



Reference: AIS-AC 002/2017

3 February 2017

Subject: Opinion of Audit Committee regarding Connected Transactions for 2016

**To: Secretary-General
The Securities and Exchange Commission**

Enclosures: Details of Connected Transactions

We, the Audit Committee of Advanced Info Service Public Company Limited, “the Company”, whose names appear hereinafter, hereby provide an opinion with respect to the connected transactions executed by the Company with those parties thereof who were considered as having a conflict of interest in 2016, as set out in the Enclosures.

After having considered such matters, we are of the opinion that Management conducted such transactions for the benefit of the Company at an arm’s length basis with general business trading condition and reasonable price that compared with the general market price in such industry.

Kindly be informed accordingly.

Yours sincerely



Mr Krairit Euchukanonchai
Chairman of the Audit Committee



Mrs Tasanee Manerot
Audit Committee member



Mr Surasak Vajasit
Audit Committee member



Audit Committee Report 2016

To the Shareholders of Advanced Info Service Public Company Limited

The Audit Committee of Advanced Info Service Public Company Limited is composed of three independent directors with combined skills and expertise in finance, accounting, laws, and business administration. All members possess adequate qualifications as required by the Audit Committee Charter and the regulations of the Securities and Exchange Commission, Thailand (SEC) and the Stock Exchange of Thailand (SET). Its members include:

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|-------------------------------|---------------------------------|
| 1. Mr. Krairit Euchukanonchai | Chairman of the Audit Committee |
| 2. Mrs. Tasanee Manorot | Member of the Audit Committee |
| 3. Mr. Surasak Vajasit | Member of the Audit Committee |

Mrs. Suvimon Kulalert, the Company's Chief Audit Executive, acts as secretary of the Audit Committee. The summary of meeting attendance of the members in 2016 is shown in "Management Structure".

The Audit Committee operates independently and performs its duties and responsibilities as assigned by the Board of Directors in overseeing the corporate governance and the internal control systems to ensure that the Company's business operations are carried out for the interests of its shareholders and other stakeholders and that the Management executes its duties with integrity, accountability, and in accordance with the Company's policies. The Audit Committee's operations in the year 2016 are summarized below:

1. The Audit Committee reviewed the quarterly and annual separate and consolidated financial statements of the Company and its subsidiaries for 2016 after they had been reviewed and audited by the external auditor. The Audit Committee also discussed other significant accounting policies, estimates, and judgments applied in the preparation of these reports with the Management and the external auditor prior to the reports being concurred and submitted to the Board of Directors for approval.

Moreover, the Audit Committee acknowledged the external audit plan and reviewed the external auditor's management letter recommending improvements to the internal control system. The Audit Committee also held a meeting with the external auditor without the Management's participation for an independent discussion on important issues concerning significant information in the financial statements and any points of concern arising from their reviews and audits, including independence of the external auditor and the confidentiality of the Company's information.

The Audit Committee concluded that the internal control systems for financial reporting processes were appropriate and the external auditor performed their duties without any audit scope limitation to ensure that the financial statements fairly presented the Company's financial position and performance in all material respects and disclosed adequate information, in accordance with applicable Thai Financial Reporting Standards and Thai Accounting Standards. .

2. The Audit Committee reviewed related party transactions or any transactions that potentially conflicted with the Company's interests and concluded that the Management conducted these transactions in the interest of the Company and at an arm's length basis, with general business trading conditions and reasonable prices, which were compared with the general market price in a similar industry.



3. The Audit Committee reviewed the Company's compliance with the Securities and Exchange Act, the regulations of the SEC and SET, and other relevant laws, as well as business commitments with third party agreements. The Audit Committee concluded that the Company fully complied with the aforementioned regulatory requirements in all material respects. The Audit Committee and external auditor assures that all material relevant issues under dispute, which the Management believes that such issues shall turn out to be in the Company's favor, were disclosed in the notes to the financial statements adequately.

4. The Audit Committee reviewed the effectiveness and adequacy of the internal control systems. The internal audit reports during 2016 were reviewed. The internal control system was assessed according to the Internal Control Integrated Framework 2013 of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as well as the SEC guideline. The Management actions, pertaining to the recommendations in the internal audit and external audit reports, were regularly communicated to and monitored by the Audit Committee whereby root causes of the issues would be further evaluated in order to provide guidelines for the management to prevent future potential loss. Additionally, the Audit Committee acknowledged the technology advancement for better understanding and gave recommendations to further enhance the effectiveness of the internal control systems. No major internal control deficiencies were identified and the Audit Committee concluded that the internal control systems were appropriate.

In addition, the Audit Committee monitored and reviewed improvements to the adequacy and efficiency of the Company's key internal control system. These comprised a review of the Approval Authority Policy, the policy for the delegation of signatory authorities relating to financial transaction matters and execution of agreement, the Whistle-blowing Policy and the Misconduct & Fraud Investigation Policy, the Procurement Process, the Customer Data Protection Process, and the Revenue Assurance and Expenditure system.

5. The Audit Committee reviewed the risk management system in four meetings with participation of representatives from the Risk Management Committee during 2016. Recommendations to improve efficiency of risk management system were made. The Audit Committee concluded that the risk management system was properly designed, implemented, and functioning.

6. The Audit Committee reviewed the Company's adherence with Reporting and Investigation of Misconduct and or Fraud and Whistleblower Protection Policy. All complaints and investigation results by the Investigation Committee were quarterly communicated to the Audit Committee whereby appropriate actions and fair treatments were additionally recommended in compliance with the Corporate Governance Policy. Moreover, the follow-up on the penalties of the wrongdoers has been monitored continuously. In 2016, the Company was notified by external parties and employees (via the Whistleblower Systems) of 23 cases. Some cases were recorded as related to non-compliance of Company's Code of Business Ethics and non-compliance with the Company's regulations, but with no material value loss. Complaints submitted were taken into consideration for determination of future preventive measures.



