

DIRECTORS REVIEW ON CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2020

We are pleased to present on behalf of the Board of Directors, the reviewed financial statements of Pak China Investment Company Limited for the half year ended 30 June 2020 together with Directors' Review thereon.

Operating profit (Profit before provision and taxation) increased to Rs. 888 million during the half year ended 30 June 2020 from Rs. 855 million during last year's comparable period. Profit after tax has almost remained at the same level as that of last half year, decreased merely by 0.5%. Correspondingly, earnings per share stood at Re. 0.54 for the period ended 30 June 2020 as compared to Re. 0.57 per share of comparable prior period.

Net mark-up income increased by Rs. 126 million from Rs. 756 million in the corresponding period of the previous year to Rs. 883 million for the current period. This increase is mainly attributable to increase in policy rate by SBP and diversion of investments to lucrative instruments.

Total Non-mark-up income decreased by Rs. 89 million from Rs. 314 million in the corresponding period of the previous year to Rs. 225 million for the current period. This decrease is mainly attributable to foreign exchange gain of Rs. 282 million during last year however the same was Rs. 170 million for the current half year. However, fee and commission income increased by 11.8% million and gain on sale of securities showed immense growth of Rs. 24 million during current half-year.

Operating expenses increased by only Rs. 8.1 million i.e, 3.6%, majorly due to annual increment impact however due to austerity measures taken by management to absorb COVID-19 pressures, other operating expenses were kept under control.

Provisions against non-performing loans & Impairment losses decreased majorly due to reversal of provision by Rs. 67 million. However the net impact of decrease is set off by increase in specific provisioning by Rs. 77m and impairment of Rs. 54m.

Total assets have decreased by Rs. 3.3 billion majorly due to decrease in investment in MTBs, corresponding impact of which could also be seen in decreased borrowings. Advances however increased by modest 7.5% during the current half year as compared to closing balance at the end of last financial year.

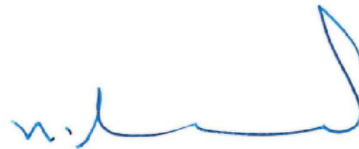
During the period ended 30 June 2020, VIS Credit Rating Company has reaffirmed the entity ratings of the Company as long term AAA and short term A-1+, highest in both categories. The medium to long term rating of AAA denotes highest credit quality, with negligible risk factors, being only slightly more than risk-free debt of Government of Pakistan. The outlook on the assigned rating is Stable.

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

On behalf of the Board of Directors



Wang Baojun
Managing Director



Noor Ahmed
Director



**Building a better
working world**

PAK CHINA INVESTMENT COMPANY LIMITED

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF PAK CHINA INVESTMENT COMPANY LIMITED

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pak China Investment Company Limited ("the Company") as at 30 June 2020, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement, and notes to the condensed interim financial statements for the six-month period then ended (herein-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

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

Conclusion


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

Other matters

The financial statements of the Company for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 09 April 2020. Further, the condensed interim financial statements of the Company for the half year ended 30 June 2019 were reviewed by the same auditor who expressed an unmodified conclusion on 27 September 2019.

The figures for the condensed interim profit and loss account and condensed interim statement of comprehensive income for the three months period ended 30 June 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended 30 June 2020.

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



Chartered Accountants
Place: Islamabad
Date: 28 August 2020

PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		(Un-audited) 30 June 2020	(Audited) 31 December 2019
	Note	-----Rupees-----	
ASSETS			
Cash and balances with treasury banks	6	2,252,198,265	3,176,193,182
Balances with other banks	7	37,587,771	878,417,860
Lendings to financial institutions	8	447,910,998	-
Investments	9	16,274,361,610	19,129,775,724
Advances	10	10,014,628,697	9,286,105,524
Fixed assets	11	253,355,189	276,895,029
Intangible assets	12	640,614	784,906
Deferred tax assets	13	12,517,384	52,515,699
Other assets	14	798,480,318	599,504,225
		30,091,680,846	33,400,192,149
LIABILITIES			
Bills payable		-	-
Borrowings	15	11,484,123,850	16,119,292,987
Deposits and other accounts	16	530,650,000	-
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	17	880,306,162	648,887,229
		12,895,080,012	16,768,180,216
NET ASSETS		17,196,600,834	16,632,011,933
REPRESENTED BY			
Share capital		9,696,637,540	9,696,637,540
Advance against issue of shares		9,881,237	9,881,237
Reserves		1,488,526,872	1,384,606,471
Surplus on revaluation of assets	18	49,738,573	4,751,677
Unappropriated profit		5,951,816,612	5,536,135,008
		17,196,600,834	16,632,011,933

CONTINGENCIES AND COMMITMENTS

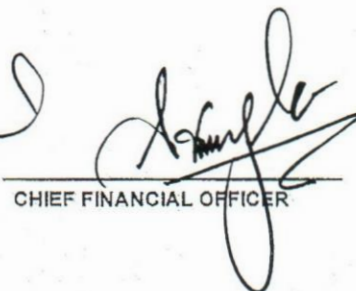
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The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.


MANAGING DIRECTOR


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER


PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2020

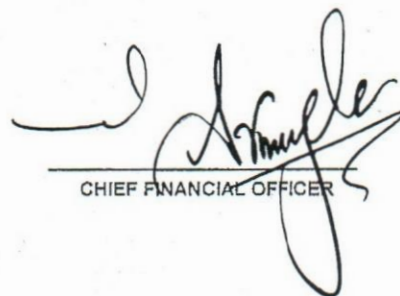
		For the quarter ended		For the half year ended	
		30 June 2020	30 June 2019	30 June 2020	30 June 2019
Note		----- Rupees -----		----- Rupees -----	
Mark-up/ return/ interest earned	20	823,117,411	402,576,323	2,069,007,229	796,450,866
Mark-up/ return/ interest expensed	21	(452,377,014)	(9,449,299)	(1,186,296,594)	(40,178,146)
Net mark-up/ interest income		370,740,397	393,127,024	882,710,635	756,272,720
NON MARK-UP/INTEREST INCOME					
Fee and commission income	22	1,677,907	7,963,916	24,160,283	21,611,401
Dividend income		-	-	-	-
Foreign exchange income		18,641,097	264,803,343	170,459,491	282,082,017
Income / (loss) from derivatives		-	-	-	-
Gain on securities	23	24,459,445	-	24,459,445	506,000
Other income	24	3,004,274	2,721,053	6,053,548	9,986,242
Total non-markup/ interest income		47,782,723	275,488,312	225,132,767	314,185,660
Share in profit of associated companies		6,163,472	6,853,197	19,463,816	15,648,620
Total income		424,686,592	675,468,533	1,127,307,218	1,086,107,000
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	25	131,297,149	126,151,240	239,235,123	230,881,070
Workers welfare fund		-	-	-	-
Other charges	26	-	-	30,000	-
Total non-markup/interest expenses		131,297,149	126,151,240	239,265,123	230,881,070
Profit before provisions		293,389,443	549,317,293	888,042,095	855,225,930
Provisions and write offs - net	27	122,023,660	74,998,699	74,744,054	102,458,781
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		171,365,783	474,318,594	813,298,041	752,767,149
Taxation	28	60,281,094	139,744,619	293,712,259	230,394,375
PROFIT AFTER TAXATION		111,084,689	334,573,975	519,585,782	522,372,774
Basic and diluted earnings per share	29	0.11	0.37	0.54	0.57

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.


