

BANK OF CHINA (MALAYSIA) BERHAD (511251-V)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Group		Bank	
		30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
ASSETS					
Cash and short-term funds	9	949,045	808,721	949,043	808,720
Deposits and placements with banks and other financial institutions	10	20,000	30,000	20,000	30,000
Held-to-maturity securities	11	39,893	39,829	39,893	39,829
Loans and advances	12	819,668	704,575	819,668	704,575
Other assets	13	5,388	3,832	4,796	3,528
Deferred tax assets		5,017	5,017	5,017	5,017
Statutory deposits with Bank Negara Malaysia		100	-	100	-
Property and equipment		6,275	6,002	5,120	5,035
Intangible assets		227	462	217	449
Amount due from a subsidiary		-	-	-	681
Investment in a subsidiary		-	-	1,000	1,000
TOTAL ASSETS		1,845,613	1,598,438	1,844,854	1,598,834
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	14	411,989	600,058	415,464	600,499
Deposits and placements of banks and other financial institutions	15	984,048	611,912	984,048	611,912
Bills and acceptances payable		-	2,096	-	2,096
Other liabilities	16	75,823	20,398	75,003	19,960
Provision for taxation		973	327	453	327
Deferred tax liabilities		46	46	-	-
TOTAL LIABILITIES		1,472,879	1,234,837	1,474,968	1,234,794
Financed by:					
Share capital		304,000	304,000	304,000	304,000
Reserves		68,734	59,601	65,886	60,040
SHAREHOLDERS' EQUITY		372,734	363,601	369,886	364,040
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,845,613	1,598,438	1,844,854	1,598,834
COMMITMENTS AND CONTINGENCIES	24	1,347,633	1,656,932	1,347,633	1,656,932

BANK OF CHINA (MALAYSIA) BERHAD (511251-V)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR
THE SIX MONTHS ENDED 30 JUNE 2010

Group		2nd Quarter Ended		Six Months Ended	
		30 June		30 June	
		2010		2010	
		RM'000		RM'000	
Interest income	17	10,849	19,827		
Interest expense	18	(4,700)	(8,248)		
Net interest income		6,149	11,579		
Other operating income	19	8,328	15,231		
Other operating expenses	20	(7,746)	(13,893)		
Operating profit		6,731	12,917		
Allowance for impairment on loans and advances	21	(10)	(22)		
Profit before taxation		6,721	12,895		
Taxation		(2,252)	(3,762)		
Profit for the financial period		4,469	9,133		
Other comprehensive income		-	-		
Total comprehensive income for the period		4,469	9,133		

Bank		2nd Quarter Ended		Six Months Ended	
		30 June		30 June	
		2010		2009	
		RM'000		RM'000	
Interest income	17	10,849	8,488	19,827	18,900
Interest expense	18	(4,700)	(3,046)	(8,248)	(7,270)
Net interest income		6,149	5,442	11,579	11,630
Other operating income	19	5,378	3,792	9,512	7,508
Other operating expenses	20	(6,958)	(4,501)	(12,497)	(9,133)
Operating profit		4,569	4,733	8,594	10,005
Allowance for losses on loans and advances	21	(10)	-	(22)	-
Profit before taxation		4,559	4,733	8,572	10,005
Taxation		(1,426)	(1,500)	(2,726)	(3,000)
Profit for the financial period		3,133	3,233	5,846	7,005
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		3,133	3,233	5,846	7,005

BANK OF CHINA (MALAYSIA) BERHAD (511251-V)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30
JUNE 2010

	Issued and fully paid ordinary shares of RM1.00 each	Non- distributable Statutory reserves	Distributable Retained profits	Total
	Nominal value RM'000	RM'000	RM'000	RM'000
Group				
At 1 January 2010	304,000	50,754	8,847	363,601
Profit for the financial period	-	-	9,133	9,133
Total comprehensive income for the period	-	-	9,133	9,133
Transfer to statutory reserve	-	-	-	-
Dividends paid	-	-	-	-
At 30 June 2010	304,000	50,754	17,980	372,734
Bank				
At 1 January 2010	304,000	50,754	9,286	364,040
Profit for the financial period	-	-	5,846	5,846
Total comprehensive income for the period	-	-	5,846	5,846
Transfer to statutory reserve	-	-	-	-
Dividends paid	-	-	-	-
At 30 June 2010	304,000	50,754	15,132	369,886
Bank				
At 1 January 2009	304,000	43,436	8,808	356,244
Profit for the financial period	-	-	7,005	7,005
Total comprehensive income for the period	-	-	7,005	7,005
Transfer to statutory reserve	-	-	-	-
Dividends paid	-	-	(6,840)	(6,840)
At 30 June 2009	304,000	43,436	8,973	356,409

