

30 June 2007

This Appendix A to the Notice of Annual General Meeting (“AGM”) of Keda Communications Ltd. (“Keda” or the “Company”) is circulated to Shareholders of Keda together with the Company’s Annual Report. Its purpose is to provide information to Shareholders for the proposed renewal of the Interested Person Transactions Mandate to be tabled at the AGM to be held on Monday, 23 July 2007 at 10.00 am at Amara Hotel Singapore, Connection 4, Level 3, 165 Tanjong Pagar Road, Singapore 088539.

The Notice of AGM and a Proxy Form are enclosed with the Annual Report.

The Singapore Exchange Securities Trading Limited (the “SGX-ST”) assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Appendix A.

If you are in any doubt as to the contents herein or as to any action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

KEDA COMMUNICATIONS LTD.

(Incorporated In Bermuda)

APPENDIX A TO THE NOTICE OF AGM DATED 30 JUNE 2007

DETAILS OF THE RENEWAL OF SHAREHOLDERS’
MANDATE FOR INTERESTED PERSON TRANSACTIONS

DEFINITIONS

In this Appendix A, the following definitions shall apply throughout unless otherwise stated:

- “Company” : Keda Communications Ltd.
- “Keda Technology” : Suzhou Keda Technology Co., Ltd
- “Keyuan Software” : Suzhou Keyuan Software Technology Development Co., Ltd
- “Suzhou Keda” : Suzhou Keda Communication Technology Development Co., Ltd
- “CEO” : The chief executive officer of our Company as at 25 May 2005
- “associates” : (a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:-
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family (being spouse, child, adopted child, stepchild, sibling and parent) together (directly or indirectly) have an interest of 30% or more.
- (b) In relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.
- “Controlling Shareholder” : In relation to a corporation, means:-
- (a) a person who has an interest in the voting shares of a corporation and who exercises control over the corporation; or
 - (b) a person who has an interest of 15% or more of the aggregate of the nominal amount of all the voting shares in a corporation, unless he does not exercise control over the corporation
- “Invitation” : The invitation by our Company and the Vendors to the public to subscribe for and/or purchase the invitation shares.
- “IPT Mandate” : Shareholders’ Mandate for Interested Person Transactions
- “Latest Practicable Date” : 31 March 2007

- “Restructuring Exercise” : The corporate restructuring exercise of our Group undertaken in connection with the Invitation, as described in the section “Restructuring Exercise” beginning on page 71 of the Prospectus dated 13 July 2005
- “SGX-SESDAQ” : SGX-ST Dealing and Automated Quotation System
- “SGX-ST” or
“Singapore Exchange” : Singapore Exchange Securities Trading Limited

RENEWAL OF GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

INTERESTED PERSON TRANSACTIONS

In general, transactions between our Group and any of its interested persons (namely, the Directors, our Chief Executive Officer or controlling shareholders of our Company or the associates of such Directors, Chief Executive Officer or controlling shareholders) are known as interested person transactions.

The following sets out the material interested person transactions up to the Latest Practicable Date based on the Group with its interested persons.

Existing transactions with Suzhou Keda

Our Executive Chairman, Mr Chen Donggen and our CEO and Executive Director, Mr Chen Weidong, have a direct interest of 76.10% and 5.85% in Suzhou Keda respectively.

(i) Lease agreement between Suzhou Keda and Keda Technology

Pursuant to a lease agreement dated 30 June 2004 between Suzhou Keda and Keda Technology, Keda Technology leased office and assembly facilities with a total area of 3,000 sqm (square metres) at No. 131, Jinshan Road, Suzhou New District, Jiangsu Province, People's Republic of China ("PRC") from Suzhou Keda for an annual rental of RMB 386,610 which is based on a valuation by Jiangsu Gongzheng Certified Public Accountants Co., Ltd in July 2004. The rental will be reviewed once every three years. The property management fee and other charges related to the premises are payable by Keda Technology. The total amount paid for rental and all other charges between 30 June 2004 to 31 December 2004 and for the period from 1 January 2005 to 31 December 2005 was approximately RMB 234,000 and RMB 748,000 respectively, while the amount paid for the period from 1 January 2006 to 31 March 2007 was approximately RMB 967,000.