MANAGING DIRECTOR


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2020

	For the quarter ended		For the half year ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	----- Rupees -----		----- Rupees -----	
Profit after taxation for the period	111,084,689	334,573,975	519,585,782	522,372,774
Items that will not be reclassified to profit and loss account in subsequent periods:				
Re-measurement loss on defined benefit plan - net of tax	-	119,253	-	119,253
Share of other Comprehensive profit /(loss) from Associate Related tax	19,086 (2,863)	(92,696) 13,904	19,086 (2,863)	(200,357) 30,054
	16,223	(78,792)	16,223	(170,303)
	111,100,912	334,614,436	519,602,005	522,321,724
Items that may be reclassified to profit and loss account in subsequent periods:				
Net change in fair value of available-for-sale securities - net of tax	18,251,014	(19,901,300)	44,986,896	(70,228,714)
Company's share of equity accounted investees' OCI:	-	-	-	-
Available-For-Sale securities financial assets - Net change in fair value	-	-	-	-
	18,251,014	(19,901,300)	44,986,896	(70,228,714)
Total comprehensive income	129,351,926	314,713,136	564,588,901	452,093,010

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.


MANAGING DIRECTOR


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CHIEF FINANCIAL OFFICER

PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2020

	Share capital	Advance against issue of shares	Statutory reserve	Surplus on revaluation of assets	Unappropriated profit	Total
	Rupees					
Balance as at 01 January 2019	9,116,400,000	-	1,232,830,002	83,041,146	4,829,029,132	15,361,300,280
Profit after taxation for the six months ended 30 June 2019	-	-	-	-	522,372,774	522,372,774
Other comprehensive income	-	-	-	(70,228,714)	(51,050)	(70,279,764)
Total comprehensive income	-	-	-	(70,228,714)	522,321,724	452,093,010
Transfer to statutory reserve	-	-	104,464,345	-	(104,464,345)	-
Opening Balance as at 01 July 2019	9,116,400,000	-	1,337,294,347	12,812,432	5,346,866,511	15,813,393,290
Profit after taxation for the six months ended 31 December 2019	-	-	-	-	237,770,454	237,770,454
Other comprehensive income	-	-	-	(8,060,755)	(1,209,833)	(9,270,588)
Total comprehensive income	-	-	-	(8,060,755)	236,560,621	228,499,866
Transfer to statutory reserve	-	-	47,312,124	-	(47,312,124)	-
Transaction with owners recognised directly in equity						
Issue of share capital	580,237,540	-	-	-	-	580,237,540
Advance against issue of shares	-	9,881,237	-	-	-	9,881,237
	580,237,540	9,881,237	-	-	-	590,118,777
Opening Balance as at 01 January 2020	9,696,637,540	9,881,237	1,384,606,471	4,751,677	5,536,135,008	16,632,011,933
Profit after taxation	-	-	-	-	519,585,782	519,585,782
Other comprehensive income	-	-	-	44,986,896	16,223	45,003,119
Total comprehensive income	-	-	-	44,986,896	519,602,005	564,588,901
Transfer to statutory reserve	-	-	103,920,401	-	(103,920,401)	-
Balance as at 30 June 2020	9,696,637,540	9,881,237	1,488,526,872	49,738,573	5,951,816,612	17,196,600,834

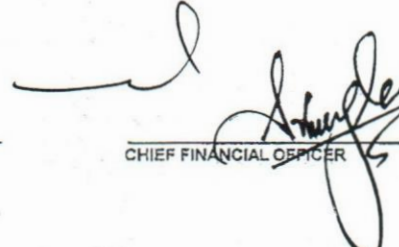
According to BPD Circular No. 15, dated 31 May 2004, issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund, till such time the reserve fund equals the amount of the paid-up capital of the Company, and after that a sum not less than 5% of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

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.


MANAGING DIRECTOR


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER


PAK CHINA INVESTMENT COMPANY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2020

		For the half year ended	
		30 June 2020	30 June 2019
		-----Rupees-----	
	Note		
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		813,298,041	752,767,149
Less: Share of profit from associate companies		(19,463,816)	(15,648,620)
		793,834,225	737,118,529
Adjustments for:			
Depreciation	25	27,897,397	17,773,018
Amortization	25	144,292	97,393
Provision for gratuity		7,073,566	8,819,114
Provision against non-performing loans and advances		20,906,264	(1,221,733)
Impairment loss on available-for-sale investments		53,837,790	103,680,514
Gain on sale of fixed assets		(45,000)	(4,422,768)
Exchange gain		(170,459,491)	(282,082,017)
		(60,645,182)	(157,356,479)
		733,189,043	579,762,050
(Increase) / Decrease in operating assets			
Lendings to financial institutions		(447,910,998)	(1,297,315,640)
Advances		(749,429,437)	1,608,314,148
Others assets (excluding advance taxation)		(204,448,885)	(46,927,537)
		(1,401,789,320)	264,070,971
(Decrease) / Increase in operating liabilities			
Borrowings from financial institutions		(4,635,169,137)	(3,862,576,030)
Liabilities against assets subject to finance lease		2,976,988	120,976,797
Deposits		530,650,000	-
Others liabilities (excluding advance taxation)		231,979,821	(11,176,764)
		(3,869,562,328)	(3,752,775,997)
Contribution to plan assets		(9,622,788)	(4,151,222)
Income tax paid		(260,229,382)	(131,902,915)
Net cash flow used in operating activities		(4,808,014,775)	(3,044,997,113)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment realized during the period - net		2,706,388,397	2,536,811,317
Dividends received		-	-
Capital expenditure		(4,189,421)	(136,930,409)
Proceeds from sale of fixed assets		45,000	4,437,930
Net cash flow generated from investing activities		2,702,243,976	2,404,318,838
CASH FLOW FROM FINANCING ACTIVITIES			
Advance against issue of shares		-	300,000,000
Liabilities against assets subject to finance lease		(13,671,000)	(12,600,000)
Net cash flow (used in) / generated from financing activities		(13,671,000)	287,400,000
Effects of exchange rate changes on cash and cash equivalents		170,459,491	282,082,017
Decrease in cash and cash equivalents		(1,948,982,308)	(71,196,258)
Cash and cash equivalents at beginning of the period		2,024,404,127	119,030,233
Cash and cash equivalents at end of the period	30	75,421,819	47,833,975

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.


