

Company No.

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BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2006

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED BALANCE SHEETS AS AT 31 MARCH 2006

	Note	31 March 2006 RM'000	31 December 2005 RM'000
ASSETS			
Cash and short-term funds	8	474,899	396,694
Deposits and placements with banks and other financial institutions	9	154,800	128,400
Securities portfolio			
Held-to-maturity investments	10	56,243	56,396
Loans and advances	11	338,656	286,498
Other assets	12	5,906	4,446
Deferred taxation assets		5,172	5,172
Tax recoverable		146	146
Statutory deposits with Bank Negara Malaysia		-	-
Property, plant and equipment		856	885
TOTAL ASSETS		1,036,678	878,637
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits from customers	13	449,259	320,610
Deposits and placements of banks and other financial institutions	14	224,710	178,922
Bills and acceptances payable		8,218	26,746
Other liabilities	15	22,495	23,082
		704,682	549,360
Shareholders' Equity			
Share Capital		304,000	304,000
Reserves		27,996	25,277
		331,996	329,277
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,036,678	878,637
COMMITMENTS AND CONTINGENCIES			
	23	381,434	480,863

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED INCOME STATEMENTS FOR THE THREE MONTHS
ENDED 31 MARCH 2006

	Note	1st Quarter Ended	
		31 March	31 March
		2006	2005
		RM'000	RM'000
Interest income	16	9,361	8,057
Interest expense	17	(4,553)	(3,485)
Net interest income		4,808	4,572
Other operating income	18	2,661	1,276
Other operating expenses	19	(3,600)	(2,530)
Allowance for losses on loans and advances	20	-	-
Profit before taxation		3,869	3,318
Taxation	21	(1,150)	(1,150)
Net profit		2,719	2,168

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UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2006

Note	Issued and fully paid ordinary shares of RM1 each Nominal value RM'000	Non- distributable Statutory reserve RM'000	Distributable		Total RM'000
			Retained profit RM'000	Proposed dividend RM'000	
At 1 January 2006	304,000	19,868	375	5,034	329,277
Net profit for the financial year	-	-	2,719	-	2,719
Transfer to statutory reserve	-	-	-	-	-
At 31 March 2006	<u>304,000</u>	<u>19,868</u>	<u>3,094</u>	<u>5,034</u>	<u>331,996</u>
At 1 January 2005	304,000	14,769	311	-	319,080
Net profit for the financial year	-	-	10,197	-	10,197
Transfer to statutory reserve	-	5,099	(5,099)	-	-
Proposed dividend	-	-	(5,034)	5,034	-
At 31 December 2005	<u>304,000</u>	<u>19,868</u>	<u>375</u>	<u>5,034</u>	<u>329,277</u>

BANK OF CHINA (MALAYSIA) BERHAD
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UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED CASH FLOW STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2006

	Note	31 March 2006 RM'000	31 December 2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		3,869	14,206
<i>Adjustment for:</i>			
Depreciation of property, plant and equipment		110	579
Amortisation of premium less accretion of discount		153	814
Gain from sale of held-to-maturity investments		-	-
Loan loss allowance		-	258
Interest suspended		-	-
Interest income from held-to-maturity investments		(672)	(3,209)
Unrealised foreign exchange gain		(41)	(299)
		<hr/>	<hr/>
Cash flow from operation profit before changes in operating assets and liabilities		3,419	12,349
(INCREASE)/DECREASE IN OPERATING ASSETS:			
Loans and advances		(52,158)	(33,312)
Deposits and placements with banks and other financial institutions		(26,400)	(128,400)
Other assets		(2,102)	14,723
INCREASE/(DECREASE) IN OPERATING LIABILITIES:			
Deposits from customers		128,649	99,918
Deposits and placements of banks and other financial institutions		45,788	(122,848)
Bills and acceptances payables		(18,528)	26,326
Other liabilities		(587)	8,156
		<hr/>	<hr/>
Cash generated from / (used in) operating activities		78,081	(123,088)
Taxation paid		(1,150)	(4,005)
		<hr/>	<hr/>
Net cash generated from / (used in) operating activities		76,931	(127,093)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(80)	(216)
Net sale of held-to-maturity investments		-	35,000
Interest received on held-to-maturity investments		1,354	2,837
		<hr/>	<hr/>
Net cash generated from investing activities		1,274	37,621
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities		-	-
		<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD		78,205	(89,472)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		396,694	486,166
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	8	474,899	396,694
		<hr/>	<hr/>

