

獨立核數師報告

Independent Auditor's Report

致南洋商業銀行有限公司全體成員
(於香港註冊成立的有限公司)

審計意見

本核數師(以下簡稱「我們」)已審計列載於第57頁至第243頁南洋商業銀行有限公司(「貴銀行」)及其附屬公司(統稱「貴集團」)的綜合財務報表。此綜合財務報表包括於2017年12月31日的綜合資產負債表與截至該日止年度的綜合收益表、綜合全面收益表、綜合權益變動表和綜合現金流量表,以及綜合財務報表附註,包括主要會計政策。

我們認為,該等綜合財務報表已經根據香港會計師公會頒佈的《香港財務報告準則》,真實而中肯地反映了貴集團於2017年12月31日的綜合財務狀況以及截至該日止年度的綜合財務表現和綜合現金流量,並已遵照香港《公司條例》妥為擬備。

意見的基礎

我們已根據香港會計師公會頒佈的《香港審計準則》進行審計。我們在該等準則下承擔的責任已在本報告「核數師就審計綜合財務報表承擔的責任」部分中作進一步闡述。根據香港會計師公會頒佈的《專業會計師道德守則》(以下簡稱「守則」),我們獨立於集團,並已履行守則中的其他專業道德責任。我們相信,我們所獲得的審計憑證能充足及適當地為我們的審計意見提供基礎。

To the members of Nanyang Commercial Bank, Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Nanyang Commercial Bank, Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 57 to 243, which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對本期綜合財務報表的審計最為重要的事項。這些事項是在對綜合財務報表整體進行審計並形成意見的背景下進行處理的，我們不對這些事項提供單獨的意見。我們對下述每一事項在審計中是如何應對的描述也以此為背景。

我們已經履行了本報告「核數師就審計綜合財務報表承擔的責任」部分闡述的責任，包括與這些關鍵審計事項相關的責任。相應地，我們的審計工作包括執行為應對評估的綜合財務報表重大錯誤陳述風險而設計的審計程式。我們執行審計程式的結果，包括應對下述關鍵審計事項所執行的程式，為綜合財務報表整體發表審計意見提供了基礎。除綜合財務報表及獨立核數師報告以外的其他資訊。

關鍵審計事項

該事項在審計中是如何應對的

客戶貸款的減值評估

請參閱財務報表附註2.14主要會計政策、附註3.1應用會計政策時之重大會計估計及判斷、附註4.1信貸風險及附註23貸款減值準備的披露。

我們瞭解了貴集團的信貸政策並評估及測試了信貸審批流程、貸款分類流程、貸款減值準備評估流程相關關鍵控制的設計和執行的有效性。我們對貸款減值準備評估流程的控制測試包括了識別減值跡象，以及重檢個別及組合減值評估中所採用的假設。

截至2017年12月31日，客戶貸款總額為港幣2,352.07億元，客戶貸款減值準備總額為港幣20.37億元。

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of loans and advances to customers

Refer to summary of significant accounting policies in Note 2.14, critical accounting estimates and judgements in applying accounting policies in Note 3.1, and disclosures on credit risk and loan impairment allowances respectively in Note 4.1 and Note 23 to the financial statements.

As at 31 December 2017, gross advances to customers amounted to HK\$235,207 million and the impairment allowance for advances to customers amounted to HK\$2,037 million.

We obtained an understanding of the Group's credit policy and evaluated and tested the design and the operating effectiveness of the key controls over the processes of credit assessment, loan classification and loan impairment assessment. Our control testing on the loan impairment process included the identification of impairment indicators and assessment of the assumptions used in the individual and collective impairment models.

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關鍵審計事項 (續)

關鍵審計事項

客戶貸款的減值評估 (續)

評估客戶貸款的減值準備須涉及管理層的重大判斷以及報告日時貸款組合中的估計損失。

貴集團對於單項重大的貸款或已減值的貸款，採用個別評估的方式進行減值評估；對於單項不重大的貸款或個別評估未發生減值的貸款，進行組合減值評估。組合減值評估中，貸款組合未來現金流的評估是基於具有類似信貸風險特徵貸款的歷史損失經驗，並根據經濟因素及主觀判斷作出調整。與歷史損失經驗相關的參數包括違約概率、違約損失率程度和損失識別期。