MANAGING DIRECTOR


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2020

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

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- 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 under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

Wherever the requirements of the Banking Companies Ordinance 1962, and the Companies Act, 2017 or the directives issued by the State Bank of Pakistan and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

IFRS 8, 'Operating Segments' is effective for the Company's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BPRD Circular No. 2 dated 25 January 2018, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2018. The management of the Company believes that as SBP has defined the segment categorisation in the above mentioned circular, its requirements will prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

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 2019.

2.4 Standards, interpretations of and amendments to existing accounting and reporting standards that have become effective in the current year.

There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that have become applicable to the Company for accounting periods beginning on or after 01 January 2020. These are considered either to not be relevant or not to have any significant impact on the Company's financial statements.

Signature

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2020

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

As per the SBP's BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to DFI's in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021. The impact of the application of IFRS 9 in Pakistan on the Company's financial statements is being assessed.

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 2019.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 2019.

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 2019. These risk management policies continue to remain robust and the Company is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

On 30 January 2020, the World Health Organisation (WHO) declared the outbreak a "Public Health Emergency of International Concern" and on 11 March 2020, the WHO declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many countries, including Pakistan, are taking increasingly stringent steps to help contain the spread of the virus, including requiring self-isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and locking down cities and regions. The COVID - 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 225 basis points to 11% in March 2020 and again by 200 basis points to 9% on 16 April 2020. Further, SBP reduced policy rate between May & June by 200 basis points. Other regulatory measures to provide an impetus to economic activity include the following:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing Banks/DFI's to defer borrowers' principal loan payments by one year; and
- Relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up.

COVID-19 will impact banks / DFIs in Pakistan on a number of fronts including increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as a significant number of the Bank's / DFIs staff is working from home.

5.1 Credit Risk Management

The Risk Management function of the Company is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Company has further strengthened its credit review procedures in the light of COVID-19. The Company is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2020

The Company expects that several borrowers will be severely impacted by this pandemic. Since many of such borrowers have availed the SBP enabled deferment / restructuring & rescheduling relief, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. However, management is confident that the Company's existing general provision on performing loans and advances (refer to note 10.3.1), is sufficient to cater for the credit risk emanating from this pandemic.

5.2 Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and markup and rescheduling of loans there will be an impact on the maturity profile of the Company. The Asset and Liability Committee (ALCO) of the Company is continuously monitoring the liquidity position and the Company is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

5.3 Operational Risk Management

The Company is closely monitoring the situation and has invoked required actions to ensure the safety and security Company's staff and uninterrupted service to customers. The senior management of the Company is continuously monitoring the situation and is taking timely decisions to resolve any concerns.

Business Continuity Plans (BCP) for respective areas are in place and tested. The Company has significantly enhanced monitoring of cybersecurity risk during these times. The remote work capabilities were enabled for staff, where required, and related risk and control measures were assessed to ensure that the Company's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Company has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored and the Company continues to meet the expectations of its employees and customers.

5.4 Capital Adequacy Ratio (CAR)

In order to encourage Company's to continue lending despite anticipated pressure on profits and credit risk, the SBP has relaxed the Capital Conversion Buffer (CCB) requirements to 1.5%, resulting in a 1% decline in CAR requirements for all Tiers.



PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2020

		(Un-audited) 30 June 2020	(Audited) 31 December 2019
6 CASH AND BALANCES WITH TREASURY BANKS	Note	-----Rupees-----	
In hand			
Local currency		50,000	50,000
With State Bank of Pakistan in			
Local currency current account	6.1	37,325,687	9,625,815
With National Bank of Pakistan in			
Local currency current account		279,761	373,452
Local currency deposit account		-	2,000,000,000
Foreign currency current account		178,600	-
Foreign currency deposit account	6.2	2,214,364,217	1,166,143,915
		<u>2,252,198,265</u>	<u>3,176,193,182</u>

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

6.2 This represents a foreign currency term deposit of USD 13,212,197 (2019: USD 7,530,797) carrying markup rate of 4.75% (2019: 4.75%) per annum and will mature on 22 December 2020.

		(Un-audited) 30 June 2020	(Audited) 31 December 2019
7 BALANCES WITH OTHER BANKS	Note	-----Rupees-----	
In Pakistan			
Local currency deposit account	7.1	37,270,804	14,066,354
Foreign currency deposit account		-	864,063,000
Foreign currency current account		316,967	288,506
		<u>37,587,771</u>	<u>878,417,860</u>

7.1 These carry interest at rates ranging from 3.25% to 6.25% (2019 : 7.01 % to 11.25%) per annum.

		(Un-audited) 30 June 2020	(Audited) 31 December 2019
8 LENDINGS TO FINANCIAL INSTITUTIONS	Note	-----Rupees-----	
Repurchase agreement lending (Reverse Repo)	8.1	<u>447,910,998</u>	-

8.1 This is secured against underlying Government securities and carries mark-up at a rate of 7.05% per annum and will mature on 02 July 2020. 

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE CONDENSED INTERM FINANCIAL STATEMENTS (UN-AUDITED)
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9 INVESTMENTS

	(Un-audited) 30 June 2020				(Audited) 31 December 2019			
9.1 Investments by type	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	----- Rupees -----							
Available-for-sale securities								
Federal Government Securities	9,909,516,900	-	54,736,980	9,964,253,880	13,913,486,237	-	(28,859,161)	13,884,627,076
Shares	27,333,834	-	28,043,821	55,377,655	27,333,834	-	22,719,045	50,052,879
Non Government Debt Securities	5,633,397,689	(369,434,062)	(24,463,814)	5,239,499,813	4,507,459,840	(369,434,062)	7,484,841	4,145,510,619
	15,570,248,423	(369,434,062)	58,316,987	15,259,131,348	18,448,279,911	(369,434,062)	1,344,725	18,080,190,574
Associates	1,015,230,262	-	-	1,015,230,262	1,049,585,150	-	-	1,049,585,150
Total Investments	16,585,478,685	(369,434,062)	58,316,987	16,274,361,610	19,497,865,061	(369,434,062)	1,344,725	19,129,775,724

9.1.1 Investments given as collateral	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	----- Rupees -----	
Market Treasury Bills	5,933,784,000	13,203,885,476

9.2 Provision for diminution in value of investments

9.2.1 Opening balance	369,434,062	369,434,062
Charge / (Reversal) for the period	-	-
Closing Balance	369,434,062	369,434,062