7. The Audit Committee was responsible for overseeing the Internal Audit Department and held a formal exclusive meeting with the Chief Audit Executive to ensure that all assurance and advisory activities concerning the internal control systems, risk management systems, and corporate governance systems were performed effectively and efficiently. In doing so, the Audit Committee reviewed internal audit's independence, internal audit reports during 2016, and its performance according to key performance indicators. The Audit Committee also evaluated the performance of the Chief Audit Executive and considered internal audit quality improvement plans based on the evaluations and suggestions received from the audited departments. Moreover, the Audit Committee also considered and approved the hiring of the external assessor to conduct the 2nd Quality Assessment Review (QAR) of internal audit function to assess compliance with the International Internal Auditing Standards, and benchmarking with global companies every five years; (1st was done in 2011). The assessment result will be complete in Q1/2017.

The Audit Committee approved the internal audit plan for 2016 which was based on the Company's strategies and risk based approach. The internal audit activities emphasized the evaluation of the effectiveness of key preventive controls, fraud prevention, and control self-assessment in each process. Moreover, the internal auditors should perform advisory roles to share knowledge and provide tools for the second line of defense to realize their oversight roles and responsibilities in mitigating risks to an acceptable level. The Audit Committee also reviewed the internal audit's scope of work, responsibilities, annual budget, manpower sufficiency, competency, and audit tools; for the internal audit quality conforming to international standards.

The Audit Committee concluded that the internal audit processes had been operating appropriately, effectively, and independently, in conformity with the International Standards for the Professional Practice of Internal Auditing. Its annual audit plan aligned with the Company's goals and key risk areas. The Internal Audit Department had achieved its performance targets and demonstrated continuous improvement in respect of its personnel development and tools advancement.

8. The Audit Committee quarterly reported its operation to the Board of Directors and provided to the Management useful recommendations, which were subsequently adopted.

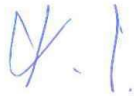
9. The Audit Committee reviewed and evaluated the adequacy of the Audit Committee Charter in the areas of the Audit Committee's scopes and duties to cover the area of overseeing the Anti-Bribery and Corruption Policy and its programme to ensure compliance with legal and ethical obligations.

10. The Audit Committee took into consideration the nomination and appointment of the external auditor and the annual audit fee for 2017 based on the assessment of independence, competency of the team support, experience in auditing, value added service and the audit fee. After careful consideration, the Audit Committee therefore proposed to the Board of Directors to seek approval to appoint the external auditor from Deloitte Touche Tohmatsu Jaiyos Audit Co. Ltd as the external auditor for 2017 at the Shareholder's Meeting.



11. The Audit Committee's self-performance assessment was conducted annually, as an individual and group assessment, according to the SET guidelines which cover the structure and qualifications of the Audit Committee, the Audit Committee Meeting, and the roles and responsibilities of the Audit Committee aligning with the best practice guidelines from the SEC and the Audit Committee Charter. The result showed that the Audit Committee had performed its duties and responsibilities with sufficient skills, expertise, diligence, and independence. The Audit Committee had full access to all pertinent information from management, employees and associated parties. The Audit Committee had been given beneficial and practical comments and recommendations benefiting all stakeholders.

In summary, the Audit Committee determined that the Board of Directors, Management, and Executive Directors had performed their duties with integrity and diligence in pursuit of the Company's goals, and that the Company demonstrated commitment to effective and transparent Corporate Governance which included appropriate risk management and internal control system.



Mr. Krairit Euchukanonchai
Chairman of the Audit Committee



Mrs. Tasanee Manorot
Audit Committee member



Mr. Surasak Vajasit
Audit Committee member



Board of Directors' Responsibility for Financial Reporting

The Board of Directors is responsible for Advanced Info Service Public Company Limited's financial statements and Advanced Info Service Public Company Limited and its subsidiaries' consolidated financial statements, including the financial information presented in this annual report. The aforementioned financial statements are prepared in accordance with generally accepted accounting principles, using careful judgment and the best estimation. Important information is adequately and transparency disclosed in the notes to financial statements for the Company shareholders and investors.

The Board of Directors provides and maintains risk management system and appropriate and efficient internal controls to ensure that accounting records are accurate, reliable and adequate to retain its assets as well as to prevent fraud or materially irregular operations.

In this regard, the Board of Directors has appointed an Audit Committee comprising independent directors to be responsible for reviewing quality of the financial reports, internal controls, internal audit and risk management system. The Audit Committee also reviews a disclosure of related party transactions. All their comments on these issues are presented in the Audit Committee Report included in this annual report.

The separate financial statements and the consolidated financial statements of the Company have been examined by an external auditor, Deloitte Touche Tohmatsu Jaiyos Audit Company Limited. To conduct the audits and express an opinion in accordance with generally accepted auditing standards, all records and related data, as requested, are provided to the auditor. The auditor's opinion is presented in the auditor's report as a part of this annual report.

The Board of Directors considers the Company's overall internal control system satisfactory and provides credibility and reliability to Advanced Info Service Public Company Limited's financial statements and Advanced Info Service Public Company Limited and its subsidiaries' consolidated financial statements for the year ended 31 December 2016. The Board of Directors also believes that all these financial statements have been prepared in accordance with generally accepted accounting principles and related regulations.



Mr. Kan Trakulhoon
Chairman of the Board of Directors



Mr. Allen Lew Yoong Keong
Chairman of the Executive Committee