(ii) Lease agreement between Suzhou Keda and Keyuan Software

Pursuant to a lease agreement dated 30 June 2004 between Suzhou Keda and Keyuan Software, Keyuan Software leased office and assembly facilities with a total area of 1,916.8 sqm at No. 131, Jinshan Road, Suzhou New District, Jiangsu Province, PRC from Suzhou Keda for an annual rental of RMB 247,018 which is based on a valuation by Jiangsu Gongzheng Certified Public Accountants Co., Ltd in July 2004. The rental will be reviewed once every three years. The property management fee and other charges related to the premises are payable by Keyuan Software. The total amount paid for rental and all other charges between 30 June 2004 to 31 December 2004 and for the period from 1 January 2005 to 31 December 2005 was approximately RMB 176,000 and RMB 488,000 respectively, while the amount paid for the period from 1 January 2006 to 31 March 2007 was approximately RMB 632,000.

(iii) Reseller agreement between Suzhou Keda and Keda Technology

Following completion of the Restructuring Exercise, we expect some customers to prefer engaging Suzhou Keda instead of Keda Technology as Suzhou Keda is a PRC domestic company. As such we have entered into a reseller agreement dated 30 June 2004 between Suzhou Keda and Keda Technology, pursuant to which, in the event that Suzhou Keda secures any contracts, Suzhou Keda will appoint Keda Technology as its subcontractor to produce, supply and install the products required by its customers and Suzhou Keda will not charge any fee for the above arrangement. All reasonable costs and expenses incurred by Suzhou Keda in securing the contracts will be reimbursed by Keda Technology. The reseller agreement will only be terminated upon mutual consent from both Suzhou Keda and Keda Technology. Currently, we do not expect the sales through Suzhou Keda via the operation of this reseller agreement to be substantial as we expect Keda Technology to be able to undertake most of the projects. The aggregate amount of sales conducted in FY2004 and FY2005 was approximately RMB 11,855,000 and RMB 8,558,000 respectively, and for the period from 1 January 2006 to 31 March 2007 was approximately RMB 5,632,000.

Pursuant to the reseller agreement, (i) Suzhou Keda has undertaken that it will not compete with Keda Technology; and (ii) Suzhou Keda will refer all secured contracts to Keda Technology and Keda Technology shall have a right of first refusal over such secured contracts. In the event that Suzhou Keda wishes to be engaged by the same customer which had been rejected by us, it must obtain the approval of a Director with no substantial shareholding interest in Suzhou Keda. A list of such contracts and/or engagements is subject to a semi-annual review by the Audit Committee.

Any future transactions will be reviewed by our Audit Committee in accordance with the review procedures set out under the section on “Guidelines and Review Procedures for Future Interested Person Transactions” to ensure that they are on an arm’s length basis.

Save as disclosed above, no Director, substantial shareholder or Executive Officer of the Group has any interest, direct or indirect, in any transactions to which the Company was a party.

SHAREHOLDERS’ MANDATE

We anticipate that our Group would, in the ordinary course of business, enter into transactions including but not limited to the transactions set out in this section with persons, which are considered “interested persons” as defined in Chapter 9 of the Listing Manual (“Chapter 9”). It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Chapter 9 applies to transactions entered or to be entered into by a listed company or any of its subsidiaries or associated companies with a party who is an interested person of the listed company. Save for transactions which are excluded under Chapter 9, an immediate announcement and/or shareholders’ approval would be required in respect of transactions with interested persons if the value of the transaction is equal to or exceeds certain financial thresholds.

Chapter 9 allows a listed company to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day to day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses, which may be carried out with the listed company’s interested persons.

Due to the time-sensitive nature of commercial transactions, such a mandate will enable our Group, in our normal course of business, to enter into the category of interested person transactions set out below with Suzhou Keda, provided such interested person transactions are made on normal commercial terms. On 30 May 2005, our Shareholders approved a mandate (the “Shareholders’ Mandate”) for us to enter into the following category of interested person transactions with Suzhou Keda. Our Executive Chairman and controlling shareholder, Mr Chen Donggen, and our CEO and Executive Director, Mr Chen Weidong and their associates have abstained from approving the resolutions during the general meeting, which approved, *inter alia*, the adoption of the Shareholders’ Mandate. The Shareholders’ Mandate was renewed at the last AGM held on 24 April 2006 (“2006 IPT Mandate”).

The renewal of the Shareholders’ Mandate, if approved by shareholders at the AGM of the Company which is scheduled to be held on 23 July 2007, will take effect from the date of passing of the ordinary resolution relating thereto, and will (unless revoked or varied by the Company in general meeting) continue in force until the conclusion of the next AGM of the Company. Thereafter, approval from our shareholders for a subsequent renewal of the Shareholders’ Mandate will be sought at each subsequent AGM of the Company, subject to satisfactory review by the Audit Committee of its continued application to the Interested Person Transactions.

