-	-	1,349,047
Other receivable	825,473	1,621,489	-	1,972,676	512,277	1,980,186	-	19,468,680
	<u>825,473</u>	<u>1,621,489</u>	<u>-</u>	<u>1,972,676</u>	<u>512,277</u>	<u>1,980,186</u>	<u>-</u>	<u>20,817,727</u>
<b>Borrowings</b>								
Opening balance	-	-	-	-	-	-	-	1,159,928,000
Borrowings during the period / year	-	-	-	1,348,638,120	-	-	-	16,645,644,066
Settled during the period / year	-	-	-	(1,348,638,120)	-	-	-	(17,805,572,066)
Closing balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Liabilities</b>								
Interest / mark-up payable	-	-	-	-	-	-	-	-
Payable to staff retirement fund	-	-	-	7,482,871	-	-	-	20,834,393
Other liabilities	-	-	7,362	85,436,579	-	-	112,522	-
	<u>-</u>	<u>-</u>	<u>7,362</u>	<u>92,919,450</u>	<u>-</u>	<u>-</u>	<u>112,522</u>	<u>20,834,393</u>
<b>Contingencies and Commitments</b>								
Letter of guarantee	-	-	-	-	-	-	-	300,000,000
Other contingencies	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000,000</u>

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

RELATED PARTY TRANSACTIONS

	30 September 2019 (Un-Audited)				30 September 2018 (Un-Audited)			
	Director	Key management personnel	Associates	Other related parties	Director	Key management personnel	Associates	Other related parties
	Rupees							
<b>Income</b>								
Mark-up / return / interest earned	-	1,148,597	-	11,805,662	-	603,617	-	12,623,972
Fee and commission income	-	-	-	5,729,850	-	-	-	-
Dividend income	-	-	-	-	-	-	-	-
Net gain on sale of securities	-	-	-	-	-	-	-	13,771,500
Share of profit of associates	-	-	-	-	-	-	-	-
<b>Expense</b>								
Mark-up / return / interest paid	217,588	-	-	9,082,068	-	-	-	2,768,316
<b>Operating expenses</b>								
Charge for defined benefit plan	1,952,523	4,147,212	-	-	2,592,252	2,779,511	-	-
Charge for contribution Plan	2,008,956	1,543,067	-	-	1,747,281	1,149,243	-	-
Salaries	31,231,122	25,513,243	-	-	26,913,507	18,962,516	-	-
Bonuses	7,096,393	5,434,576	-	-	4,290,857	4,469,000	-	-
Overseas allowances	4,668,909	-	-	-	3,772,873	-	-	-
Leave fair assistance & Encashment	3,402,745	2,158,591	-	-	2,093,970	1,815,500	-	-
Tax borne by employer	12,756,098	-	-	-	5,895,145	-	-	-
Others	23,300,704	10,934,465	-	1,762,431	8,116,524	7,971,950	-	1,644,672
Rent	353,391	-	-	-	976,394	-	-	15,280,650
Depreciation expense on lease hold building	771,619	-	-	-	-	-	-	-
CDC Charges paid	-	-	600,826	-	-	-	476,180	-

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

32.2 MD/DMD and key management personals are also entitled to the benefit of defined benefit plan. The defined benefit obligation is calculated as defined in note 4.11 of annual financial statements.

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

	(Un-Audited)	(Audited)
	30 September 2019	31 December 2018
	-----Rupees-----	
<b>33 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>33.1 Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	<u>9,696,637,540</u>	<u>9,116,400,000</u>
<b>33.2 Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	14,857,479,000	13,546,919,000
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>14,857,479,000</u>	<u>13,546,919,000</u>
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	9,284,322,000	11,158,217,000
Market Risk	2,745,790,000	2,172,891,000
Operational Risk	2,186,427,000	2,186,352,000
Total	<u>14,216,539,000</u>	<u>15,517,460,000</u>
<b>Common Equity Tier 1 Capital Adequacy ratio</b>	<u>104.51%</u>	<u>87.30%</u>
<b>Tier 1 Capital Adequacy Ratio</b>	<u>104.51%</u>	<u>87.30%</u>
<b>Total Capital Adequacy Ratio</b>	<u>104.51%</u>	<u>87.30%</u>
<b>33.3 Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	14,857,479,000	13,546,919,000
Total Exposures	<u>38,715,579,000</u>	<u>23,505,949,000</u>
Leverage Ratio	<u>38.38%</u>	<u>57.63%</u>
<b>33.4 Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	16,417,665,820	4,973,038,330
Total Net Cash Outflow	<u>80,880,240</u>	<u>833,378,271</u>
Liquidity Coverage Ratio	<u>20299%</u>	<u>597%</u>
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	17,051,518,185	15,824,253,281
Total Required Stable Funding	<u>14,531,204,334</u>	<u>7,231,224,214</u>
Net Stable Funding Ratio	<u>117%</u>	<u>219%</u>

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

**34 GENERAL**

**34.1 Events after the reporting date**

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

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

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

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

**35 RECLASSIFICATION OF COMPARATIVE FIGURES**

**35.1** There have been no significant reclassifications in these condensed interim financial statements except an amount Rs.150 million for the period ended 30 September 2018, which has been reclassified from Non-Interest Income to Interest Income.


**35.2** The SBP vide BPRD Circular No. 5 of 2019 has amended the format of condensed interim financial statements of banks/DFIs. All banks/DFIs are directed to prepare their condensed interim financial statements on the revised format effective from the accounting year beginning on 01 January 2019. Accordingly, the Company has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format has not resulted in significant reclassification of comparative information and accordingly a third statement of financial position as at the beginning of the preceding period has not been presented in accordance with the requirements of International Accounting Standard 1 – Presentation of Financial Statements. The amended format also introduced certain new disclosures and has resulted in the following changes:

- Surplus on revaluation of assets (note 17) amounting to Rs.10.3 million as at 30 September 2019 (2018: Rs 83.0 million) which were previously shown below equity as required by the repealed Companies Ordinance, 1984 has now been included as part of the equity
- Intangibles (note 11) amounting to Rs. 0.097 million (2018: Rs. 0.24 million) which were previously shown as part of fixed assets (note 10) are now shown separately on the statement of financial position.

**36 DATE OF AUTHORIZATION**

These condensed interim financial statements were authorized for issue in the Board of Directors meeting held on 07 NOV 2019

\_\_\_\_\_  
CHAIRMAN

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

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
CFO