該事項在審計中是如何應對的

在評估 貴集團貸款的個別減值時，我們採用了以風險為導向的抽樣方法執行我們的貸款審閱工作。我們基於單項貸款的風險特點選取樣本，包括借入行業、經營地區、內部貸款評級以及過往逾期紀錄。我們通過審閱借款人的詳細資訊，包括其財務狀況、可收回現金流及押品估值，及針對選定減值貸款樣本，重新計算其折現現金流，以形成我們對貸款分類及減值準備程度的獨立意見。

我們評了組合減值評估模型、資料登錄，管理層對各類貸款組合的宏觀經濟趨勢影響及主觀判斷所採用的相關假設。我們在評估這些假設時考慮了模型中所採用的歷史資料期間、可觀察的經濟資料、市場資料及特定行業趨勢等多項因素。

最後，對於財務報表附註4.1中的信貸風險披露，我們評估和測試了 貴集團有關的關鍵控制設計和執行的有效性。

KEY AUDIT MATTERS (Cont'd)

Key audit matter

Impairment assessment of loans and advances to customers (Cont'd)

The assessment of impairment for advances to customers involved significant management judgements and estimates of the losses incurred within the loan portfolios at the reporting date.

The Group adopted an individual impairment assessment approach in respect of individually significant loans or impaired loans; and a collective impairment assessment approach in respect of loans not individually significant or not individually impaired. Under the collective approach, the assessment of future cash flows for loan portfolios was based on the historical loss experience of loans with similar credit risk characteristics, with adjustments based on economic factors and judgemental overlays. Parameters associated with the historical loss experience included probability of default, loss given default and loss identification period.

How our audit addressed the key audit matter

In assessing the individually assessed impairment allowances made by the Group, we adopted a risk-based sampling approach for our loan review procedures. We selected samples based on risk characteristics of individual items including the industry and geographic location of the operations of borrowers, internal loan grading and past due history. We formed an independent view on the classification of the loans and the level of provisions recognised by the Group through reviewing the borrowers' detailed information about their financial performance, recoverable cash flows and valuation of collateral, as well as re-calculating discounted cash flows on a sample basis for the impaired loans.

We assessed the collective impairment model, data input, and the related assumptions made by management on the impact of macro-economic trends and judgemental overlays for the various types of loan portfolios. We evaluated these assumptions by considering various factors including the period of historical data used in the model, observable economic data, market information and specific industry trends.

Furthermore, we evaluated and tested the design and operating effectiveness of the Group's key controls related to disclosures on credit risk in Note 4.1 to the financial statements.

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關鍵審計事項 (續)

關鍵審計事項

該事項在審計中是如何應對的

金融工具的估值

請參閱財務報表附註2.12主要會計政策、附註3.3應用會計政策時之重大會計估計及判斷、附註5.1及5.2金融工具的公允值披露。

對於沒有活躍市場報價的金融工具，貴集團採用估值技術確定其公允值，而估值技術中涉及管理層的主觀判斷和假設，尤其是那些包括了重大不可觀察參數的估值技術。採用不同的估值技術或假設，估值結果將可能存在重大差異。

截至2017年12月31日，貴集團以公允值計量的金融資產及負債分別為港幣1,085.84億元和港幣47.43億元。採用了重大不可觀察參數進行估值的金融工具（即第三層級金融工具），其估值的不確定性較高。截至2017年12月31日，貴集團以公允值計量的第二層級及第三層級金融資產分別為港幣908.11億元和港幣174.46億元。

我們評估並測試了與金融工具估值相關的關鍵控制設計和執行的有效性，包括獨立價格驗證和審批等。

我們以抽樣方式挑選了於公允值層級表內第二層級金融工具的公允值計量，以評估這些金融工具的估值。我們獲取了被挑選樣本所採用的外部報價，並評估用於厘定公平值的相關報價的質素（根據其一致性和價格範圍）以評估其估值。

我們專注於公允值層級表內第三層級金融工具的估值方法和假設。我們透過將貴集團所採用的可觀察參數（例如交易對手報價）與可獲得的外部市場資料進行核對及獲取獨立估值來源的估值結果進行比較分析，並以抽樣重新計算估值的方法對貴集團目前使用市場通用的折現現金流模型所採用的估值技術、假設和估計進行評估。

最後，對於貴集團在財務報表附註5.1及5.2中的公允值披露，我們也評估和測試了其關鍵控制設計和執行的有效性。

KEY AUDIT MATTERS (Cont'd)

Key audit matter

How our audit addressed the key audit matter

Valuation of financial instruments

Refer to summary of significant accounting policies in Note 2.12, critical accounting estimates and judgements in applying accounting policies in Note 3.3, and disclosures on fair values of financial instruments in Notes 5.1 and 5.2 to the financial statements.