		(Un-audited)		(Audited)	
		30 June 2020		31 December 2019	
		-----Rupees-----			
Category of classification		NPI	Provision	NPI	Provision
Domestic					
Other assets especially mentioned		-	-	-	-
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		369,434,062	369,434,062	369,434,062	369,434,062
Total		369,434,062	369,434,062	369,434,062	369,434,062

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2020

9.3 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 purchase price of the Company's investment in shares of PSX is Rs. 28 per share. As of 31 December 2019, the Company had recognized impairment of Rs. 399 million, resulting in carrying value per share of Rs. 18.23. The market value of PSX as at 30 June 2020 was Rs. 9.90 per share and 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 2020 and recorded further impairment of Rs. 53.8 million in these condensed interim financial statements. The recoverable amount for equity investment in PSX is based on value-in-use calculation which require the use of assumptions. The cash flow projections used in the calculations are based on financial projections covering a five year period. Cash flows beyond five years are extrapolated using estimated growth rate.

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

	30 June 2020	31 December 2019
Terminal value growth rate (%)	4.40%	3.30%
Cost of Equity	9.77%	17.90%
Budgeted EBITDA growth rate (average of next five years)	<30%	>40%

The cost of equity was pre-tax measure based on the risk free rate of 8.4% (2019: 10.90%), 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.

10 ADVANCES

	(Un-audited) Performing	(Audited)	(Un-audited) Non performing	(Audited)	(Un-audited) Total	(Audited)
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	Rupees					
Loans, cash credits, running finances, etc.	7,924,965,601	7,097,803,744	920,263,021	992,641,328	8,845,228,622	8,090,445,072
Islamic Financing and related assets	1,649,856,376	1,937,250,236	282,039,747	-	1,931,896,123	1,937,250,236
Advances - gross	9,574,821,977	9,035,053,980	1,202,302,768	992,641,328	10,777,124,745	10,027,695,308
Provision against advances						
- Specific	-	-	602,383,704	592,312,802	602,383,704	592,312,802
- General	160,112,344	149,276,982	-	-	160,112,344	149,276,982
	160,112,344	149,276,982	602,383,704	592,312,802	762,496,048	741,589,784
Advances - net of provision	9,414,709,633	8,885,776,998	599,919,064	400,328,526	10,014,628,697	9,286,105,524

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	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	----- Rupees -----	
10.1 Particulars of advances (Gross)		
In local currency	10,777,124,745	10,027,695,308
	<u>10,777,124,745</u>	<u>10,027,695,308</u>

10.2 Advances include Rs.1,202.3 million (2019: Rs.992.6 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Un-audited) 30 June 2020		(Audited) 31 December 2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- Rupees -----			
Domestic	282,039,747	-	222,946,514	-
Other Assets Especially Mentioned	217,599,457	22,261,902	-	-
Substandard	-	-	-	-
Doubtful	702,663,564	580,121,802	769,694,814	592,312,802
Loss	<u>1,202,302,768</u>	<u>602,383,704</u>	<u>992,641,328</u>	<u>592,312,802</u>

10.3 Particulars of provision against advances	Un-audited 30 June 2020			Audited 31 December 2019		
	Specific	General	Total	Specific	General	Total
	----- Rupees -----					
Opening balance	592,312,802	149,276,982	741,589,784	397,439,324	145,865,933	543,305,257
Charge for the year	77,102,152	10,835,362	87,937,514	240,342,228	3,411,049	243,753,277
Reversals	(67,031,250)	-	(67,031,250)	(45,468,750)	-	(45,468,750)
	<u>10,070,902</u>	<u>10,835,362</u>	<u>20,906,264</u>	<u>194,873,478</u>	<u>3,411,049</u>	<u>198,284,527</u>
Closing balance	<u>602,383,704</u>	<u>160,112,344</u>	<u>762,496,048</u>	<u>592,312,802</u>	<u>149,276,982</u>	<u>741,589,784</u>

10.3.1 General Provision is maintained at the rate of 2% of performing portfolio of advances less sovereign guaranteed portfolio.

10.3.2 Details and impact of Forced Sale Value (FSV) benefit availed as allowed under instructions issued by the State Bank of Pakistan.

The net FSV benefit has been reduced during the period by Rs. 22.7 million (2019: Rs. 58.2 million), which has resulted in increased charged for the period by the same amount. Had the FSV benefit not reduced, before and after tax profit would have been increased by Rs. 22.7 million (2019: Rs. 58.2 million) and 16.12 million (2019: Rs. 41.3) respectively. Accumulated availed FSV benefit as of 30 June 2020 was Rs. 154.68 million (31 December 2019: Rs. 177.4 million). Unappropriated profit to that extent is not available for distribution by way of cash or stock dividend.

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	(Un-audited) 30 June 2020	(Audited) 31 December 2019
11 FIXED ASSETS		
	Rupees	
Capital work-in-progress	4,854,873	4,500,000
Property and equipment	248,500,316	272,395,029
	<u>253,355,189</u>	<u>276,895,029</u>
11.1 Capital work-in-progress		
Advances to suppliers	4,854,873	4,500,000
	<u>4,854,873</u>	<u>4,500,000</u>
11.2 Additions to fixed assets		
	(Un-audited) For the half year ended 30 June 2020	(Audited) 31 December 2019
	Rupees	
The following additions have been made to fixed assets during the period:		
Right of use assets (leased buildings)	168,135	134,058,785
Furniture and fixture	-	2,007,184
Electrical office and computer equipment	3,834,548	864,440
Total	<u>4,002,683</u>	<u>136,930,409</u>
12 INTANGIBLE ASSETS		
Computer Software	640,614	784,906
13 DEFERRED TAX ASSETS		
Deductible Temporary Differences on		
- Post retirement employee benefits	2,510,615	3,249,890
- Provision for diminution in the value of available-for-sale investments	107,135,878	107,135,878
- Provision against advances, off balance sheet etc.	103,663,532	97,600,716
- Liabilities against assets subject to lease	17,180,207	20,232,712
- Impairment loss on available for sale investments	55,220,469	55,220,469
- Impairment loss on investment in associate	67,963,660	59,887,991
	<u>353,674,361</u>	<u>343,327,656</u>
Taxable Temporary Differences on		
- Surplus on revaluation of investments	(8,779,218)	3,206,148
- Accrued Interest on T- Bills	(41,948,685)	(49,525,882)
- Share of profit of associated companies	(14,523,814)	(11,601,379)
- Accelerated tax depreciation	(15,725,618)	(22,144,455)
- Unrealized exchange gain	(260,179,642)	(210,746,389)
	<u>(341,156,977)</u>	<u>(290,811,957)</u>
	<u>12,517,384</u>	<u>52,515,699</u>
14 OTHER ASSETS		
Income / mark-up accrued in local currency	442,427,352	333,746,245
Income / mark-up accrued in foreign currency	52,000,913	17,108,957
Advances, deposits, advance rent and other prepayments	16,947,809	12,916,375
Receivable against consultancy services	5,223,274	43,932,002
Advance against shares	201,096,000	111,720,000
Advance taxation (payments less provisions)	74,532,898	80,005,690
Receivable from provident fund	6,234,930	-
Others	17,142	74,956
	<u>798,480,318</u>	<u>599,504,225</u>

