

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED BALANCE SHEETS AS AT 30 JUNE 2008

	Note	30 June 2008 RM'000	31 December 2007 RM'000
ASSETS			
Cash and short-term funds	8	453,476	587,326
Deposits and placements with banks and other financial institutions	9	-	71,000
Held-to-maturity securities	10	39,997	55,125
Loans and advances	11	924,356	376,712
Other assets	12	4,973	5,008
Deferred tax assets		3,598	3,598
Tax recoverable		-	-
Statutory deposits with Bank Negara Malaysia		-	-
Property and equipment		1,329	1,388
Intangible assets		970	1,140
TOTAL ASSETS		1,428,699	1,101,297
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits from customers	13	275,372	428,645
Deposits and placements of banks and other financial institutions	14	743,950	252,849
Other liabilities	15	61,979	71,397
Provision for taxation		1,141	1,011
TOTAL LIABILITIES		1,082,442	753,902
Financed by:			
Share capital		304,000	304,000
Reserves		42,257	43,395
SHAREHOLDERS' EQUITY		346,257	347,395
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,428,699	1,101,297
COMMITMENTS AND CONTINGENCIES	23	656,196	289,025

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED INCOME STATEMENTS FOR THE SIX MONTHS
ENDED 30 JUNE 2008

		Six Months Ended	
		30 June	30 June
		2008	2007
		RM'000	RM'000
Interest income	16	23,262	24,435
Interest expense	17	(11,277)	(13,185)
Net interest income		11,985	11,250
Other operating income	18	7,575	5,730
Other operating expenses	19	(8,107)	(6,644)
Allowance for losses on loans and advances	20	(3,500)	(462)
Profit before taxation		7,953	9,874
Taxation	21	(2,680)	(2,796)
Net profit for the financial period		5,273	7,078

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UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED CASH FLOW STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Note	30 June 2008 RM'000	31 December 2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		7,953	18,606
<i>Adjustment for:</i>			
Depreciation of property and equipment		200	338
Amortisation of intangible assets		208	91
Net (gain)/loss on disposal of property and equipment		(5)	-
Amortisation of premium less accretion of discount		128	645
Allowance for losses on loans and advances		3,500	2,754
Write back of allowance for losses on loans and advances		-	(38)
Interest income from held-to-maturity securities		(1,011)	(2,703)
Unrealised foreign exchange loss		50	(91)
Operating profit before changes in operating assets and liabilities		11,023	19,602
(INCREASE)/DECREASE IN OPERATING ASSETS			
Deposits and placements with banks and other financial institutions		71,000	214,200
Loans and advances		(551,144)	(44,320)
Other assets		(357)	274
INCREASE/(DECREASE) IN OPERATING LIABILITIES			
Deposits from customers		(153,273)	(99,551)
Deposits and placements of banks and other financial institutions		491,101	63,418
Bills and acceptances payable		-	-
Other liabilities		(9,418)	48,870
Cash generated from / (used in) operating activities		(141,068)	202,493
Taxation paid		(2,550)	(4,649)
Net cash generated from / (used in) operating activities		(143,618)	197,844
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(141)	(1,033)
Purchase of intangible assets		(38)	(1,203)
Proceeds from disposal of property and equipment		5	-
Net sale / (net purchases) of held-to-maturity securities		15,000	-
Interest received on held-to-maturity securities		1,353	2,707
Net cash generated from investing activities		16,179	471
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(6,411)	(8,721)
Net cash used in financing activities		(6,411)	(8,721)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD			
		(133,850)	189,594
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD			
		587,326	397,732
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD			
8		453,476	587,326