The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, in particular those that include significant unobservable inputs, involve management using subjective judgements and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly.

As at 31 December 2017, the Group's financial assets and liabilities measured at fair value amounted to HK\$108,584 million and HK\$4,743 million respectively. Financial instruments which had significant unobservable inputs in their valuation, and hence were categorised within level 3 of the fair value hierarchy, involved a higher degree of uncertainty in their valuation. As at 31 December 2017, the Group's financial assets measured at fair value which were categorised within level 2 and level 3 amounted to HK\$90,811 million and HK\$17,446 million respectively.

We evaluated and tested the design and operating effectiveness of key controls related to the valuation of financial instruments, including independent price verification and approval.

We selected, on a sample basis, financial instruments that were classified as level 2 in the fair value hierarchy to evaluate the valuation of these financial instruments. For the selected sample of financial instruments, we obtained the external quotes applied and assessed the quality of the quotes used (in terms of consistency and range) to determine the fair value.

We focused on the valuation methodologies and assumptions of financial instruments that were classified as level 3 in the fair value hierarchy. We compared observable inputs, such as valuation quotations from counterparties, against independent sources and externally available market data, and re-performed valuations on a sample basis to evaluate valuation techniques, assumptions and estimates adopted by the Group in the discounted cash flow models which are commonly used in the market.

Furthermore, we evaluated and tested the design and operating effectiveness of the Group's key controls related to fair value disclosures on credit risk in Notes 5.1 and 5.2 to the financial statements.

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刊載於年度報告內其他資訊

董事需對其他資訊負責。其他資訊包括刊載於年度報告內的資訊，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表的審計意見並不涵蓋其他資訊，我們也不對其他資訊發表任何形式的鑒證結論。

結合我們對綜合財務報表的審計，我們的責任是閱讀其他資訊，在此過程中，考慮其他資訊是否與綜合財務報表或我們在審計過程中所瞭解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。基於我們已執行的工作，如果我們認為其他資訊存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

董事就綜合財務報表須承擔的責任

董事須負責根據香港會計師公會頒布的《香港財務報告準則》及香港《公司條例》擬備真實而中肯的綜合財務報表，並對其認為為使綜合財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。

在擬備綜合財務報表時，董事負責評估 貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將 貴集團清盤或停止經營，或別無其他實際的替代方案。

稽核委員會協助董事履行職責，監督貴銀行的財務報告過程。

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Bank either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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核數師就審計綜合財務報表承擔的責任

我們的目標，是對綜合財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。我們遵照香港《公司條例》第405條僅對全體成員作出報告，除此以外，本報告並無其他用途。我們不會就核數師報告的內容向任何其他人士負上或承擔任何責任。

合理保證是高水準的保證，但不能保證按照《香港審計準則》進行的審計，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

在根據《香港審計準則》進行審計的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審計程式以應對這些風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 瞭解與審計相關的內部控制，以設計適當的審計程式，但目的並非對貴集團內部控制的有效性發表意見。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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核數師就審計綜合財務報表承擔的 責任 (續)

- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對 貴集團的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審計憑證。然而，未來事項或情況可能導致 貴集團不能持續經營。
- 評價綜合財務報表的整體列報方式、結構和內容，包括披露，以及綜合財務報表是否中肯反映交易和事項。
- 就 貴集團內實體或業務活動的財務資訊獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責 貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。

除其他事項外，我們與稽核委員會溝通了計劃的審計範圍、時間安排、重大審計發現等，包括我們在審計中識別出內部控制的任何重大缺陷。

我們還向稽核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，相關的防範措施。

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

獨立核數師報告 Independent Auditor's Report

核數師就審計綜合財務報表承擔的 責任 (續)

從與稽核委員會溝通的事項中，我們確定哪些事項對本期綜合財務報表的審計最為重要，因而構成關鍵審計事項。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審計項目合夥人是李舜兒。

安永會計師事務所
執業會計師

香港
2018年3月26日

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Shun Yi, Jasmine.

Ernst & Young
Certified Public Accountants

Hong Kong
26 March 2018