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		(Un-audited) 30 June 2020	(Audited) 31 December 2019
		-----Rupees-----	
15 BORROWINGS	Note		
Secured			
Borrowings from State Bank of Pakistan Renewable Energy Power Projects	15.1	91,264,341	102,001,321
Repurchase agreement borrowings		-	308,596,080
Borrowing from financial institutions	15.2	5,393,870,454	12,613,363,257
Other borrowings	15.3 & 15.4	2,500,000,000	2,000,000,000
Total secured		7,985,134,795	15,023,960,658
Unsecured			
Borrowing from financial institutions	15.5	3,498,989,055	1,095,332,329
Total unsecured		3,498,989,055	1,095,332,329
		11,484,123,850	16,119,292,987

- 15.1 This represents a 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 is payable in maximum of 10 years with an inclusive grace period of maximum of 2 years at a concessional SBP service rate of 2.00%.
- 15.2 This represents secured borrowings from financial institution through pledge of Government securities carrying markup rate of 12.95% (2019: 12.95% to 13.34%) per annum having maturity of 307-312 days (2019: 161-312).
- 15.3 This includes term loan facility of Rs. 2 billion from a commercial bank payable in maximum of 4 years with an inclusive grace period of 2 years. Markup payable is on quarterly basis at the rate of 3MK + 0.15% p.a. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company for Rs. 2,667 million inclusive of 25% margin.
- 15.4 This includes first draw down of Rs. 500 million from term loan facility of Rs. 2 billion from a commercial bank payable in maximum of 5 years with an inclusive grace period of 2 years. Markup payable is on quarterly basis at the rate of 3MK + 0.20% p.a. The bank has ranking charge to be upgraded to first pari passu hypothecation charge over all present and future loans, advances (including leases), investments and receivables of the Company for Rs. 2,667 million inclusive of 25% margin.
- 15.5 This represents un-secured borrowings carrying markup rate of 10.45% (2019: 13.00% to 13.80%) per annum having remaining maturity of 84 days (2019: 30-92 days).

16 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited) 30 June 2020			(Audited) 31 December 2019		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- Rupees -----					
Customers						
Current deposits	-	-	-	-	-	-
Savings deposits	-	-	-	-	-	-
Term deposits	530,650,000	-	530,650,000	-	-	-
Others	-	-	-	-	-	-
	530,650,000	-	530,650,000	-	-	-
Financial Institutions						
Current deposits	-	-	-	-	-	-
Savings deposits	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-
	530,650,000	-	530,650,000	-	-	-

		(Un-audited) 30 June 2020	(Audited) 31 December 2019
		-----Rupees-----	
17 OTHER LIABILITIES	Note		
Mark-up / return / interest payable in local currency		577,738,093	330,982,949
Suspended markup	17.1	200,507,112	187,992,901
Accrued expenses		28,870,148	44,592,486
Unearned commission / fee		1,200,500	-
Withholding tax / sales tax payable		107,563	2,742,009
Payable to defined benefit plan		8,657,296	11,206,518
Lease liability against right-of-use assets		59,242,094	69,767,971
Others		3,983,356	1,602,395
		880,306,162	648,887,229

- 17.1 This represents suspended markup kept in memorandum account; the corresponding receivable for which is being converted into zero-rated TFC (included in note 9.1).

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17.2 Lease liability against right-of-use assets

	(Un-audited) 30 June 2020			(Audited) 31 December 2019		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	----- Rupees -----					
Not later than one year	38,746,872	4,468,689	34,278,183	37,521,837	5,942,344	31,579,493
Later than one year and upto five years	25,908,251	944,340	24,963,911	40,604,891	2,416,413	38,188,478
	<u>64,655,123</u>	<u>5,413,029</u>	<u>59,242,094</u>	<u>78,126,728</u>	<u>8,358,757</u>	<u>69,767,971</u>

		(Un-audited) 30 June 2020	(Audited) 31 December 2019
		----- Rupees -----	
18 SURPLUS ON REVALUATION OF ASSETS	Note		
Surplus on revaluation of			
- Available for sale securities	9.1	58,316,987	1,344,725
Deferred tax on surplus on revaluation of:			
- Available for sale securities	13	(8,779,218)	3,206,148
		<u>49,537,769</u>	<u>4,550,873</u>
Company's share of equity-accounted investees' OCI:			
- Change in fair value of available-for-sale financial assets - net of tax		200,804	200,804
		<u>49,738,573</u>	<u>4,751,677</u>
19 CONTINGENCIES AND COMMITMENTS			
Guarantees	19.1	1,826,213,210	636,049,953
Commitments	19.2	7,290,958,953	15,916,333,139
Other contingent liability	19.3	168,100,000	168,100,000
		<u>9,285,272,163</u>	<u>16,720,483,092</u>
19.1 Guarantees			
Financial guarantees		<u>1,826,213,210</u>	<u>636,049,953</u>
19.2 Commitments			
Documentary credits and short term trade related transactions			
Letters of credit		-	241,123,264
Commitments in respect of:			
Forward government securities transactions - Purchase		5,933,784,000	13,203,885,476
Forward government securities transactions - Sale		<u>448,084,044</u>	-
Commitments to extend credits	19.2.1	909,090,909	2,469,824,399
Commitment for acquisition of intangible assets		-	1,500,000
		<u>7,290,958,953</u>	<u>15,916,333,139</u>
19.2.1 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 balance sheet date, however, the Company's outstanding irrevocable commitments amounts to Rs. 909.09 million (2019: Rs. 2,469.82 million).			
19.3 Other contingent liability			
19.3.1	An ex-employee of the company has lodged a claim of Rs.168.1 million against the Company. The case has been decided in favour of the Company and the complainant has filed an appeal before the High Court against decision of the Civil Judge. Based on internal assessment and legal advice, management is confident that the case will be decided in the favour of the Company and possibility of any adverse outcome is remote. Accordingly, no provision has been made in these financial statements.		
19.3.2	For tax related contingencies, please refer note 28.1 of these condensed interim financial statements.		