BANK OF CHINA (MALAYSIA) BERHAD
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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED 31 MARCH 2006**

1 Review of Performance and Commentary of Prospects

The bank recorded a higher profit before tax for the first three months ended 31 March 2006 compared with the corresponding period in 2005. In year 2006, the bank continues to focus on building its core customer base by offering conventional commercial banking, trade financing and retail banking products.

The bank will continue to focus its activities towards expanding its trade finance business and fee based income, enhancing its competitive edge in market place while maintaining its superior asset quality.

2 Group Accounting Policies

The interim financial statements for the three months ended 31 March 2006 have been prepared in accordance with FRS134 (formerly known as MASB 26) issued by the Malaysian Accounting Standard Board (MASB). The interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2005.

The accounting policies adopted by the Bank for the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2005.

The Bank has been given approval by Bank Negara Malaysia to compute impairment losses of loans and advances based on "Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts, BNM/GP3".

3 Audit Report

The audit report for the financial period ended 31 December 2005 was not subject to any qualification.

4 Seasonal or Cyclical Factors

The business operations of the Bank have not been affected by any material seasonal cyclical factors.

5 Exceptional or Extraordinary Items

There were no exceptional or extraordinary items in the three months ended 31 March 2006.

6 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the three months ended 31 March 2006.

7 Changes in Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the period under review.

BANK OF CHINA (MALAYSIA) BERHAD
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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED 31 MARCH 2006**

8 Cash and short-term funds

	31 March 2006 RM'000	31 December 2005 RM'000
Cash and balances with banks and other financial institutions	29,899	19,350
Money at call and deposit placements maturing within 1 month	445,000	377,344
	474,899	396,694

9 Deposit and placements with banks and other financial institutions

	31 March 2006 RM'000	31 December 2005 RM'000
Bank Negara Malaysia	154,800	128,400
	154,800	128,400

10 Securities portfolio

Held-to-maturity investments

	31 March 2006 RM'000	31 December 2005 RM'000
Malaysian Government Securities	58,029	58,029
Amortisation of premium less accretion of discounts	(1,786)	(1,633)
	56,243	56,396

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED 31 MARCH 2006**

11 Loans and advances

(i) By type

	31 March 2006 RM'000	31 December 2005 RM'000
Overdrafts	44,397	39,059
Terms loans		
Housing loans	5,579	4,785
Syndicated term loan	114,586	117,876
Other term loans	80,495	84,016
Bills receivable	49	625
Trust receipts	4,673	3,817
Claims on customers under acceptance credits	34,895	37,560
Staff loans	1,443	1,384
Of which: RMnil are to Directors		
Loans to banks and other financial institutions	62,640	7,477
	348,757	296,599
Less: Allowance for bad and doubtful debts:		
- General	(9,810)	(9,810)
- Specific	(291)	(291)
Total net loans and advances	338,656	286,498

(ii) By type of customer

	31 March 2006 RM'000	31 December 2005 RM'000
Domestic banking institutions	55,310	-
Domestic non-bank financial institutions	7,330	7,477
Domestic business enterprises		
- Small medium enterprises ("SME")	140,881	137,043
- Non-SME	54,307	59,575
Government and statutory bodies	62,748	64,936
Individuals	9,514	8,662
Foreign entities	18,667	18,906
	348,757	296,599