The rationale of the IPT Mandate, the category of the IPT Mandate, the benefit to Shareholders, the class of Interested Persons, the particulars of the Interested Person Transactions and the review procedures for Interested Person Transactions in respect of which the IPT Mandate is sought to be renewed remained unchanged from the 2006 IPT Mandate and are set out in this Appendix A.

Class of Interested Persons

The Shareholders' Mandate will apply to our transactions with Suzhou Keda.

Transactions with interested persons that do not fall within the ambit of the proposed Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9.

Category of Interested Person Transactions

The Shareholders' Mandate will cover the lease of factory buildings and office buildings from Suzhou Keda and subcontracting by Suzhou Keda under the reseller agreement to our Group, the details of which are set out under the sections "Potential Conflicts of Interest" and "Interested Person Transactions" of this Appendix A.

Rationale for and Benefits of the Shareholders' Mandate

Our Group's principal business activity is in the research, development, manufacturing and sales of telecommunication products. The office and assembly facilities we leased have been built to suit our operational requirements. Our Directors are of the view that it will be beneficial to our Group to lease or continue to lease these office and assembly facilities from Suzhou Keda.

Pursuant to the Restructuring Exercise, we have acquired the business and assets of Suzhou Keda. However, we expect that some customers of Suzhou Keda may want to engage Suzhou Keda instead of Keda Technology for reasons such as the sensitive and confidential nature of certain government contracts as Suzhou Keda is a PRC domestic company. It is therefore beneficial to our Group for Suzhou Keda to appoint us as its subcontractor under a reseller agreement. As Suzhou Keda will not charge any fee for the subcontracting arrangement (other than reasonable costs and expenses incurred by Suzhou Keda in securing the contracts which will be reimbursed by Keda Technology) and Keda Technology is granted a right of first refusal, our Directors are of the view that the reseller agreement is beneficial to the business operation of our Group.

The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential interested person transactions with Suzhou Keda arise, thereby reducing substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to us.

The Shareholders' Mandate is intended to facilitate recurrent transactions with Suzhou Keda during our normal course of business, provided that they are carried out on normal commercial terms and is not prejudicial to the interest of our Company and minority Shareholders.

Disclosure will be made in our annual report of the aggregate value of interested person transactions entered into pursuant to the Shareholders' Mandate during the current financial year, and in the annual reports for the subsequent financial years during which a Shareholders' Mandate is in force. In addition, we will announce the aggregate value of transactions entered into pursuant to the Shareholders' Mandate during the financial period, which we are required to report on and within the required time frame, as stipulated in the SGX-ST Listing Manual.

Guidelines and Review Procedures for Future Interested Person Transactions

A. For transactions covered by the Shareholders' Mandate

We have implemented the following procedures to supplement existing internal control procedures to ensure that the lease of buildings from and subcontracting of business by Suzhou Keda are undertaken on normal commercial terms consistent with our usual business practices and policies, which are generally no more favourable to the interested persons than those extended to unrelated third parties.

To ensure that interested person transactions are undertaken on normal commercial terms, and will not be prejudicial to our Company and minority Shareholders, the Shareholders' Mandate incorporates the following review procedures:

- (a) When leasing any buildings from Suzhou Keda, the rental must be supported by independent valuation.

Any lease that is equal to or exceeds \$100,000 per annum in value will be reviewed and approved by our Audit Committee prior to entering into the transaction. For the avoidance of doubt, our Company may enter into such transactions, subject to the prior approval by our Audit Committee.

- (b) When subcontracting any business from Suzhou Keda, the subcontracting price must be the price in the contract between Suzhou Keda and the end customer. But the reasonable costs and expenses incurred by Suzhou Keda in securing the contracts will be reimbursed by Keda Technology. These costs would be compiled by the staff of Suzhou Keda for claim approval by both (i) our Financial Controller; and (ii) a director with no substantial shareholding interest in Suzhou Keda. A list of these expenses is the further subject to a semi-annual review by the Audit Committee to ensure that the claims had been reasonable.

A register will be maintained by our Company to record all interested person transactions (and the basis on which they are entered into), which are entered into pursuant to the Shareholders' Mandate.

Our Company's annual audit plan shall incorporate a review of all interested person transactions, including the established review procedures for the monitoring of such interested person transactions, entered into during the current financial year pursuant to the Shareholders' Mandate.

Our Audit Committee believe that the above guidelines and procedures are sufficient to ensure that these interested person transactions will be on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of our Company and minority Shareholders.