	Note	(Un-audited) For the half year ended	
		30 June 2020	30 June 2019
		----- Rupees -----	
20 MARK-UP/RETURN/INTEREST EARNED			
On loans and advances		660,641,605	396,103,915
On investments		1,163,156,092	258,503,155
On lendings to financial institutions		6,200,777	-
On deposits with banks		70,460,842	81,970,121
On securities purchased under resale agreement		<u>168,547,913</u>	<u>59,873,675</u>
		<u>2,069,007,229</u>	<u>796,450,866</u>

Signature

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		(Un-audited)	
		For the half year ended	
		30 June 2020	30 June 2019
		Rupees	
21 MARK-UP/RETURN/INTEREST EXPENSED	Note		
On deposits		879,280	-
On borrowings		1,179,764,399	33,759,867
On securities sold under repurchase agreements		2,675,927	1,729,437
Interest expense on lease liability		2,976,988	4,688,842
		<u>1,186,296,594</u>	<u>40,178,146</u>
22 FEE & COMMISSION INCOME			
Credit related fee		7,000,000	9,787,256
Commission on letter of credits		529,960	1,344,295
Commission on guarantees		5,336,808	1,500,000
Investment banking fees		11,293,515	8,979,850
		<u>24,160,283</u>	<u>21,611,401</u>
23 GAIN ON SECURITIES			
Realised	23.1	<u>24,459,445</u>	<u>506,000</u>
23.1 Realised gain on:			
Federal Government Securities		153,034	506,000
Non Government Debt Securities		24,306,411	-
		<u>24,459,445</u>	<u>506,000</u>
24 OTHER INCOME			
Rent on property		6,008,548	5,563,474
Gain on sale of fixed assets-net		45,000	4,422,768
		<u>6,053,548</u>	<u>9,986,242</u>
25 OPERATING EXPENSES			
Total Compensation expenses		174,282,515	158,085,510
Property expense			
Rent and taxes		903,953	7,284,994
Insurance		21,408	43,200
Utilities cost		2,422,921	2,331,876
Security		2,613,706	1,538,758
Repair and maintenance		1,209,362	3,388,503
Depreciation		23,173,051	14,000,779
		<u>30,344,401</u>	<u>28,588,110</u>
Information technology expenses			
Software maintenance		505,044	504,875
Hardware maintenance		59,450	29,728
Depreciation		1,221,132	900,621
Amortization		144,292	97,393
Network charges		441,439	673,020
		<u>2,371,357</u>	<u>2,205,637</u>
Other operating expenses			
Directors' fees and allowances		1,250,000	1,444,740
Legal and professional charges		3,174,520	4,862,520
Outsourced services costs		3,693,966	3,429,028
Travelling and conveyance		8,521,891	16,150,008
Insurance		2,742,696	2,437,074
Repair and maintenance		324,523	988,963
Depreciation		3,503,214	2,871,618
Training and development		97,500	667,063
Utilities		211,560	380,089
Communication		557,615	1,543,450
Stationery and printing		1,242,743	2,173,020
Marketing, advertisement and publicity		797,912	833,672
Auditors remuneration		1,270,080	806,996
Bank charges		186,248	186,746
Entertainment		1,300,874	1,708,576
Donations		1,000,000	-
Miscellaneous		2,361,508	1,518,250
		<u>32,236,850</u>	<u>42,001,813</u>
		<u>239,235,123</u>	<u>230,881,070</u>

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FOR THE PERIOD ENDED 30 JUNE 2020

		Un-audited For the half year ended	
		30 June 2020	30 June 2019
		Rupees	
26	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan	30,000	-
27	PROVISIONS AND WRITE OFFS - NET		
	Provisions against loans & advances	20,906,264	(1,221,733)
	Impairment loss on shares	53,837,790	103,680,514
		74,744,054	102,458,781
28	TAXATION		
	For the Year		
	Current	265,702,173	165,973,086
	Deferred	28,010,086	64,421,289
		293,712,259	230,394,375

28.1 Tax status

28.1.1 For the Tax Year 2011, a tax demand of Rs. 109.22 million was raised by Assistant Commissioner Inland Revenue (the "ACIR") by disallowing provision for bad debts, provision against non-performing loan and advances, credit for an installment of advance tax and Worker's Welfare Fund. Subsequently, the assessment was rectified. The Company had paid Rs. 15.11 million in protest on the issue of disallowing "provision against non-performing loan and advances" and submitted appeal before CIR(A). The appeal was decided in favor of the Company and the tax of Rs 15.11 million deposited under protest became refundable. However, the department has filed an appeal before ATIR against appellate order of CIR(A). The hearing was fixed for May 13, 2020, partially heard and adjourned. Next date for hearing of appeal is yet to be fixed by the ATIR.

28.1.2 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.

28.1.3 For the Tax Year 2014 & 2015, assessment was amended by the ACIR in terms of Section 122 of the Ordinance, creating an aggregate tax demand amounting to Rs. 128 million on provisions, apportionment, super tax and default surcharge. The Company submitted appeal before the CIR(A) on the amended assessment order which has been disposed of in favor of tax department. Later the Company attained stay form ATIR for 40 days or till the disposal of main appeal subject of deposit of 30% of the total amount. As per directions of the ATIR, payment of Rs. 38.5 million was made to tax department as a cumulative payment for all the pending issues pertaining to tax year 2014 and 2015. The Company filed writ petition for interim relief before Islamabad High court. The High Court has granted stay for recovery of outstanding demand and also restrained the tax department to take extreme measures until decision of the appeal. However, the main appeal is pending for fixation by ATIR and the order is expected to be partially in favor of the Company.

28.1.4 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. Therefore, an appeal effect order from the assessing officer is awaited.

28.1.5 For the Tax Year 2017, a show cause notice was issued to the Company by ACIR. The said notice proposed to levy additional super tax under Section 4B of the Ordinance. The notice was duly replied and the order is still awaited.

28.1.6 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.

		Un-audited For the half year ended	
		30 June 2020	30 June 2019
		Rupees	
29	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period - Rupees	519,585,782	522,372,774
	Weighted average number of ordinary shares - Numbers	969,663,754	916,640,000
	Basic earnings per share - Re	0.54	0.57
30	CASH AND CASH EQUIVALENTS		
	Cash and balance with treasury banks	37,834,048	29,531,544
	Balance with other banks	37,587,771	18,302,431
		75,421,819	47,833,975

PAK CHINA INVESTMENT COMPANY LIMITED
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31 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 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.

31.1 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).