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INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Group		Bank
	30 June	30 June	30 June
	2010	2010	2009
Note	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	12,895	8,572	10,005
<i>Adjustment for:</i>			
Depreciation of property and equipment	574	479	262
Amortisation of intangible assets	243	240	240
Net gain on disposal of property and equipment	-	-	(3)
Amortisation of premium less accretion of discount	(64)	(64)	(60)
Allowance for impairment on loans and advances	22	22	-
Interest income from held-to-maturity securities	(747)	(747)	(747)
Unrealised foreign exchange (gain) / loss	(264)	(264)	105
Property and equipment written off	-	-	19
Operating profit before changes in operating assets and liabilities	12,659	8,238	9,821
(INCREASE)/DECREASE IN OPERATING ASSETS			
Deposits and placements with banks and other financial institutions	10,000	10,000	(1,200)
Loans and advances	(115,115)	(115,115)	97,387
Other assets	(545)	(257)	350
Amount due from subsidiary company	-	681	-
Statutory deposits with Bank Negara Malaysia	(100)	(100)	-
INCREASE IN OPERATING LIABILITIES			
Deposits from customers	(188,069)	(185,035)	219,175
Deposits and placements of banks and other financial institutions	372,136	372,136	(1,373)
Bills and acceptances payable	(2,096)	(2,096)	5,018
Other liabilities	55,425	55,043	(4,360)
Cash generated from operating activities	144,295	143,495	324,818
Taxation paid	(3,116)	(2,600)	(3,000)
Net cash generated from operating activities	141,179	140,895	321,818
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(847)	(564)	(1,870)
Purchase of intangible assets	(8)	(8)	(7)
Proceeds from disposal of property and equipment	-	-	3
Interest received on held-to-maturity securities	-	-	751
Investment in subsidiary	-	-	-
Net cash generated used in investing activities	(855)	(572)	(1,123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	-	-	(6,840)
Net cash used in financing activities	-	-	(6,840)
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD			
	140,324	140,323	313,855
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR			
	808,721	808,720	383,464
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD			
9	949,045	949,043	697,319

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
ENDED 30 JUNE 2010**

1 Review of Performance and Commentary of Prospects

Profit before taxation for the six months ended 30 June 2010 is lower as compared with the corresponding period in 2009 due to reduced revenue and increased overheads as a result of network expansion. The Bank has focused in marketing for more SME loans, at the same time continues to promote its fee based generating products and grow its customer based. To source for more deposits, the Bank is intensifying efforts to diversify its deposit base.

2 Group Accounting Policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 have been prepared in accordance with FRS134 Interim Financial Reporting 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 2009.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009, except for the adoption of the following new Financial Reporting Standards (FRSs). Amendments to FRSs and Interpretations with effect from 1 January 2010.

FRS 101	Presentation of Financial Statements
FRS 139	Financial Instruments: Recognition and Measurement
FRS 7	Financial Instruments: Disclosures
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
Amendment to FRS 132	Financial Instruments: Presentation

FRS 101 - Presentation of Financial Statements

FRS 101 requires "non owner changes in equity" to be presented separately from owner changes in equity. The Group has elected to present one performance statement (the statement of comprehensive income). This standard does not have any impact on the financial position and results of the Group.

FRS 139 - Financial Instruments: Recognition and Measurement

FRS 139 establishes the principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. Nevertheless, prior to the adoption of FRS139, the accounting policies of the Group and the Bank incorporate revised BNM/GP8 - Guidelines on Financial Reporting for Licensed Institutions on 1 January 2005 which includes selected principles of FRS 139.

The Bank's provision for impaired loans is in conformity with the minimum requirements of BNM's Guidelines on the Classification and Impairment Provision for Loans/Financing with the adoption of FRS 139 - Financial Instruments: Recognition and Measurement issued by MASB. The Bank will assess at the end of each reporting period whether there is any objective evidence that a loan is impaired. A loan or a group of loan is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a results of one or more events that occurred after the initial recognition of the loan (a 'loss event') and the loss event has an impact on the estimated future cash flows of the loan or group of loan tht can be reliably estimated.