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED 31 MARCH 2006**

11 Loans and advances (continued)

(iii) By interest rate sensitivity

	31 March 2006 RM'000	31 December 2005 RM'000
Fixed rate		
Housing loans	5,579	3,398
Other fixed rate loan	1,443	1,384
Variable rate		
BLR plus	136,895	136,216
Cost-plus	34,944	37,725
Other variable rates	169,896	117,876
	348,757	296,599

(iv) By sector

	31 March 2006 RM'000	31 December 2005 RM'000
Agriculture, hunting, forestry & fishing	538	547
Mining and quarrying	-	-
Manufacturing	42,249	44,737
Electricity, gas and water	40,666	41,629
Construction	1,407	1,269
Real estate	80,106	79,201
Purchase of landed property:		
- Residential	7,075	6,140
- Non-residential	933	1,797
Wholesale & retail trade and restaurants & hotels	52,781	54,342
Transport, storage and communication	55,253	57,341
Finance, insurance and business services	66,147	7,964
Purchase of transport vehicles	253	275
Consumption credit	1,349	1,357
	348,757	296,599

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED 31 MARCH 2006**

(v) Non-performing Loans (NPL)

(i) Movement in non-performing loans and advances

	31 March 2006 RM'000	31 December 2005 RM'000
At beginning of year	403	392
Classified as non-performing during the period	7,303	-
Other adjustments	28	11
At end of period	7,734	403
Specific allowance	(291)	(291)
Net non-performing loans and advances	7,443	112
Ratio of net non-performing loans and advances to net loans and advances	2.14%	0.04%

(ii) Movements in allowance for bad and doubtful debts

	31 March 2006 RM'000	31 December 2005 RM'000
General allowance		
At beginning of year	9,810	9,810
At end of period	9,810	9,810
As % of gross loans and advances less specific allowance	2.8%	3.3%
Specific allowance		
At beginning of year	291	33
Allowance made during the period	-	258
At end of period	291	291

(iii) NPL by sector

	31 March 2006 RM'000	31 December 2005 RM'000
Manufacturing	7,734	403
	7,734	403

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED 31 MARCH 2006**

12 Other Assets

	31 March 2006 RM'000	31 December 2005 RM'000
Interest receivable	1,293	2,020
Other debtors, deposits and prepayments	4,613	2,426
	5,906	4,446

13 Deposits from Customers

(i) By type of deposit

	31 March 2006 RM'000	31 December 2005 RM'000
Demand deposits	73,857	69,700
Savings deposits	16,468	17,528
Fixed deposits	118,929	124,370
Negotiable instruments of deposits	240,000	109,000
Others	5	12
	449,259	320,610

(ii) By type of customer

	31 March 2006 RM'000	31 December 2005 RM'000
Government and statutory bodies	1,005	1,012
Business enterprises	375,163	247,760
Individuals	72,934	71,771
Others	157	67
	449,259	320,610

14 Deposits and placements of banks and other financial institutions

	31 March 2006 RM'000	31 December 2005 RM'000
Licensed banks	224,710	178,922
	224,710	178,922

15 Other Liabilities

	31 March 2006 RM'000	31 December 2005 RM'000
Interest payable	1,644	2,066
Accrued expenses	8,921	8,929
Margin deposits	7,168	7,176
Other liabilities	4,762	4,911
	22,495	23,082

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED 31 MARCH 2006**

16 Interest income

	1st Quarter Ended	
	31 March	31 March
	2006	2005
	RM'000	RM'000
Loans and advances		
- Interest income other than recoveries from NPL	4,081	3,159
Money at call and deposit placement with financial institutions	4,934	4,121
Securities		
- Held-to-maturity investment	672	1,103
	9,687	8,383
Amortisation of premium less accretion of discount	(153)	(326)
Interest suspended	(173)	-
Total interest income	9,361	8,057

17 Interest Expense

	1st Quarter Ended	
	31 March	31 March
	2006	2005
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	1,989	1,588
Deposits from customers	2,564	1,897
	4,553	3,485

18 Other operating income

	1st Quarter Ended	
	31 March	31 March
	2006	2005
	RM'000	RM'000
Fees and commission income:		
- Processing fees	5	1
- Syndication fees	20	26
- Commitment fees	75	62
- Other fees relating to loan & finance	126	64
- Guarantee fees	260	262
- Acceptance Commission	105	110
- Other fee income	1,014	325
	1,605	850
Held-to-maturity investments income:		
Gains from sale of held-to-maturity investments	-	-
Foreign exchange gain/(loss):		
- Realised gain/(loss)	1,015	440
- Unrealised gain/(loss)	41	(14)
	2,661	1,276

BANK OF CHINA (MALAYSIA) BERHAD
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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED 31 MARCH 2006**

19 Other operating expenses

	1st Quarter Ended	
	31 March	31 March
	2006	2005
	RM'000	RM'000
Personnel costs	1,982	1,045
Of which: Salaries & wages (includes CEO / EDs)	892	821
Bonuses	540	(148)
Employee provident fund	174	149
Staff welfare expenses	252	115
Other personnel costs	124	108
Marketing expenses	217	93
Of which: Entertainment expenses	163	70
Other marketing expenses	54	23
Establishment costs	888	870
Of which: Lease rental of premises	349	301
Depreciation of property, plant and equipment	110	206
Repairs and maintenance	257	275
Other establishment costs	172	88
Administration and general expenses	513	522
Of which: Management fees	-	100
Insurance premium	26	71
Auditors' remuneration	-	1
Other administration and general expenses	487	350
	3,600	2,530

20 Allowance for losses on loans and advances

	1st Quarter Ended	
	31 March	31 March
	2006	2005
	RM'000	RM'000
Allowance for bad and doubtful debts on loans and advances		
(a) Specific allowance		
- Made in the financial period	-	-
(b) General allowance		
- Made in the financial period	-	-
	-	-

21 Taxation

	1st Quarter Ended	
	31 March	31 March
	2006	2005
	RM'000	RM'000
Current tax - Malaysian income tax	1,150	1,150
Deferred tax	-	-
	1,150	1,150

BANK OF CHINA (MALAYSIA) BERHAD
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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED 31 MARCH 2006**

22 Capital adequacy

	31 March 2006 RM'000	31 December 2005 RM'000
<u>Tier I capital</u>		
Paid-up ordinary share capital	304,000	304,000
Retained profit	375	375
Proposed dividend	5,034	5,034
Other reserves	19,868	19,868
	329,277	329,277
Less: Deferred tax assets	(5,172)	(5,172)
Total Tier I Capital	324,105	324,105
<u>Tier II capital</u>		
General allowance for bad and doubtful debts	9,810	9,810
Total Tier II Capital	9,810	9,810
Total capital base	333,915	333,915
<u>Capital ratios</u>		
Core capital ratio (inclusive of market risk)	101%	100%
Risk-weighted capital ratio (inclusive of market risk)	104%	103%
Core capital ratio (inclusive of market risk and net of proposed dividends)	99%	99%
Risk-weighted capital ratio (inclusive of market risk and net of proposed dividends)	103%	102%
Risk-weighted assets for credit and market risks(RM'000)	320,679	323,752

BANK OF CHINA (MALAYSIA) BERHAD
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2006

23 Commitments and contingencies

	31 March 2006			31 December 2005		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	-	-	-	150	150	150
Transaction-related contingent items	138,912	69,456	14,873	194,261	97,131	20,578
Short-term self-liquidation trade related contingencies	22,060	4,412	836	26,126	5,225	482
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	95,800	-	-	96,770	-	-
- Maturity exceeding one year	28,900	14,450	5,450	19,810	9,905	9,170
Foreign exchange related contracts:						
- Less than one year	3,683	-	-	13,530	-	-
Others	92,079	-	-	130,216	-	-
Total	381,434	88,318	21,159	480,863	112,411	30,380

BANK OF CHINA (MALAYSIA) BERHAD
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2006

24 Interest rate risk

31 March 2006	Up to 1 month	> 1-3 month	> 3-12 month	1-5 years	Over 5 years	Non-interest sensitive	Total	Effective interest rate %
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets								
Cash and short term funds	471,714	-	-	-	-	3,185	474,899	3.35%
Deposits & placement with banks & other financial institutions	-	154,800	-	-	-	-	154,800	3.39%
Securities	-	-	-	56,243	-	-	56,243	4.92%
Loans and advances								
- performing	172,626	49,704	117,232	102	1,359	(9,810)	331,213	6.37%
- non-performing	-	-	-	-	-	7,443	7,443	
Other assets	-	-	-	-	-	5,906	5,906	
Deferred taxation	-	-	-	-	-	5,172	5,172	
Tax recoverable	-	-	-	-	-	146	146	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	
Property, plant and equipment	-	-	-	-	-	856	856	
Total assets	644,340	204,504	117,232	56,345	1,359	12,898	1,036,678	
Liabilities								
Deposits from customers	193,165	160,011	21,905	316	-	73,862	449,259	3.11%
Deposits & placement of banks & other financial institutions	88,438	25,782	110,490	-	-	-	224,710	4.58%
Bills and acceptance payable	1,136	7,082	-	-	-	-	8,218	3.34%
Other liabilities	-	-	-	-	-	22,495	22,495	
Total liabilities	282,739	192,875	132,395	316	-	96,357	704,682	
Shareholders' funds	-	-	-	-	-	331,996	331,996	
Total liabilities and Shareholders' funds	282,739	192,875	132,395	316	-	428,353	1,036,678	
On-balance sheet interest sensitivity gap	361,601	11,629	(15,163)	56,029	1,359	(415,455)	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	361,601	11,629	(15,163)	56,029	1,359	(415,455)	-	

BANK OF CHINA (MALAYSIA) BERHAD
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2006

24 Interest rate risk (continued)

<u>31 December 2005</u>	Up to 1 month	> 1-3 month	> 3-12 month	1-5 years	Over 5 years	Non-interest sensitive	Total	Effective interest rate %
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets								
Cash and short term funds	394,010	-	-	-	-	2,684	396,694	3.18%
Deposits & placement with banks & other financial institutions	-	128,400	-	-	-	-	128,400	3.09%
Securities	-	-	-	56,396	-	-	56,396	4.92%
Loans and advances								
- performing	172,418	59,458	60,469	117	3,734	(9,810)	286,386	6.19%
- non-performing	-	-	-	-	-	112	112	
Other assets	-	-	-	-	-	4,446	4,446	
Deferred taxation	-	-	-	-	-	5,172	5,172	
Tax recoverable	-	-	-	-	-	146	146	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	
Property, plant and equipment	-	-	-	-	-	885	885	
Total assets	566,428	187,858	60,469	56,513	3,734	3,635	878,637	
Liabilities								
Deposits from customers	222,012	12,438	16,329	119	-	69,712	320,610	2.75%
Deposits & placement of banks & other financial institutions	95,773	56,693	26,456	-	-	-	178,922	4.36%
Bills and acceptance payable	14,460	11,150	1,136	-	-	-	26,746	3.19%
Other liabilities	-	-	-	-	-	23,082	23,082	
Total liabilities	332,245	80,281	43,921	119	-	92,794	549,360	
Shareholders' funds	-	-	-	-	-	329,277	329,277	
Total liabilities and Shareholders' funds	332,245	80,281	43,921	119	-	422,071	878,637	
On-balance sheet interest sensitivity gap	234,183	107,577	16,548	56,394	3,734	(418,436)	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	234,183	107,577	16,548	56,394	3,734	(418,436)	-	

BANK OF CHINA (MALAYSIA) BERHAD
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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED 31 MARCH 2006**

25 Operations of Islamic Banking

No Islamic banking activities was involved for the first 3 months ended 31 March 2006.

26 Valuation of Property, Plant and Equipment

The Bank's property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. There was no change in the valuation of property, plant and equipment that were brought forward from the previous audited annual financial statements.

27 Events subsequent to Balance Sheet Date

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the interim statements.