31.2 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:

(Un-audited) 30 June 2020					
Carrying value	Level 1	Level 2	Level 3	Total	
Rupees					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	9,964,253,880	-	9,964,253,880	-	9,964,253,880
Shares	55,377,655	55,377,655	-	-	55,377,655
Non-Government Debt Securities	2,460,961,186	-	2,199,796,186	261,165,000	2,460,961,186
	12,480,592,721	55,377,655	12,164,050,066	261,165,000	12,480,592,721
Financial assets - disclosed but not measured at fair value					
Investments	2,778,538,627	-	-	-	-
	15,259,131,348	55,377,655	12,164,050,066	261,165,000	12,480,592,721
Off-balance sheet financial instruments - measured at fair value					
Forward government securities transactions - purchase	5,933,784,000	-	-	5,933,784,000	5,933,784,000
Forward government securities transactions - sale	448,084,044	-	-	448,084,044	448,084,044
(Audited) 31 December 2019					
Carrying value	Level 1	Level 2	Level 3	Total	
Rupees					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	13,884,627,076	-	13,884,627,076	-	13,884,627,076
Shares	50,052,879	50,052,879	-	-	50,052,879
Non-Government Debt Securities	1,955,584,841	261,165,000	1,694,419,841	-	1,955,584,841
	15,890,264,796	311,217,879	15,579,046,917	-	15,890,264,796
Financial assets - disclosed but not measured at fair value					
Investments	2,189,925,778	-	-	-	-
	18,080,190,574	311,217,879	15,579,046,917	-	15,890,264,796
Off-balance sheet financial instruments - measured at fair value					
Forward government securities transactions - purchase	13,203,885,476	-	-	13,203,885,476	13,203,885,476

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

Federal Government Securities
Listed Securities
Non-Government Debt Securities

PKRV rates (Reuters page)
Market Prices
MUFAP

[Signature]

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERM FINANCIAL STATEMENTS (UN-AUDITED)
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32 SEGMENT INFORMATION

32.1 Segment Details with respect to Business Activities

	(Un-audited) 30 June 2020				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
Profit & Loss	Rupees				
Net mark-up/return/profit	782,650,220	4,264,897	46,279,795	49,515,723	882,710,635
Inter segment revenue - net	(616,837,000)	(16,317,000)	(22,940,000)	656,094,000	-
Non mark-up income	23,216,768	27,125,331	14,109,445	180,145,039	244,596,583
Total Income	189,029,988	15,073,228	37,449,240	885,754,762	1,127,307,218
Segment direct expenses	(16,865,843)	(18,559,694)	(8,422,262)	(195,417,324)	(239,265,123)
Provisions	(20,906,264)	-	-	(53,837,790)	(74,744,054)
Profit before tax	151,257,881	(3,486,466)	29,026,978	636,499,648	813,298,041
Balance Sheet					
Cash & Bank balances	-	-	-	2,289,786,036	2,289,786,036
Investments	5,233,712,468	396,095,938	9,964,253,880	680,299,324	16,274,361,610
Lending to financial institutions	-	-	447,910,998	-	447,910,998
Advances					
Performing	8,743,121,139	-	-	69,204,790	8,812,325,929
Non-performing	1,201,639,204	-	-	663,564	1,202,302,768
Others	444,715,522	205,860,888	-	414,417,095	1,064,993,505
Total Assets	15,623,188,333	601,956,826	10,412,164,878	3,454,370,809	30,091,680,846
Borrowings	2,591,264,341	-	8,892,859,509	-	11,484,123,850
Deposits	530,650,000	-	-	-	530,650,000
Others	204,868,442	411,720	574,971,459	100,054,541	880,306,162
Total liabilities	3,326,782,783	411,720	9,467,830,968	100,054,541	12,895,080,012
Equity	-	-	-	17,196,600,834	17,196,600,834
Total Equity & liabilities	3,326,782,783	411,720	9,467,830,968	17,296,655,375	30,091,680,846
Contingencies & Commitments	3,351,488,163	-	5,933,784,000	-	9,285,272,163

	(Un-audited) 30 June 2019				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
Profit & Loss	Rupees				
Net mark-up/return/profit	585,439,435	3,850,547	110,817,837	56,164,901	756,272,720
Inter segment revenue - net	(566,389,000)	(16,276,487)	(103,718,937)	686,384,424	-
Non mark-up income	12,631,551	12,830,397	506,000	303,866,332	329,834,280
Total Income	31,681,986	404,457	7,604,900	1,046,415,657	1,086,107,000
Segment direct expenses	(7,870,014)	(18,976,940)	(8,757,598)	(195,276,518)	(230,881,070)
Provisions	(24,100,536)	-	-	(78,358,245)	(102,458,781)
Profit before tax	(288,564)	(18,572,483)	(1,152,698)	772,780,894	752,767,149

	(Audited) 31 December 2019				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
Balance Sheet	Rupees				
Cash & Bank balances	-	-	2,000,000,000	2,054,611,042	4,054,611,042
Investments	4,134,398,498	380,245,036	13,884,627,076	730,505,114	19,129,775,724
Advances					
Performing	8,222,259,331	-	-	71,204,865	8,293,464,196
Non-Performing	991,977,764	-	-	663,564	992,641,328
Others	230,363,845	144,460,278	-	554,875,736	929,699,859
Total Assets	13,578,999,438	524,705,314	15,884,627,076	3,411,860,321	33,400,192,149
Borrowings	2,102,001,321	-	14,017,291,666	-	16,119,292,987
Others	192,318,426	411,720	329,422,996	126,734,087	648,887,229
Total liabilities	2,294,319,747	411,720	14,346,714,662	126,734,087	16,768,180,216
Equity	-	-	-	15,361,300,280	15,361,300,280
Total Equity & liabilities	2,294,319,747	411,720	14,346,714,662	15,488,034,367	32,129,480,496
Contingencies & Commitments	3,515,097,616	-	13,203,885,476	1,500,000	16,720,483,092

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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 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:

	(Un-audited) 30 June 2020				(Audited) 31 December 2019			
	Directors	Key management personnel	Associates (Cost)	Other related parties	Directors	Key management personnel	Associates (Cost)	Other related parties
Lendings to financial institutions	Rupees							
Opening balance	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	43,674,864,549	-	-	-	47,224,615,136
Repaid during the year	-	-	-	(43,674,864,549)	-	-	-	(47,224,615,136)
Closing balance	-	-	-	-	-	-	-	-
Investments								
Opening balance	-	-	1,372,067,240	111,720,000	-	-	1,372,067,240	11,000,000
Investment made during the year	-	-	-	89,376,000	-	-	-	100,720,000
Investment disposed off during the year	-	-	-	-	-	-	-	-
Closing balance	-	-	1,372,067,240	201,096,000	-	-	1,372,067,240	111,720,000
Advances								
Opening balance	-	38,092,442	-	-	-	24,513,896	-	-
Addition during the year	-	-	-	-	-	15,642,935	-	-
Repaid during the year	-	(1,077,933)	-	-	-	(2,064,389)	-	-
Closing balance	-	37,014,509	-	-	-	38,092,442	-	-
Other Assets								
Interest / mark-up accrued	-	-	-	490,779	-	-	-	-
Dividend Received	-	-	-	-	-	-	9,187,500	-
Receivable from staff retirement fund	-	-	-	6,234,930	-	-	-	-
Other receivable	-	2,689,132	-	1,697,850	38,622	2,106,480	-	1,697,850
	-	2,689,132	-	8,423,559	38,622	2,106,480	9,187,500	1,697,850