The Bank assesses individually whether objective evidence of impairment exists individually for all loans as the Bank do not have sufficient historical data to collectively assess for impairment. However, the Bank will maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans, net of individual impairment allowances. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010.

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

2 Group Accounting Policies (Continued)

The following revised FRSs, new IC Interpretations and Amendments to FRSs have been issued by the MASB and are effective for annual periods commencing on or after 1 July 2010, and have yet to be adopted by the Group and the Bank :

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combination
FRS 127	Consolidated and separate financial statements

The application of these amendments are not expected to have a material effect on the Group's operating results or financial position.

3 Audit Report

The audit report for the financial period ended 31 December 2009 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 2010.

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 2010.

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.

8 Dividend paid

No dividend was paid during the six months ended 30 June 2010.

9 Cash and short-term funds

	Group		Bank	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	461,045	48,821	461,043	48,820
Money at call and deposit placements maturing within 1 month	488,000	759,900	488,000	759,900
	949,045	808,721	949,043	808,720

10 Deposits and placements with banks and other financial institutions

	Group and Bank	
	30 June	31 December
	2010	2009
	RM'000	RM'000
Bank Negara Malaysia	20,000	30,000
	20,000	30,000

11 Held-to-maturity securities

	Group and Bank	
	30 June	31 December
	2010	2009
	RM'000	RM'000
At amortised cost		
Money market instrument:		
Malaysian Government Securities	39,672	39,672
Amortisation of premium less accretion of discounts	221	157
	39,893	39,829

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

12 Loans and advances
At amortised cost

	Group and Bank	
	30 June	31 December
	2010	2009
	RM'000	RM'000
Overdrafts	71,562	48,650
Terms loans		
- Housing loans	7,683	7,073
- Syndicated term loan	370,227	361,799
- Other term loans	227,731	129,680
Bills receivable	4,220	67,348
Trust receipts	29,705	6,392
Claims on customers under acceptance credits	75,146	47,325
Staff loans	2,663	2,613
of which: RMnil (2009: RMnil were to Directors)		
Loans to banks and other financial institutions	48,643	51,487
	837,580	722,367
Less: Unearned interest and income	(400)	(302)
Total gross loans and advances	837,180	722,065
Less: Allowance for impairment		
- Collective assessment	(17,466)	-
- Individual assessment	(46)	-
- General	-	(17,466)
- Specific	-	(24)
Total net loans and advances	819,668	704,575

(ii) By geographical distribution

	Group and Bank	
	30 June	31 December
	2010	2009
	RM'000	RM'000
Foreign entities		
Malaysia	564,590	439,258
Other countries	272,590	282,807
Total gross loans and advances	837,180	722,065

(iii) By interest rate sensitivity

	Group and Bank	
	30 June	31 December
	2010	2009
	RM'000	RM'000
Fixed rate		
- Housing loans	-	-
- Other fixed rate loan	3,588	3,438
Variable rate		
- BLR plus	300,044	174,268
- Cost plus	112,029	63,861
- Other variable rates	421,519	480,498
	837,180	722,065

(iv) By purpose

	Group and Bank	
	30 June	31 December
	2010	2009
	RM'000	RM'000
Purchase of transport vehicles	51	47,743
Purchase of landed property:	157,132	84,791
- Residential	13,215	11,562
- Non-residential	143,917	73,229
Purchase of fixed assets other than land and building	925	824
Personal use	3,789	3,403
Construction	8,597	8,379
Working capital	549,090	446,445
Other purpose	117,596	130,480
	837,180	722,065

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

12 Loans and advances (continued)

(v) By residual contractual maturity

	Group and Bank	
	30 June 2010	31 December 2009
	RM'000	RM'000
Up to one month	361,818	281,298
More than one month to three months	179,443	237,937
More than three months to six months	55,024	63,602
More than six months to twelve months	3,248	-
More than twelve months	237,647	139,228
	837,180	722,065

The loans and advances were based on the remaining length of time that will be carried and from the report date to the expiry date of the contract created.