BANK OF CHINA (MALAYSIA) BERHAD
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UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Issued and fully paid ordinary shares of RM1 each	Non- distributable	Distributable	
	Nominal value RM'000	Statutory reserves RM'000	Retained profits RM'000	Total RM'000
At 1 January 2008	304,000	35,805	7,590	347,395
Net profit for the six months	-	-	5,273	5,273
Total recognised income for the three months	-	-	5,273	5,273
Transfer to statutory reserve	-	-	-	-
Dividends paid	-	-	(6,411)	(6,411)
At 30 June 2008	304,000	35,805	6,452	346,257
At 1 January 2007	304,000	29,333	9,839	343,172
Net profit for the financial year	-	-	12,944	12,944
Total recognised income for the year	-	-	12,944	12,944
Transfer to statutory reserve	-	6,472	(6,472)	-
Dividends paid	-	-	(8,721)	(8,721)
At 31 December 2007	304,000	35,805	7,590	347,395

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
ENDED 30 JUNE 2008**

1 Review of Performance and Commentary of Prospects

The bank recorded a lower profit before tax for the six months ended 30 June 2008 compared with the corresponding period in 2007 as a result of higher other operating expenses, coupled with higher allowance for losses on loans and advances as a result of higher loans growth. In year 2008, the bank continued to focus on increasing its fee based income by emphasising in promoting remittance and securing international settlement and trade finance business.

2 Group Accounting Policies

The interim financial statements for the six months ended 30 June 2008 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 2007.

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 2007.

The Bank's allowance for non-performing loans is in conformity with the minimum requirements of Bank Negara Malaysia's "Guidelines on the 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 2007 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 2008.

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 2008.

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.

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
 ENDED 30 JUNE 2008**

8 Cash and short-term funds

	30 June	31 December
	2008	2007
	RM'000	RM'000
Cash and balances with banks and other financial institutions	28,276	58,526
Money at call and deposit placements maturing within 1 month	425,200	528,800
	453,476	587,326

9 Deposits and placements with banks and other financial institutions

	30 June	31 December
	2008	2007
	RM'000	RM'000
Bank Negara Malaysia	-	71,000
	-	71,000

10 Held-to-maturity securities

	30 June	31 December
	2008	2007
	RM'000	RM'000
At amortised cost		
Money market instrument:		
Malaysian Government Securities	39,940	58,029
Amortisation of premium less accretion of discounts	57	(2,904)
	39,997	55,125

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
 ENDED 30 JUNE 2008**

11 Loans and advances

(i) By type

	30 June	31 December
	2008	2007
	RM'000	RM'000
Overdrafts	45,598	47,578
Terms loans		
- Housing loans	6,684	6,453
- Syndicated term loan	260,847	118,124
- Other term loans	121,829	98,735
Bills receivable	312,730	-
Trust receipts	13,100	8,424
Claims on customers under acceptance credits	58,203	51,444
Staff loans	2,876	2,884
of which: RMnil (2007: RMnil were to Directors)		
Loans to banks and other financial institutions	119,632	56,685
Less: Unearned interest and income	941,499	390,327
Total gross loans and advances	(358)	(330)
Less: Allowance for bad and doubtful debts:		
- General	(16,210)	(12,710)
- Specific	(575)	(575)
Total net loans and advances	924,356	376,712

(ii) By type of customer

	30 June	31 December
	2008	2007
	RM'000	RM'000
Domestic banking institutions	49,102	49,582
Domestic non-bank financial institutions	7,103	7,103
Domestic business enterprises		
- Small medium enterprises ("SME")	147,416	131,910
- Non-SME	87,141	70,508
Government and statutory bodies	49,319	50,263
Individuals	13,379	12,770
Foreign entities	587,681	67,861
	941,141	389,997

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
 ENDED 30 JUNE 2008**

11 Loans and advances (continued)

(iii) By interest rate sensitivity

	30 June	31 December
	2008	2007
	RM'000	RM'000
Fixed rate		
- Housing loans	-	-
- Other fixed rate loan	379,030	2,884
Variable rate		
- BLR plus	170,589	168,293
- Cost plus	78,287	51,114
- Other variable rates	313,235	167,706
	<u>941,141</u>	<u>389,997</u>