Our Audit Committee shall review from time to time (but not less than twice in a financial year) such guidelines and procedures to determine if they continue to be adequate and/or commercially practicable in ensuring that transactions between Suzhou Keda and us are conducted on an arm's length basis and on normal commercial terms, as well as whether they have been complied with and all relevant approvals obtained. If during these periodic reviews, our Audit Committee is of the view that the guidelines and procedures are not sufficient to ensure that these interested person transactions will be on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of our Company and minority Shareholders, we will revert to our Shareholders for a fresh mandate based on new guidelines and procedures for interested person transactions with Suzhou Keda. During the period prior to obtaining a fresh mandate from our Shareholders, all interested person transactions with Suzhou Keda will be subject to prior review and approval by our Audit Committee. In the event that a member of our Audit Committee is interested in any interested person transaction, he will abstain from reviewing that particular transaction.

B. For all other interested person transactions not covered by the Shareholders' Mandate

To ensure that interested person transactions not covered by the Shareholders' Mandate are undertaken at arm's length and on normal commercial terms, and will not be prejudicial to our Company and minority Shareholders, our Audit Committee will adopt the following procedures when reviewing interested person transactions:

- (a) All interested person transactions above \$100,000 are to be approved by a Director who shall not be an interested person in respect of the particular transaction. Any contract to be made with an interested person shall not be approved unless the pricing is determined in accordance with our usual business practices and policies, consistent with the usual margin given or price received by us for the same or substantially similar type of transactions between us and unrelated parties and the terms are not more favourable to the interested person than those extended to or received from unrelated parties.

For the purposes above, where applicable, contracts for the same or substantially similar type of transactions entered into between us and unrelated third parties will be used as a basis for comparison to determine whether the price and terms offered to or received from the interested person are not more favourable than those extended to unrelated parties.

- (b) In addition, we shall monitor all interested person transactions entered into by us categorising the transactions as follows:
 - (i) a category 1 interested person transaction is one where the value thereof is equal to or more than 5% of the NTA of our Group based on the latest audited accounts; and
 - (ii) a category 2 interested person transactions is one where the value thereof is less than 5% of the NTA of our Group based on the latest audited accounts.

Category 1 interested person transactions must be approved by the Audit Committee prior to entry. Category 2 interested person transactions need not be approved by the Audit Committee prior to entry but shall be reviewed on a semi-annual basis by the Audit Committee.

We will maintain a register where we will record all our interested person transactions, if any, which our Audit Committee will review at least half-yearly to ensure that such transactions are carried out on normal commercial terms and in accordance with the procedures outlined above. It will take into account all relevant non-quantitative factors. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by our Audit Committee. Our Audit Committee shall request for any additional information pertaining to the transaction under review from independent sources, advisers or valuers as it deems fit. In the event that a member of our Audit Committee is interested in any interested person transaction, he will abstain from reviewing that particular transaction.

In addition, our Audit Committee will include the review of interested person transactions as part of its standard procedures while examining the adequacy of its internal controls. Our Board will also ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with. In addition, such transactions will also be subject to Shareholders' approval if deemed necessary by the Listing Manual.

REVIEW BY AUDIT COMMITTEE

Our Audit Committee will review all other existing and future interested person transactions, if any, on at least a half-yearly basis to ensure that they are carried out on normal commercial terms and are not prejudicial to the interests of our shareholders.

Our Audit Committee will also review all interested person transactions to ensure that the then prevailing rules and regulations of the SGX-ST (in particular Chapter 9 of the Listing Manual) are complied with. We will also endeavour to comply with the principles of and best practices set out in the "Best Practices Guide" of the Listing Manual and the Code of Corporate Governance.

POTENTIAL CONFLICTS OF INTEREST

Mr Chen Donggen (our Executive Chairman), and Mr Chen Weidong (our Executive Director and CEO) have a 76.10% and 5.85% interest in Suzhou Keda respectively.

Suzhou Keda is a company incorporated in the PRC and was involved in the research, development, manufacturing and supply of telecommunication products. After the Restructuring Exercise, Suzhou Keda has sold its assets and business related to telecommunication products to Keda Technology. Most of the technical staff and management personnel have resigned from Suzhou Keda and are now employed by Keda Technology. Suzhou Keda has retained some employees to provide after sales service to its existing customers.

To eliminate the conflict of interest, Mr Chen Donggen and Mr Chen Weidong have entered into a deed of undertaking with our Company pursuant to which each of them has undertaken to our Company that, following the listing of our Company on the SGX-SESDAQ, they will not, during the period in which any of them has a shareholding interest (directly or indirectly) in any of the companies within our Group not to directly or indirectly carry on (whether alone or in partnership or joint venture with anyone else) any activity which competes with our Group in the business of research, development, manufacturing and sales of telecommunication products whether in or outside the PRC.