(vi) Impaired loans and advances

(a) Movements in impaired loans and advances

	Group and Bank	
	30 June 2010	31 December 2009
	RM'000	RM'000
At beginning of financial period/year	67	6,219
Classified as impaired during the period/year	2	67
Amount recovered	-	(6,219)
Amount written off	-	-
At end of financial period/year	69	67
Individual Allowance for impairment	(46)	(24)
Net impaired loans and advances	23	43

Ratio of net impaired loans and advances to gross loans and advances less allowance for impairment

0.00% 0.01%

(b) By geographical

	Group and Bank	
	30 June 2010	31 December 2009
	RM'000	RM'000
Malaysia	69	67
Other countries	-	-
	69	67

c) By purposes

	Group and Bank	
	30 June 2010	31 December 2009
	RM'000	RM'000
Purchase of residential property	69	67
	69	67

(vii) Allowance for impairment on loans and advances

(a) Movements in allowance for impairment for loans and advances

	Group and Bank	
	30 June 2010	31 December 2009
	RM'000	RM'000
Individual assessment allowance		
At beginning of the financial period/year	-	-
Effect of reclassification on FRS 139	24	-
Allowance made during the financial period/year	22	-
Amount recovered	-	-
Amount written off	-	-
At end of the financial period/year	46	-
Collective assessment allowance		
At beginning of the financial period/year	-	-
Effect of reclassification on FRS 139	17,466	-
Allowance made during the financial period/year	-	-
At end of the financial period/year	17,466	-

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

12 Loans and advances (continued)

(vii) Allowance for impairment on loans and advances (continued)

(a) Movements in allowance for impairment for loans and advances (continued)

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
General allowance		
At beginning of the financial period/year	17,466	17,466
Effect of reclassification on FRS 139	(17,466)	-
At end of the financial period/year	<u>-</u>	<u>17,466</u>
As % of gross loans and advances less specific allowance	-	2.42%
Specific allowance		
At beginning of the financial period/year	24	943
Effect of reclassification on FRS 139	(24)	-
Allowance made during the financial period/year	-	24
Amount recovered	-	(943)
Amount written off	-	-
At end of the financial period/year	<u>-</u>	<u>24</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

13 Other Assets

	Group		Bank	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Interest receivable	1,360	1,401	1,360	1,401
Other debtors, deposits and prepayments	4,028	2,431	3,436	2,127
	5,388	3,832	4,796	3,528

14 Deposits from Customers

(i) By type of deposits

	Group		Bank	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Demand deposits	78,390	87,728	81,865	88,169
Savings deposits	24,835	20,461	24,835	20,461
Fixed deposits	307,164	490,269	307,164	490,269
Others	1,600	1,600	1,600	1,600
	411,989	600,058	415,464	600,499

(ii) By type of customer

	Group		Bank	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	1,600	1,600	1,600	1,600
Business enterprises	226,818	424,444	230,293	424,885
Individuals	177,623	170,529	177,623	170,529
Others	5,948	3,485	5,948	3,485
	411,989	600,058	415,464	600,499

(iii) Maturity structure of fixed deposits as follows

	Group		Bank	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Due within six months	286,431	469,241	286,431	469,241
Six months to one year	20,701	20,712	20,701	20,712
More than one year	32	316	32	316
	307,164	490,269	307,164	490,269

15 Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 June	31 December
	2010	2009
	RM'000	RM'000
Licensed banks	984,048	611,912
	984,048	611,912

16 Other Liabilities

	Group		Bank	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Interest payable	1,689	1,544	1,689	1,544
Accrued expenses	4,515	3,908	4,340	3,792
Margin deposits	32,354	5,314	32,354	5,314
Other liabilities	37,265	9,632	36,620	9,310
	75,823	20,398	75,003	19,960

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

17 Interest income	2nd Quarter Ended		Six Months Ended	
	Group and Bank 30 June 2010 RM'000	Bank 30 June 2009 RM'000	Group and Bank 30 June 2010 RM'000	Bank 30 June 2009 RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	5,613	4,838	10,233	11,587
- Recoveries from impaired loans	-	-	-	-
Money at call and deposit placement with financial institutions	4,828	3,243	8,784	6,506
Securities	-	-	-	-
- Held-to-maturity investments	376	377	747	747
	<u>10,817</u>	<u>8,458</u>	<u>19,764</u>	<u>18,840</u>
Amortisation of premium less accretion of discount	32	31	63	61
Interest suspended	-	(1)	-	(1)
Total interest income	<u>10,849</u>	<u>8,488</u>	<u>19,827</u>	<u>18,900</u>

18 Interest Expense	2nd Quarter Ended		Six Months Ended	
	Group and Bank 30 June 2010 RM'000	Bank 30 June 2009 RM'000	Group and Bank 30 June 2010 RM'000	Bank 30 June 2009 RM'000
Deposits and placements of banks and other financial institutions	2,679	1,206	3,873	3,692
Deposits from customers	1,957	1,755	4,303	3,490
Others	64	85	72	88
	<u>4,700</u>	<u>3,046</u>	<u>8,248</u>	<u>7,270</u>

19 Other operating income	2nd Quarter Ended	Six Months Ended
	30 June 2010 RM'000	30 June 2010 RM'000
Group		
Fees income:		
- Fee on loans and advances	710	1,187
- Service charges and fees	4,406	8,625
- Guarantee fees	553	1,035
	<u>5,669</u>	<u>10,847</u>
Foreign exchange income:		
- Realised	3,618	4,117
- Unrealised	(959)	264
Gain from disposal of property and equipment	-	-
Other income	-	3
	<u>8,328</u>	<u>15,231</u>

Other operating income	2nd Quarter Ended		Six Months Ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Bank				
Fees income:				
- Fee on loans and advances	710	389	1,187	744
- Service charges and fees	1,426	1,351	2,846	2,593
- Guarantee fees	553	613	1,035	1,110
	<u>2,689</u>	<u>2,353</u>	<u>5,068</u>	<u>4,447</u>
Foreign exchange income:				
- Realised	3,618	1,761	4,117	3,151
- Unrealised	(959)	(324)	264	(105)
Gain from disposal of property and equipment	-	1	-	3
Other income	30	1	63	12
	<u>5,378</u>	<u>3,792</u>	<u>9,512</u>	<u>7,508</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

20 Other operating expenses

Group	2nd Quarter Ended		Six Months Ended	
	30 June		30 June	
	2010	2010	2010	2010
	RM'000	RM'000	RM'000	RM'000
<u>Personnel expenses</u>	<u>3,734</u>	<u>7,526</u>		
Salaries & wages (includes CEO / EDs)	2,311	4,613		
Bonuses	798	1,563		
Defined contribution plan ("EPF")	401	804		
Staff welfare expenses	92	266		
Other personnel costs	132	280		
<u>Marketing expenses</u>	<u>176</u>	<u>308</u>		
Entertainment	107	201		
Other marketing	69	107		
<u>Establishment costs</u>	<u>1,420</u>	<u>2,805</u>		
Rental of premises	605	1,209		
Depreciation	299	574		
Amortisation	121	243		
Repairs and maintenance	122	302		
Other establishment costs	273	477		
<u>Administration and general expenses</u>	<u>2,416</u>	<u>3,254</u>		
Insurance premium	253	320		
Auditors' remuneration - statutory audit fees	55	55		
- other fees	50	50		
Travelling and accommodation	34	76		
Telecommunication and utilities	102	198		
Printing, stationery and postage	127	387		
Legal and professional fees	1,557	1,728		
Other administration and general expenses	238	440		
	<u>7,746</u>	<u>13,893</u>		

Bank	2nd Quarter Ended		Six Months Ended	
	30 June		30 June	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
<u>Personnel expenses</u>	<u>3,280</u>	<u>2,953</u>	<u>6,718</u>	<u>5,865</u>
Salaries & wages (includes CEO / EDs)	2,036	1,560	4,102	3,106
Bonuses	681	826	1,381	1,542
Defined contribution plan ("EPF")	375	340	754	663
Staff welfare expenses	72	187	233	222
Other personnel costs	116	40	248	332
<u>Marketing expenses</u>	<u>167</u>	<u>87</u>	<u>299</u>	<u>196</u>
Entertainment	102	52	195	148
Other marketing	65	35	104	48
<u>Establishment costs</u>	<u>1,194</u>	<u>922</u>	<u>2,351</u>	<u>2,031</u>
Rental of premises	451	367	902	719
Depreciation	250	155	479	262
Amortisation	120	120	240	240
Repairs and maintenance	122	103	289	274
Property and equipment written off	-	20	-	20
Other establishment costs	251	157	441	516
<u>Administration and general expenses</u>	<u>2,317</u>	<u>539</u>	<u>3,129</u>	<u>1,041</u>
Insurance premium	251	260	318	277
Auditors' remuneration - statutory audit fees	55	-	55	-
- other fees	50	-	50	-
Travelling and accommodation	34	54	86	92
Telecommunication and utilities	95	51	177	109
Printing, stationery and postage	115	87	367	335
Legal and professional fees	1,495	41	1,661	47
Other administration and general expenses	222	46	415	181
	<u>6,958</u>	<u>4,501</u>	<u>12,497</u>	<u>9,133</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

21 Allowance for impairment on loans and advances

	2nd Quarter Ended		Six Months Ended	
	Group and Bank	Bank	Group and Bank	Bank
	30 June	30 June	30 June	30 June
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment on loans and advances				
(a) Individual assessment allowance				
- Made in the financial period	10	-	22	-
- Written back in the financial period	-	-	-	-
(b) Collective assessment allowance				
- Made in the financial period	10	-	22	-

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23 Capital adequacy

(a) The capital adequacy ratios of the Bank are as follows:

	Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
<u>Tier-1 capital</u>		
Paid-up ordinary share capital	304,000	304,000
Retained profits	9,286	9,286
Other reserves	50,754	50,754
	364,040	364,040
Less: Deferred tax assets	(5,017)	(5,017)
Total Tier-1 Capital	359,023	359,023
<u>Tier-2 capital</u>		
Collective allowance for impairment	17,466	17,466
Total Tier-2 Capital	17,466	17,466
Less: investment in a subsidiary	(1,000)	(1,000)
Total capital base	375,489	375,489
<u>Capital ratios</u>		
Core capital ratio	27.8%	31.9%
Risk-weighted capital ratio	29.1%	33.4%

(b) Breakdown of risk-weighted assets in the various categories of risk-weights are as follows :

Credit risk	1,209,670	1,048,082
Market risk	5,932	2,548
Operational risk	75,442	73,113
Total risk-weighted assets	1,291,044	1,123,743

The Bank implemented Basel II - Risk Weighted Assets Computation under the BNM's Risk-weighted Capital Adequacy Framework ('RWCAF') with effect from 1 January 2008. The Bank has adopted the Standardised Approach for credit risk and market risk, and the basic indicator approach for operational risk.

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23 Capital Adequacy (Continued)

(c) The breakdown of risk-weighted assets ('RWA') by exposures in each major risk category as follows:

Bank 30 June 2010 Exposure Class	Gross exposure RM'000	Net exposure RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
(i) Credit Risk				
On-balance sheet exposure:				
Sovereigns & central banks	549,769	549,769	-	-
Banks, development financial institutions & MDBs*	505,669	505,669	115,727	9,258
Corporate	776,949	776,949	735,362	58,829
Residential mortgages	11,588	11,588	4,553	364
Other assets	12,374	12,374	6,000	480
Total on-balance sheet exposure	1,856,349	1,856,349	861,642	68,931
Off-balance sheet exposures:				
Credit-related off-balance sheet exposure	528,677	528,677	348,028	27,842
Total credit risk	2,385,026	2,385,026	1,209,670	96,774
	Net long position RM'000			
(ii) Market Risk				
Foreign currency risk	<u>5,932</u>		5,932	475
(iii) Operational Risk			75,442	6,035
Total risk weighted assets and capital requirement			<u>1,291,044</u>	<u>103,284</u>

* Multi-lateral Development Banks ('MDBs')

Bank 31 December 2009 Exposure Class	Gross exposure RM'000	Net exposure RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
(i) Credit Risk				
On-balance sheet exposure:				
Sovereigns & central banks	831,819	831,819	-	-
Banks, development financial institutions & MDBs*	95,463	95,463	34,539	2,763
Corporate	659,450	659,450	606,413	48,513
Residential mortgages	11,127	11,127	4,304	344
Other assets	12,447	12,447	7,056	564
Total on-balance sheet exposure	1,610,306	1,610,306	652,312	52,184
Off-balance sheet exposures:				
Credit-related off-balance sheet exposure	646,027	646,027	395,770	31,662
Total credit risk	2,256,333	2,256,333	1,048,082	83,846
	Net long position RM'000			
(ii) Market Risk				
Foreign currency risk	<u>2,548</u>		2,548	204
(iii) Operational Risk			73,113	5,849
Total risk weighted assets and capital requirement			<u>1,123,743</u>	<u>89,898</u>

* Multi-lateral Development Banks ('MDBs')

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23 Capital Adequacy (Continued)

(d) The breakdown of credit risk exposures by risk weights as follows:

<u>Bank</u> <u>30 June 2010</u>	← Exposures after Netting and Credit Risk Mitigation →					<u>Total exposure</u> <u>after netting</u> <u>and credit risk</u> <u>mitigation</u> <u>RM'000</u>	<u>Total risk</u> <u>weighted</u> <u>assets</u> <u>RM'000</u>
<u>Supervisory</u> <u>Risk weights</u>	<u>Sovereigns</u> <u>and central</u> <u>banks</u> <u>RM'000</u>	<u>Banks,</u> <u>MDBs</u> <u>and FDIs</u> <u>RM'000</u>	<u>Corporate</u> <u>RM'000</u>	<u>Residential</u> <u>mortgages</u> <u>RM'000</u>	<u>Other</u> <u>assets</u> <u>RM'000</u>		
0%	549,769	-	26,961	29	6,374	583,133	-
20%	-	457,026	32,474	-	-	489,500	97,900
35%	-	-	-	8,623	-	8,623	3,017
50%	-	390,609	-	4,555	-	395,164	197,582
100%	-	-	897,407	69	6,000	903,477	903,477
150%	-	-	5,129	-	-	5,129	7,694
Total	<u>549,769</u>	<u>847,635</u>	<u>961,971</u>	<u>13,276</u>	<u>12,374</u>	<u>2,385,026</u>	<u>1,209,670</u>
Risk weighted asset By exposure	-	286,710	911,595	5,365	6,000	1,209,670	
Average risk weight	0.0%	33.8%	94.8%	40.4%	48.5%	50.7%	

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23 Capital Adequacy (Continued)

(d) The breakdown of credit risk exposures by risk weights as follows:

Bank 31 December 2009	← Exposures after Netting and Credit Risk Mitigation →					<u>Total exposure after netting and credit risk mitigation</u> RM'000	<u>Total risk weighted assets</u> RM'000
<u>Supervisory Risk weights</u>	<u>Sovereigns and central banks</u> RM'000	<u>Banks, MDBs and FDIs</u> RM'000	<u>Corporate</u> RM'000	<u>Residential mortgages</u> RM'000	<u>Other assets</u> RM'000		
0%	831,819	-	18,786	28	5,391	856,024	-
20%	-	43,976	51,852	-	-	95,828	19,165
35%	-	-	-	8,710	-	8,710	3,048
50%	-	504,583	38,000	2,896	-	545,479	272,740
100%	-	-	737,496	67	7,056	744,619	744,619
150%	-	-	5,673	-	-	5,673	8,510
Total	<u>831,819</u>	<u>548,559</u>	<u>851,807</u>	<u>11,701</u>	<u>12,447</u>	<u>2,256,333</u>	<u>1,048,082</u>
Risk weighted asset By exposure	-	261,086	775,377	4,563	7,056	1,048,082	
Average risk weight	0.0%	47.6%	91.0%	39.0%	56.7%	46.5%	

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24 Commitments and contingencies

	30 June 2010			Group and Bank		
				31 December 2009		
	<u>Principal</u>	<u>Credit</u>	<u>Risk</u>	<u>Principal</u>	<u>Credit</u>	<u>Risk</u>
<u>RM'000</u>	<u>equivalent</u>	<u>weighted</u>	<u>RM'000</u>	<u>equivalent</u>	<u>weighted</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Direct credit substitutes	567	567	567	2,826	2,826	600
Transaction-related contingent items	367,246	183,623	90,197	569,841	284,921	142,846
Short-term self-liquidation trade related contingencies	28,963	5,792	672	5,835	1,167	470
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	420,373	84,075	83,680	566,547	113,309	93,979
- Maturity exceeding one year	509,240	254,620	172,912	487,608	243,804	157,875
Foreign exchange related contracts:						
- Less than one year	1,694	-	-	3,544	-	-
Others	19,550	-	-	20,731	-	-
Total	1,347,633	528,677	348,028	1,656,932	646,027	395,770

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25 Credit Exposures Arising From Credit Transactions With Connected Parties

	Group and Bank	
	30 June	31 December
	2010	2009
Outstanding credit exposures with connected parties (RM'000)	<u>142,418</u>	<u>179,179</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>10%</u>	<u>17%</u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>0%</u>	<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 2010.

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.

29 Changes in the composition of the Group

There were no significant changes in the composition of the Group for the 2nd quarter ended 30 June 2010.