(iv) By purpose

	30 June	31 December
	2008	2007
	RM'000	RM'000
Purchase of transport vehicles	87	104
Purchase of landed property:		
- Residential	65,255	50,189
- Non-residential	10,690	10,447
Personal use	54,565	39,742
Construction	3,401	3,002
Working capital	6,009	7,200
Other purpose	799,670	261,640
	<u>66,719</u>	<u>67,862</u>
	<u>941,141</u>	<u>389,997</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
 ENDED 30 JUNE 2008**

11 Loans and advances (continued)

(v) Non-performing Loans (NPL)

(a) Movement in non-performing loans and advances

	30 June 2008 RM'000	31 December 2007 RM'000
At beginning of financial year	7,103	7,616
Classified as non-performing during the period	-	-
Amount recovered	-	(392)
Amount written off	-	(121)
At end of financial period	7,103	7,103
Specific allowance	(575)	(575)
Net non-performing loans and advances	6,528	6,528

Ratio of net non-performing loans and advances to gross loans and advances less specific allowance

0.69% 1.68%

(b) Movement in allowance for bad and doubtful debts

	30 June 2008 RM'000	31 December 2007 RM'000
General allowance		
At beginning of the financial year	12,710	10,410
Allowance made during the financial year	3,500	2,300
At end of the financial year	16,210	12,710
As % of gross loans and advances less specific allowance	1.73%	3.26%
Specific allowance		
At beginning of the financial year	575	159
Allowance made during the financial period	-	575
Amount recovered	-	(38)
Amount written off	-	(121)
At end of the financial year	575	575

(c) NPL by purpose

	30 June 2008 RM'000	31 December 2007 RM'000
Working capital	7,103	7,103

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
 ENDED 30 JUNE 2008**

12 Other Assets

	30 June	31 December
	2008	2007
	RM'000	RM'000
Interest receivable	1,529	1,716
Other debtors, deposits and prepayments	3,444	3,292
	4,973	5,008

13 Deposits from Customers

(i) **By type of deposits**

	30 June	31 December
	2008	2007
	RM'000	RM'000
Demand deposits	89,450	85,922
Savings deposits	18,389	20,735
Fixed deposits	165,921	221,977
Negotiable instruments of deposits	-	100,000
Others	1,612	11
	275,372	428,645

(ii) **By type of customer**

	30 June	31 December
	2008	2007
	RM'000	RM'000
Government and statutory bodies	1,952	45,011
Business enterprises	163,705	275,878
Individuals	109,418	107,485
Others	297	271
	275,372	428,645

14 Deposits and placements of banks and other financial institutions

	30 June	31 December
	2008	2007
	RM'000	RM'000
Licensed banks	743,950	252,849
	743,950	252,849

15 Other Liabilities

	30 June	31 December
	2008	2007
	RM'000	RM'000
Interest payable	3,619	4,193
Accrued expenses	2,374	2,739
Margin deposits	48,231	54,653
Other liabilities	7,755	9,812
	61,979	71,397

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
ENDED 30 JUNE 2008**

16 Interest income

	Six Months Ended	
	30 June	30 June
	2008	2007
	RM'000	RM'000
Loans and advances		
- Interest income other than recoveries from NPL	11,169	11,325
- Recoveries from NPLs	-	7
Money at call and deposit placement with financial institutions	11,210	12,079
Securities		
- Held-to-maturity investments	1,011	1,341
	<u>23,390</u>	<u>24,752</u>
Amortisation of premium less accretion of discount	(128)	(317)
Interest suspended	-	-
Total interest income	<u>23,262</u>	<u>24,435</u>

17 Interest Expense

	Six Months Ended	
	30 June	30 June
	2008	2007
	RM'000	RM'000
Deposits and placements of banks and other financial institutions		
Deposits from customers	5,623	5,805
Others	4,787	7,376
	<u>867</u>	<u>4</u>
	<u>11,277</u>	<u>13,185</u>