Suzhou Keda has also entered into a deed of undertaking with our Company pursuant to which Suzhou Keda has undertaken to our Company that, following the listing of our Company on the SGX-SESDAQ, it will not directly or indirectly carry on (whether alone or in partnership or joint venture with anyone else) any activity which competes with our Group in the business of research, development, manufacturing and sales of telecommunication products whether in or outside the PRC.

However, Suzhou Keda is entitled to continue to perform existing contracts not transferred pursuant to the Restructuring Exercise. Suzhou Keda is also entitled to secure contracts with customers who do not wish to engage Keda Technology. With regard to such secured contracts, Suzhou Keda is obliged to appoint Keda Technology as its subcontractor to produce, supply and install the products required by its customers pursuant to the reseller agreement. Suzhou Keda will not charge any fee for the above arrangement. All reasonable costs and expenses incurred by Suzhou Keda in securing the contracts will be reimbursed by Keda Technology. For details, please refer the section "Interested Person Transactions" on page 2 of this Appendix A.

Save as disclosed under the section "Interested Person Transactions", none of our Directors, controlling shareholders or their associates has any material interest, direct or indirect, in:-

- (i) any company carrying out the same business or dealing in similar products as our Group;
- (ii) any enterprise or company that is our Group's customer or supplier of goods or services; and
- (iii) any transaction to which we are a party.

VOTING

In accordance with Rule 920(1)(b)(viii) of the Listing Manual, interested persons and their associates shall abstain from voting on resolutions approving interested person transactions involving themselves and our Group. Furthermore, such interested persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by the shareholder.

Our Executive Chairman, Mr Chen Donggen, is a substantial shareholder of the Company, holding 23,414,119 Keda shares in his own name and is deemed to be interested in the 16,234,336 Keda shares held by Mass Faith Group Ltd. In aggregate, Mr Chen Donggen owns 25.40% of the share capital of the Company.

Our Executive Director and CEO, Mr Chen Weidong, owns 6,269,609 shares in the share capital of the Company in his own name.

Mr Chen Donggen and Mr Chen Weidong have a 76.10% and 5.85% interest in Suzhou Keda respectively.

Save as disclosed above, none of the Directors has any interest, direct or indirect, in the proposed resolution in respect of the proposed renewal of the IPT Mandate to be considered at the AGM.

In accordance with the requirements of Chapter 9 of the Listing Manual. Mr Chen Donggen and Mr Chen Weidong will abstain from voting on the resolution relating to the renewal of the IPT Mandate at the AGM.

AUDIT COMMITTEE'S STATEMENT

Pursuant to Rule 920(1)(c) of the Listing Manual, the Audit Committee (comprising Mr Goh Chee Wee, Mr Lam Peck Heng and Mr Yao Guigen) confirms that:-

- (a) the methods and procedures for determining the transaction prices covered under the Shareholders' Mandate have not changed since the last shareholders' approval obtained on 24 April 2006; and
- (b) the review procedures are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders.

As such, an independent financial adviser's opinion is not required for the renewal of the Company's Shareholders' Mandate under Listing Rule 920 (1) (c).

If during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the review procedures are inadequate or inappropriate to ensure that the Interested Person Transactions will be on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders, or in the event of any amendment to Chapter 9 of the Listing Manual, it will in consultation with the Board take such action as it deems proper in respect of such procedures and/or modify or implement such procedures as may be necessary and direct the Company to revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with interested persons.

DIRECTORS' RECOMMENDATION

The Directors (except Mr Chen Donggen and Mr Chen Weidong who abstains from making recommendation in respect of the Shareholders' Mandate) are of the view that the renewal of the Shareholders' Mandate is in the best interest of the Company and accordingly recommend that Shareholders vote in favour of the ordinary resolution relating to the renewal of the Shareholders' Mandate at the forthcoming AGM.

In accordance with the requirements of Chapter 9 of the Listing Manual, our Executive Chairman and controlling shareholder, Mr Chen Donggen, and our CEO and Executive Director, Mr Chen Weidong and their associates will abstain from voting on the resolution relating to the renewal of the Shareholders' Mandate at the AGM.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Appendix A are fair and accurate in all material respects, and that there are no other material facts the omission of which would make any statements in this Appendix A misleading.

This page has been intentionally left blank.

