

AUDITOR'S REPORT

To the Shareholders of CAT Telecom Public Company Limited

Qualified Opinion

The Office of the Auditor General of Thailand has audited the accompanying consolidated financial statements of CAT Telecom Public Company Limited and its subsidiary (the Group) and the separate financial statements of CAT Telecom Public Company Limited (the Company), which comprise the consolidated and separate statements of financial position as at 31 December 2016, and the related consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

In the Office of the Auditor General of Thailand's opinion, except for the effects of the matters described in the basis for qualified opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the consolidated and separate financial position of CAT Telecom Public Company Limited and its subsidiary and of CAT Telecom Public Company Limited as at 31 December 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for qualified opinion

According to Note 47 to the financial statements, the Company has leased the fibre optic cable network (FTTx) together with equipment to provide the FTTx service to 11 provinces in regional areas. The Company, however, has not recognised the rental expenses because the agreements were not approved in accordance with the law governing budgeting. The rental in Hemaraj Eastern Seaboard Industrial Estates and Eastern Seaboard Industrial Estate (Rayong) started from the network receipt date to 7 February 2013, the contract termination date by the lessor, was Baht 220.95 million. The rent in Pattaya (Fiber-to-the-Home) where is the first place to celebrate His Majesty the King's Birthday 5 December 2009 started from the network receipt date to 31 August 2013, the contract termination date by the lessor, was Baht 390.62 million, totalling Baht 611.57 million. If the Company had been recognizing these expenses, opening balance of retained earnings would be decreased by Baht 611.57 million. Furthermore, current liabilities would be increased by Baht 611.57 million and equity would be decreased with the same amount.

The Office of the Auditor General of Thailand conducted the audit in accordance with Thai Standards on Auditing (TSAs). The Office of the Auditor General of Thailand's responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of the Office of the Auditor General of Thailand's report. The Office of the Auditor General of Thailand is independent of the Group in accordance with the State Audit Standards issued by the State Audit Commission and the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to the audit of the consolidated and separate financial statements, and the Office of the Auditor General of Thailand has fulfilled other ethical responsibilities in accordance with these requirements. The Office of the Auditor General of Thailand believes that the audit evidence the Office of the Auditor General of Thailand has obtained is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's qualified opinion.

Emphasis of Matters

The Office of the Auditor General of Thailand draws attention to the following notes to the financial statements;

1. Note 42 (a) obligation for uncertain access charges under concession agreements totalling Baht 38,043.46 million which haven't been finalised.
2. Note 42 (b) obligation to Universal Service Obligations.
3. Note 42 (c) contingent liabilities relating to value added tax where the Company didn't record a surcharge on additional value added tax regarding the deduction of excise tax from the concession operators' revenue sharing, totalling Baht 922.40 million. On 16 May 2017, the final court judgement had been issued and the Company is in the process of paying a penalty and surcharge to the Revenue Department as disclosed in Note 49.
4. Note 42 (d) obligation from a dispute regarding interconnection charges which hasn't been finalised.
5. Note 42 (e) contingent liabilities totalling Baht 405,320.53 million from pending litigations where the Company is the defendant.
6. Note 48 regarding the Company's restructuring. The State Enterprise Policy Office approved the proposal of CAT Telecom Public Company Limited and TOT Public Company Limited's restructuring in order to establish two new companies, National Broadband Network Company Limited (NBN Co.) and Neutral Gateway & Data Center Company Limited (NGDC Co.), for asset management purposes which are 100% owned by the government. The proposal for this restructuring has been approved by the cabinet in meeting No. 1/2560 on 9 January 2017. On 3 February 2017, a business plan was presented to the meeting and the meeting approved the proposal to establish these new companies. This enabled the Ministry of Digital Economy and Society to carry out related processes by taking the Office of the National Economic and Social Development Board and the Office of the National Broadcasting and Telecommunications Commission's opinion into consideration. As the process to establish the new companies is still not completed, the effect of the Company's business plan can't be predicted or what impact certain aspects of it will have. Once the establishing process has been completed, this may affect the Company's business operations in the future.

The Office of the Auditor General of Thailand's opinion is not modified in respect of these matters

Other information

The Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and the auditor's report thereon. The annual report is expected to be made available to the Office of the Auditor General of Thailand after the date of this auditor's report.

The Office of the Auditor General of Thailand's opinion on the consolidated and separate financial statements does not cover the other information and the Office of the Auditor General of Thailand will not express any form of assurance conclusion thereon.



The responsibility of the office of the Auditor General of Thailand related to the audit of the consolidated and separate financial statements is to read and consider whether other information is materially inconsistent with the consolidated and separate financial statements, or with the knowledge obtained from audit of the Office of the Auditor General of Thailand, or otherwise appears to be materially misstated

When the Office of the Auditor General of Thailand reads the annual report, if the Office of the Auditor General of Thailand concludes that there is a material misstatement therein, the Office of the Auditor General of Thailand is required to communicate the matter to the audit committee.

Responsibilities of the management and the audit committee for the consolidated and separate financial Statements

The management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the management is responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee assists is responsible for overseeing the Group and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

The Office of the Auditor General of Thailand's objectives are to obtain reasonable assurance about whether the consolidated and separate 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 the Office of the Auditor General of Thailand's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs 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 and separate financial statements.

As part of an audit in accordance with TSAs, the Office of the Auditor General of Thailand exercises professional judgment and maintains professional skepticism throughout the audit, including:

- Identifies and assesses the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's 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.

- Obtains 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.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of management's 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 the Office of the Auditor General of Thailand concludes that a material uncertainty exists, the Office of the Auditor General of Thailand is required to draw attention in auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify the Office of the Auditor General of Thailand's opinion. The Office of the Auditor General of Thailand's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- The Office of the Auditor General of Thailand communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the Office of the Auditor General of Thailand identifies during the Office of the Auditor General of Thailand's audit.

(Mrs. Pattra Showsri)

Inspector General 1, for Auditor General

(Mrs. Warin Tulakoop)

Director of Financial Audit Office No.6