18 Other operating income

	Six Months Ended	
	30 June	30 June
	2008	2007
	RM'000	RM'000
Fees income:		
- Fee on loans and advances	729	666
- Service charges and fees	2,510	2,163
- Guarantee fees	674	516
- Other fee income	<u>5</u>	<u>1</u>
	<u>3,918</u>	<u>3,346</u>
Foreign exchange income:		
- Realised	3,707	2,327
- Unrealised	<u>(50)</u>	<u>57</u>
	<u>7,575</u>	<u>5,730</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
ENDED 30 JUNE 2008**

19 Other operating expenses

	Six Months Ended	
	30 June	30 June
	2008	2007
	RM'000	RM'000
Personnel expenses		
Salaries & wages (includes CEO / EDs)	5,292	3,934
Bonuses	2,939	2,258
Defined contribution plan ("EPF")	1,422	773
Staff welfare expenses	581	431
Other personnel costs	146	220
	204	252
Marketing expenses		
Entertainment	208	239
Other marketing	183	172
	25	67
Establishment costs		
Rental of premises	1,624	1,509
Depreciation	599	713
Amortisation	200	142
Repairs and maintenance	208	39
Other establishment costs	342	365
	275	250
Administration and general expenses		
Insurance premium	983	962
Other administration and general expenses	278	276
	705	686
	8,107	6,644

20 Allowance for losses on loans and advances

	Six Months Ended	
	30 June	30 June
	2008	2007
	RM'000	RM'000
Allowance for bad and doubtful debts on loans and advances		
(a) Specific allowance		
- Made in the financial period	-	-
- Written back in the financial period	-	(38)
(b) General allowance		
- Made in the financial period	3,500	500
	3,500	462

21 Taxation

	Six Months Ended	
	30 June	30 June
	2008	2007
	RM'000	RM'000
Current tax - Malaysian income tax	2,680	2,796
	2,680	2,796

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
ENDED 30 JUNE 2008**

22 Capital adequacy

	30 June 2008	31 December 2007
	RM'000	RM'000
Tier-1 capital		
Paid-up ordinary share capital	304,000	304,000
Retained profits	7,590	7,590
Other reserves	35,805	35,805
	347,395	347,395
Less: Deferred tax assets	(3,598)	(3,598)
Total Tier-1 Capital	343,797	343,797
Tier-2 capital		
General allowance for bad and doubtful debts	16,210	12,710
Total Tier-2 Capital	16,210	12,710
Total capital base	360,007	356,507
Capital ratios		
Core capital ratio	50%	123%
Risk-weighted capital ratio	52%	127%
Core capital ratio (net of proposed dividends)	49%	120%
Risk-weighted capital ratio (net of proposed dividends)	51%	125%
Risk-weighted assets for credit, market and operational risks (RM'000)	692,609	280,077

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

23 Commitments and contingencies

	30 June 2008			31 December 2007		
	Principal RM'000	Credit equivalent RM'000	Risk weighted RM'000	Principal RM'000	Credit equivalent RM'000	Risk weighted RM'000
Transaction-related contingent items	299,115	149,558	27,326	95,719	47,860	10,690
Short-term self-liquidation trade related contingencies	4,894	979	648	63,490	12,698	532
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	131,733	26,347	26,347	105,899	-	-
- Maturity exceeding one year	105,197	52,599	52,344	13,489	6,745	6,700
Foreign exchange related contracts:						
- Less than one year	7,346	-	-	9,915	-	-
Others	107,911	-	-	513	-	-
Total	656,196	229,483	106,665	289,025	67,303	17,922

