



IDT INTERNATIONAL LIMITED

萬威國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 167)

Audit Committee

Revised Terms of Reference

(adopted by the Board of Directors of the Company on 24 March 2016)

1. Functions and purposes

1.1 The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of IDT International Limited (the “Company”) to assist in fulfilling its responsibilities to:

- ensure adequate internal controls are in place and followed and to monitor the internal audit function;
- ensure the integrity of the Company’s financial statements and the Company’s accounting policies and financial reporting practices and to satisfy itself that good accounting and audit principles are applied on a consistent basis throughout the Company and its subsidiaries (the “Group”);
- monitor the adequacy of the scope and direction of external and internal auditing;
- consider the qualifications, independence and remuneration of the external auditor;
- consider the adequacy of resources, qualifications and experience of staff of the Company’s accounting and financial reporting function, and their training programmes and budget; and
- contribute towards a climate of discipline, risk management awareness and control within the Group.

2. Authority

2.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee.

2.2 The Committee shall have unrestricted access to the Executive Directors, other executive officers or employees, the external auditor and internal auditor.

2.3 The Committee shall be provided with sufficient resources to perform its duties. It is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

3. Composition and Qualifications

- 3.1 The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist of at least three members.
- 3.2 The Chairman of the Committee, who shall be appointed by the Board, and the majority of its members must meet the independence requirements (“Independent Committee Members”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).
- 3.3 At least one of the Independent Committee Members must possess appropriate professional qualifications or accounting or related financial management expertise as required by the Stock Exchange.
- 3.4 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member until one (1) year after the commencement of the later of the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm.
- 3.5 The quorum for a meeting of the Committee shall be two members.

4. Meetings

- 4.1 The Finance Director, the head of internal audit, and a representative of the external auditor shall attend meetings of the Committee. Other members of the Board shall also have the right of attendance.
- 4.2 The Committee shall ensure that sufficient opportunities exist for its members to meet separately with the external auditor, the head of internal audit, management of the Company, and to meet in private with only the Committee members present. The Committee must meet, at least twice a year, with the Company’s external auditor.
- 4.3 The company secretary shall act as the secretary to the Committee and must ensure that full minutes are kept of all meetings.
- 4.4 The Committee will meet at least twice each year and at such other times as it deems necessary to fulfil its responsibilities.

5. Duties and Responsibilities

5.1 The duties and responsibilities of the Committee include the following:

5.1.1 Relationship with external auditor

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- to establish procedures to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences, and ensure co-ordination where more than one audit firm is involved;
- to develop and implement policy on engaging an external auditor to supply non-audit services. The Committee should report to the Board, identifying and making recommendation on any matters where action or improvement is needed.
- to agree with the Board the Company's policies on hiring employees or former employees of the external auditor and monitoring the application of these policies on the basis that whether there has been any impairment or appearance of impairment of the external auditor's judgment or independence for the audit; and
- to act as the key representative body for overseeing the Company's relationship with the external auditor.

5.1.2 Review of the Company's financial information of the Company

- to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
 - any changes in accounting policies and practices;
 - major judgmental areas;
 - any sufficient or unusual items that are, or may need to be, reflected in the report and accounts;

- any matters that have been raised by the Company’s staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- significant adjustments resulting from audit;
- the going concern assumptions and any qualifications;
- compliance with accounting standards, the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and legal requirements in relation to financial reporting;
- the problems and reservations arising from the interim and final audits, and any issues which the external auditor may wish to raise (in the absence of management where necessary);

5.1.3 Oversight of the Company’s financial reporting system, risk management and internal control systems

- to review the external auditor’s management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management’s response;
- to review the Company’s financial controls, risk management and internal control systems;
- to review the Group’s financial and accounting policies and practices;
- to review the arrangements the Group’s employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- to discuss the risk management and internal control systems with the management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting function;
- to consider major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and management’s response to these findings;
- to review the Company’s statement on risk management and internal control systems where one is included in the annual report prior to endorsement by the Board;

- to ensure the co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;
- to report the Board on matters in the code provisions under the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules to be implemented or from time to time implemented by the Stock Exchange; and
- to consider other topics, as defined by the Board.

6. Reporting procedures

- 6.1 Reports to the Board and minutes of the Committee should be formally approved by the Committee before reporting to the Board;
- 6.2 The secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Board; and
- 6.3 Minutes of the Committee should be sent to all members within a reasonable time (and generally within 4 weeks) after the meeting of the Committee is held.

The terms of reference will be posted on the Company's and the Stock Exchange's website.

The Chinese version of this document is for reference only. In case of any discrepancies or inconsistency between the English version and Chinese version, the English version prevails.

* *For identification purpose only*