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	(Un-audited) 30 June 2020				(Audited) 31 December 2019			
	Directors	Key management personnel	Associates (Cost)	Other related parties	Directors	Key management personnel	Associates (Cost)	Other related parties
Borrowings								
Opening balance	-	-	-	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	5,808,571,459
Settled during the year	-	-	-	-	-	-	-	(5,808,571,459)
Closing balance	-	-	-	-	-	-	-	-
Other Liabilities								
Interest / mark-up payable	-	-	-	-	-	-	-	-
Payable to staff retirement fund	-	-	-	8,657,296	-	-	-	11,206,518
Other liabilities	-	-	64,852	45,682,763	-	-	80,446	54,154,792
	-	-	64,852	54,340,059	-	-	80,446	65,361,310

	(Un-audited) 30 June 2020				(Un-audited) 30 June 2019			
	Directors	Key management personnel	Associates (Cost)	Other related parties	Directors	Key management personnel	Associates (Cost)	Other related parties
	Rupees							
Income								
Mark-up / return / interest earned	-	752,901	-	23,730,454	-	758,854	-	8,537,006
Fee and commission income	-	-	-	-	-	-	-	5,729,850
Net gain/(loss) on sale of securities	-	-	-	-	-	-	-	-
Share of profit of associates	-	-	19,463,816	-	-	-	15,648,620	-
Expense								
Mark-up / return / interest paid	118,076	-	-	2,150,454	124,045	-	-	3,820,524
Operating expenses								
Charge for defined benefit plan	417,226	2,882,262	-	3,774,078	1,301,682	2,638,117	-	4,879,315
Charge for contribution plan	748,444	1,431,288	-	2,786,879	1,323,059	1,003,991	-	2,546,941
Salaries	12,349,331	21,831,425	-	-	20,552,696	17,261,347	-	-
Bonuses paid	2,992,512	9,041,185	-	-	3,486,237	2,717,288	-	-
Overseas allowances	4,551,886	-	-	-	2,754,020	-	-	-
Leave fair assistance & Encashment	1,995,008	1,953,752	-	-	3,402,745	2,528,457	-	-
Tax borne by employer	10,687,848	-	-	-	8,274,405	-	-	-
Others	2,532,765	6,720,836	-	1,028,414	13,178,620	7,142,929	-	879,920
Rent	-	-	-	-	416,291	-	-	-
Depreciation expense on lease hold building	1,252,167	-	-	-	440,196	-	-	-
CDC Charges paid	-	-	391,554	-	-	-	419,221	-

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	(Un-audited) 30 June 2020	(Audited) 31 December 2019
34 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	----- Rupees -----	
34.1 Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>9,696,637,540</u>	<u>9,696,637,540</u>
34.2 Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>14,237,543,982</u>	<u>14,482,895,000</u>
Eligible Tier 2 Capital	<u>-</u>	<u>-</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>14,237,543,982</u>	<u>14,482,895,000</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>12,429,057,834</u>	<u>13,020,072,000</u>
Market Risk	<u>3,241,438,591</u>	<u>3,684,893,000</u>
Operational Risk	<u>2,959,119,737</u>	<u>2,955,667,000</u>
Total	<u>18,629,616,161</u>	<u>19,660,632,000</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>76.42%</u>	<u>73.66%</u>
Tier 1 Capital Adequacy Ratio	<u>76.42%</u>	<u>73.66%</u>
Total Capital Adequacy Ratio	<u>76.42%</u>	<u>73.66%</u>
34.3 Other information:		
National minimum capital requirements prescribed by the SBP		
CET1 minimum ratio (%)	<u>6.00%</u>	<u>6.00%</u>
Tier 1 minimum ratio (%)	<u>7.50%</u>	<u>7.50%</u>
Total capital minimum ratio (%)	<u>10.00%</u>	<u>10.00%</u>
Capital Conservation Buffer (CCB)	<u>1.50%</u>	<u>2.50%</u>
Total capital plus CCB minimum ratio (%)	<u>11.50%</u>	<u>12.50%</u>
34.4 Leverage Ratio (LR):		
Eligible Tier-1 Capital	<u>14,237,543,982</u>	<u>14,482,895,000</u>
Total Exposures	<u>35,858,825,919</u>	<u>47,690,469,000</u>
Leverage Ratio	<u>39.70%</u>	<u>30.37%</u>
Minimum Requirement (%)	<u>3%</u>	<u>3%</u>
34.5 Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>7,410,356,031</u>	<u>5,625,374,806</u>
Total Net Cash Outflow	<u>3,460,391,314</u>	<u>272,598,273</u>
Liquidity Coverage Ratio	<u>214%</u>	<u>2064%</u>
Minimum Requirement (%)	<u>100%</u>	<u>100%</u>
34.6 Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>20,123,861,419</u>	<u>21,869,975,434</u>
Total Required Stable Funding	<u>14,965,617,283</u>	<u>19,862,410,210</u>
Net Stable Funding Ratio	<u>134%</u>	<u>110%</u>
Minimum Requirement (%)	<u>100%</u>	<u>100%</u>

The link to the full disclosure is available at <http://pakchinainvest.com>

Signature

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE CONDENSED INTERM FINANCIAL STATEMENTS (UN-AUDITED)
 FOR THE PERIOD ENDED 30 JUNE 2020

35 GENERAL

35.1 Events after the reporting date

There are no adjusting events after that the balance sheet date that may have an impact on the financial statements.

35.2 Captions, as prescribed by BPRD Circular No. 5 of 2019 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.

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

35.4 The VIS Credit Rating Company Limited has issued, on 25 June 2020, long term and short term credit ratings, of the Company, of AAA and A1+, respectively.

36 RECLASSIFICATION OF COMPARATIVE FIGURES

36.1 There have been no significant reclassifications in these condensed interim financial statements except for:

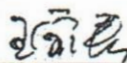
- definition of cash and cash equivalent used in preparation of statement of cashflows statement; and
- the policy for charging of inter segment revenue for preparation of note for segment information.

37 DATE OF AUTHORIZATION

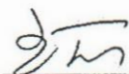
These financial statements were authorized for issue in the Board of Directors meeting held on

28 AUG 2020


JR



MANAGING DIRECTOR



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER