

Company No.

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

REPORTS AND FINANCIAL STATEMENTS

FOR THE SECOND QUARTER 2006



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

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED BALANCE SHEETS AS AT 30 JUNE 2006

	Note	30 June 2006 RM'000	31 December 2005 RM'000
ASSETS			
Cash and short-term funds	8	519,475	396,694
Deposits and placements with banks and other financial institutions	9	115,200	128,400
Securities portfolio			
Held-to-maturity investments	10	56,088	56,396
Loans and advances	11	332,569	286,498
Other assets	12	5,561	4,446
Deferred taxation assets		5,172	5,172
Tax recoverable		146	146
Statutory deposits with Bank Negara Malaysia		-	-
Property, plant and equipment		789	885
TOTAL ASSETS		1,035,000	878,637
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits from customers	13	510,089	320,610
Deposits and placements of banks and other financial institutions	14	171,086	178,922
Bills and acceptances payable		-	26,746
Other liabilities	15	22,722	23,082
TOTAL LIABILITIES		703,897	549,360
Financed by:			
Share Capital		304,000	304,000
Reserves		27,103	25,277
SHAREHOLDERS' EQUITY		331,103	329,277
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,035,000	878,637
COMMITMENTS AND CONTINGENCIES	23	422,127	480,863

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED INCOME STATEMENTS FOR THE SIX MONTHS
ENDED 30 JUNE 2006

		Six Months Ended	
		30 June	30 June
		2006	2005
		RM'000	RM'000
Interest income	16	20,828	17,063
Interest expense	17	(10,156)	(7,832)
Net interest income		10,672	9,231
Other operating income	18	5,572	2,716
Other operating expenses	19	(7,084)	(6,097)
Allowance for losses on loans and advances	20	-	-
Profit before taxation		9,160	5,850
Taxation	21	(2,300)	(2,300)
Net profit for the financial year		6,860	3,550

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Issued and fully paid ordinary shares of RM1 each	Non- distributable	Distributable		
	Nominal value RM'000	Statutory reserve RM'000	Retained profit RM'000	Proposed dividend RM'000	Total RM'000
At 1 January 2006	304,000	19,868	375	5,034	329,277
Net profit for the financial year	-	-	6,860	-	6,860
Transfer to statutory reserve	-	-	-	-	-
Proposed dividend	-	-	-	(5,034)	(5,034)
At 30 June 2006	304,000	19,868	7,235	-	331,103
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	304,000	19,868	375	5,034	329,277

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED CASH FLOW STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Note	30 June 2006 RM'000	31 December 2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		9,160	14,206
<i>Adjustment for:</i>			
Depreciation of property, plant and equipment		210	579
Amortisation of premium less accretion of discount		308	814
Loan loss allowance		-	258
Interest income from held-to-maturity investments		(1,339)	(3,209)
Unrealised foreign exchange gain		(159)	(299)
Cash flow from operating profit before changes in operating assets and liabilities		8,180	12,349
(INCREASE)/DECREASE IN OPERATING ASSETS			
Loans and advances		(46,071)	(33,312)
Deposits and placements with banks and other financial institutions		13,200	(128,400)
Other assets		(971)	14,723
INCREASE/(DECREASE) IN OPERATING LIABILITIES			
Deposits from customers		189,479	99,918
Deposits and placements of banks and other financial institutions		(7,836)	(122,848)
Bills and acceptances payable		(26,746)	26,326
Other liabilities		(360)	8,156
Cash generated from / (used in) operating activities		128,875	(123,088)
Taxation paid		(2,300)	(4,005)
Net cash generated from / (used in) operating activities		126,575	(127,093)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(114)	(216)
Net sale of held-to-maturity investments		-	35,000
Interest received on held-to-maturity investments		1,354	2,837
Net cash generated from investing activities		1,240	37,621
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to Head Office		(5,034)	-
Net cash used in financing activities		(5,034)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD			
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		122,781	(89,472)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	8	396,694	486,166
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		519,475	396,694

BANK OF CHINA (MALAYSIA) BERHAD
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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
ENDED 30 JUNE 2006**

1 Review of Performance and Commentary of Prospects

The bank recorded a higher profit before tax for the first six months ended 30 June 2006 compared with the corresponding period in 2005. In year 2006, the bank will continue to pursue its development in credit lending.

The bank will also place emphasis in securing international settlement and 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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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
(Incorporated in Malaysia)

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
 ENDED 30 JUNE 2006**

8 Cash and short-term funds

	30 June	31 December
	2006	2005
	RM'000	RM'000
Cash and balances with banks and other financial institutions	29,775	19,350
Money at call and deposit placements maturing within 1 month	489,700	377,344
	519,475	396,694

9 Deposits and placements with banks and other financial institutions

	30 June	31 December
	2006	2005
	RM'000	RM'000
Bank Negara Malaysia	115,200	128,400
	115,200	128,400

10 Securities portfolio

Held-to-maturity investments

	30 June	31 December
	2006	2005
	RM'000	RM'000
Malaysian Government Securities	58,029	58,029
Amortisation of premium less accretion of discounts	(1,941)	(1,633)
	56,088	56,396

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
 ENDED 30 JUNE 2006**

11 Loans and advances

(i) By type

	30 June 2006 RM'000	31 December 2005 RM'000
Overdrafts	46,063	39,059
Terms loans		
- Housing loans	6,111	4,785
- Syndicated term loan	100,628	117,876
- Other term loans	82,578	84,016
Bills receivable	9	625
Trust receipts	8,076	3,817
Claims on customers under acceptance credits	34,484	37,560
Staff loans	1,406	1,384
Of which: RMnil are to Directors		
Loans to banks and other financial institutions	63,315	7,477
	<u>342,670</u>	<u>296,599</u>
Less: Allowance for bad and doubtful debts:		
- General	(9,810)	(9,810)
- Specific	(291)	(291)
Total net loans and advances	<u>332,569</u>	<u>286,498</u>

(ii) By type of customer

	30 June 2006 RM'000	31 December 2005 RM'000
Domestic banking institutions	56,012	-
Domestic non-bank financial institutions	7,303	7,477
Domestic business enterprises		
- Small medium enterprises ("SME")	155,771	137,043
- Non-SME	35,611	59,575
Government and statutory bodies	59,671	64,936
Individuals	9,891	8,662
Foreign entities	18,411	18,906
	<u>342,670</u>	<u>296,599</u>

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
 ENDED 30 JUNE 2006**

11 Loans and advances (continued)
(iii) By interest rate sensitivity

	30 June 2006 RM'000	31 December 2005 RM'000
Fixed rate		
- Housing loans	6,111	3,398
- Other fixed rate loan	1,406	1,384
Variable rate		
- BLR plus	144,020	136,216
- Cost plus	34,493	37,725
- Other variable rates	156,640	117,876
	342,670	296,599

(iv) By purpose

	30 June 2006 RM'000
Purchase of securities	-
Purchase of transport vehicles	233
Purchase of landed property:	48,385
- Residential	7,396
- Non-residential	40,989
Purchase of fixed assets other than land and building	-
Personal use	1,479
Credit card	-
Purchase of consumer durables	-
Construction	11,162
Merger and acquisition	-
Working capital	245,498
Other purpose	35,913
	342,670

The restatement of comparative information as at 31 December 2005 is impracticable

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
 ENDED 30 JUNE 2006**

(v) Non-performing Loans (NPL)

(i) Movement in non-performing loans and advances

	30 June 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 (referring to payment made for legal fees, insurance premium, deposit to Land Office, quit rent & assessment and valuation fees)	29	11
At end of period	<u>7,735</u>	<u>403</u>
Specific allowance	(291)	(291)
Net non-performing loans and advances	<u><u>7,444</u></u>	<u><u>112</u></u>
Ratio of net non-performing loans and advances to net loans and advances	2.17%	0.04%

(ii) Movement in allowance for bad and doubtful debts

	30 June 2006 RM'000	31 December 2005 RM'000
General allowance		
At beginning of year	9,810	9,810
At end of period	<u>9,810</u>	<u>9,810</u>
As % of gross loans and advances less specific allowance	2.9%	3.3%
Specific allowance		
At beginning of year	291	33
Allowance made during the period	-	258
At end of period	<u>291</u>	<u>291</u>

(iii) NPL by purpose

	30 June 2006 RM'000	31 December 2005 RM'000
Working capital	<u>7,735</u>	<u>403</u>
	<u><u>7,735</u></u>	<u><u>403</u></u>

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
 ENDED 30 JUNE 2006**

12 Other Assets

	30 June 2006 RM'000	31 December 2005 RM'000
Interest receivable	1,947	2,020
Other debtors, deposits and prepayments	3,614	2,426
	5,561	4,446

13 Deposits from Customers

(i) By type of deposits

	30 June 2006 RM'000	31 December 2005 RM'000
Demand deposits	104,475	69,700
Savings deposits	16,637	17,528
Fixed deposits	128,966	124,370
Negotiable instruments of deposits	260,000	109,000
Others	11	12
	510,089	320,610

(ii) By type of customer

	30 June 2006 RM'000	31 December 2005 RM'000
Government and statutory bodies	1,011	1,012
Business enterprises	436,093	247,760
Individuals	72,912	71,771
Others	73	67
	510,089	320,610

14 Deposits and placements of banks and other financial institutions

	30 June 2006 RM'000	31 December 2005 RM'000
Licensed banks	171,086	178,922
	171,086	178,922

15 Other Liabilities

	30 June 2006 RM'000	31 December 2005 RM'000
Interest payable	3,261	2,066
Accrued expenses	8,850	8,929
Margin deposits	4,867	7,176
Other liabilities	5,744	4,911
	22,722	23,082

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
 ENDED 30 JUNE 2006**

16 Interest income

	Six Months Ended	
	30 June	30 June
	2006	2005
	RM'000	RM'000
Loans and advances		
- Interest income other than recoveries from NPL	9,122	7,136
- Recoveries from NPLs	199	-
Money at call and deposit placement with financial institutions	10,649	8,590
Securities		
- Held-to-maturity investments	1,339	1,842
	21,309	17,568
Amortisation of premium less accretion of discount	(308)	(505)
Interest suspended	(173)	-
Total interest income	20,828	17,063

17 Interest Expense

	Six Months Ended	
	30 June	30 June
	2006	2005
	RM'000	RM'000
Deposits and placements of banks and other financial institutions		
Deposits from customers	4,372	3,180
	5,784	4,652
Total	10,156	7,832

18 Other operating income

	Six Months Ended	
	30 June	30 June
	2006	2005
	RM'000	RM'000
Fees and commission income:		
- Processing fees	8	5
- Syndication fees	43	55
- Commitment fees	150	131
- Other fees relating to loan & finance	187	158
- Guarantee fees	520	553
- Acceptance commission	232	213
- Other fee income	2,164	652
	3,304	1,767
Held-to-maturity investments income:		
Gains from sale of held-to-maturity investments	-	-
Foreign exchange gain/(loss):		
- Realised gain/(loss)	2,109	987
- Unrealised gain/(loss)	159	(38)
	5,572	2,716

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
 ENDED 30 JUNE 2006**

19 Other operating expenses

	Six Months Ended	
	30 June	30 June
	2006	2005
	RM'000	RM'000
Personnel expenses		
Salaries & wages (includes CEO / EDs)	3,945	3,258
Bonuses	1,913	1,621
Employee provident fund	1,080	883
Staff welfare expenses	365	308
Other personnel costs	324	170
	263	276
Marketing expenses		
Entertainment expenses	532	195
Other marketing expenses	449	145
	83	50
Establishment costs		
Lease rental of premises	1,551	1,954
Depreciation of property, plant and equipment	707	589
Repairs and maintenance	210	375
Other establishment costs	339	377
	295	613
Administration and general expenses		
Management fees	1,056	690
Insurance premium	-	100
Auditors' remuneration	277	73
Other administration and general expenses	-	6
	779	511
	7,084	6,097

20 Allowance for losses on loans and advances

	Six Months Ended	
	30 June	30 June
	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

	Six Months Ended	
	30 June	30 June
	2006	2005
	RM'000	RM'000
Current tax - Malaysian income tax	2,300	2,300
	2,300	2,300

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
 ENDED 30 JUNE 2006**

22 Capital adequacy

	30 June 2006	31 December 2005
	RM'000	RM'000
<u>Tier I capital</u>		
Paid-up ordinary share capital	304,000	304,000
Retained profit	375	375
Proposed dividend	-	5,034
Other reserves	19,868	19,868
	324,243	329,277
Less: Deferred tax assets	(5,172)	(5,172)
Total Tier I Capital	319,071	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	328,881	333,915
<u>Capital ratios</u>		
Core capital ratio (inclusive of market risk)	86%	100%
Risk-weighted capital ratio (inclusive of market risk)	88%	103%
Core capital ratio (inclusive of market risk and net of proposed dividends)	86%	99%
Risk-weighted capital ratio (inclusive of market risk and net of proposed dividends)	88%	102%
Risk-weighted assets for credit and market risks (RM'000)	372,681	323,752

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

23 Commitments and contingencies

	30 June 2006			31 December 2005		
	Principal RM'000	Credit equivalent RM'000	Risk weighted RM'000	Principal RM'000	Credit equivalent RM'000	Risk weighted RM'000
Direct credit substitutes	-	-	-	150	150	150
Transaction-related contingent items	148,046	74,023	15,454	194,261	97,131	20,578
Short-term self-liquidation trade related contingencies	18,847	3,769	724	26,126	5,225	482
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	102,778	-	-	96,770	-	-
- Maturity exceeding one year	47,067	23,534	11,052	19,810	9,905	9,170
Foreign exchange related contracts:						
- Less than one year	9,203	-	-	13,530	-	-
Others	96,186	-	-	130,216	-	-
Total	422,127	101,326	27,230	480,863	112,411	30,380

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

24 Interest rate risk

<u>30 June 2006</u>	Non Trading Book							Effective interest rate %
	Up to 1 month RM'000	> 1-3 month RM'000	> 3-12 month RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	
Assets								
Cash and short term funds	517,030	-	-	-	-	2,445	519,475	3.76%
Deposits & placement with banks & other financial institutions	-	115,200	-	-	-	-	115,200	3.79%
Securities	-	-	-	56,088	-	-	56,088	4.92%
Loans and advances								
- performing	163,292	129,897	40,352	304	1,091	(9,810)	325,126	6.52%
- non-performing	-	-	-	-	-	7,443	7,443	
Other assets	-	-	-	-	-	5,561	5,561	
Deferred taxation	-	-	-	-	-	5,172	5,172	
Tax recoverable	-	-	-	-	-	146	146	
Property, plant and equipment	-	-	-	-	-	789	789	
Total assets	680,322	245,097	40,352	56,392	1,091	11,746	1,035,000	
Liabilities								
Deposits from customers	258,469	120,999	26,135	-	-	104,486	510,089	3.33%
Deposits & placements of banks & other financial institutions	38,570	110,430	22,086	-	-	-	171,086	5.10%
Bills and acceptances payable	-	-	-	-	-	-	-	
Other liabilities	-	-	-	-	-	22,722	22,722	
Total liabilities	297,039	231,429	48,221	-	-	127,208	703,897	
Shareholders' equity	-	-	-	-	-	331,103	331,103	
Total liabilities and shareholders' equity	297,039	231,429	48,221	-	-	458,311	1,035,000	
On balance sheet - interest rate gap	383,283	13,668	(7,869)	56,392	1,091	(446,565)	-	
Off balance sheet - interest rate gap	-	-	-	-	-	-	-	
Total interest rate gap	383,283	13,668	(7,869)	56,392	1,091	(446,565)	-	

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

24 Interest rate risk (Continued)

<u>31 December 2005</u>	Non Trading Book						Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 month RM'000	> 3-12 month RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive 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	
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 & placements of banks & other financial institutions	95,773	56,693	26,456	-	-	-	178,922	4.36%
Bills and acceptances 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' equity	-	-	-	-	-	329,277	329,277	
Total liabilities and shareholders' equity	332,245	80,281	43,921	119	-	422,071	878,637	
On balance sheet - interest rate gap	234,183	107,577	16,548	56,394	3,734	(418,436)	-	
Off balance sheet - interest rate gap	-	-	-	-	-	-	-	
Total interest rate gap	234,183	107,577	16,548	56,394	3,734	(418,436)	-	

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
ENDED 30 JUNE 2006**

25 Operations of Islamic Banking

No Islamic banking activities was involved for the first 6 months ended 30 June 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.

28 Dividend Paid

A final dividend of 2.30% less tax amounting to RM5,034,240 in respect of financial year ended 31 December 2005 was paid on 25 May 2006.