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

24 Interest rate risk

		Non Trading Book							
		Up to 1 month	> 1-3 month	> 3-12 month	1-5 years	Over 5 years	Non-interest sensitive	Total	Effective interest rate %
30 June 2008		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short term funds	450,045	-	-	-	-	-	3,431	453,476	3.57%
Deposits & placement with banks & other financial institutions	-	-	-	39,994	-	-	-	-	39,994
Held-to-maturity securities	-	-	-	-	-	-	-	-	3.92%
Loans and advances									
- performing	305,390	439,371	186,401	87	2,789	(16,210)	917,828	4.04%	
- non-performing	-	-	-	-	-	6,528	6,528		
Other assets	-	-	-	-	-	4,973	4,973		
Deferred tax assets	-	-	-	-	-	3,598	3,598		
Property and equipment	-	-	-	-	-	1,329	1,329		
Intangible assets	-	-	-	-	-	970	970		
Total assets	755,435	439,371	226,395	87	2,789	4,619	1,428,696		
Liabilities									
Deposits from customers	147,533	12,590	32,016	-	-	83,233	275,372	3.10%	
Deposits & placements of banks & other financial institutions	164,168	406,179	173,603	-	-	-	743,950	3.02%	
Other liabilities	-	-	-	-	-	-	-	-	
Provision of taxation	-	-	-	-	-	-	-	-	
Total liabilities	311,701	418,769	205,619	-	-	146,353	1,082,442		
Shareholders' equity									
Total liabilities and shareholders' equity	311,701	418,769	205,619	-	-	346,257	346,257		
On balance sheet - interest rate gap	443,734	20,602	20,776	87	2,789	(487,991)	(3)		
Off balance sheet - interest rate gap	-	-	-	-	-	-	-		
Total interest rate gap	443,734	20,602	20,776	87	2,789	(487,991)	(3)		

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

24 Interest rate risk (Continued)

		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	Effective interest rate %
31 December 2007									
Assets									
Cash and short term funds	582,700	-	-	-	-	-	4,626	587,326	3.55%
Deposits & placement with banks & other financial institutions	-	71,000	-	-	-	-	-	71,000	3.56%
Held-to-maturity securities	-	15,135	39,990	-	-	-	-	55,125	4.92%
Loans and advances									
- performing	292,931	73,308	13,771	104	2,780	(12,710)	370,184	5.95%	
- non-performing	-	-	-	-	-	6,528	6,528		
Other assets	-	-	-	-	-	5,008	5,008		
Deferred tax assets	-	-	-	-	-	3,598	3,598		
Property and equipment	-	-	-	-	-	1,388	1,388		
Intangible assets	-	-	-	-	-	1,140	1,140		
Total assets	875,631	159,443	53,761	104	2,780	9,578	1,101,297		
Liabilities									
Deposits from customers	302,911	17,910	28,487	116	-	79,221	428,645	3.29%	
Deposits & placements of banks & other financial institutions	203,274	49,575	-	-	-	-	252,849	4.56%	
Other liabilities	-	-	-	-	-	71,397	71,397		
Provision of taxation	-	-	-	-	-	1,011	1,011		
Total liabilities	506,185	67,485	28,487	116	-	151,629	753,902		
Shareholders' equity									
Total liabilities and shareholders' equity									
On balance sheet - interest rate gap	369,446	91,958	25,274	(12)	2,780	(489,446)	-		
Off balance sheet - interest rate gap	-	-	-	-	-	-	-		
Total interest rate gap	369,446	91,958	25,274	(12)	2,780	(489,446)	-		

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
ENDED 30 JUNE 2008**

25 Credit Exposures Arising From Credit Transactions With Connected Parties

	30 June 2008
Outstanding credit exposures with connected parties (RM'000)	<u>454,006</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>39%</u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>0%</u>

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008. However, the Bank has obtained exemption from Bank Negara Malaysia's for the above credit transaction exposures with connected parties.

26 Operations of Islamic Banking

No Islamic banking activities was involved for the financial period ended 30 June 2008.

27 Valuation of Property, Plant and Equipment

The Bank's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. There was no change in the valuation of property and equipment that were brought forward from the previous audited annual financial statements.

28 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.