

Unless otherwise defined herein, terms defined in the prospectus dated 4 October 2005 (the "Prospectus") issued by China Paradise Electronics Retail Limited (the "Company") shall have the same meanings in this announcement.

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CHINA PARADISE ELECTRONICS RETAIL LIMITED

中國永樂電器銷售有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 503)

ANNOUNCEMENT EXERCISE OF THE OVER-ALLOTMENT OPTION

- The Company announces that the Over-allotment Option referred to in the Prospectus was exercised in full by Morgan Stanley Dean Witter Asia Limited and Cazenove Asia Limited, the Joint Global Coordinators, on behalf of the International Purchasers on 20 October 2005 in respect of 68,366,000 additional Shares (the "Over-allotment Shares"), solely to cover over-allocations in the International Offering.
- 68,366,000 Shares will be issued and allotted by the Company at HK\$2.25 per Share (excluding brokerage fee of 1%, SFC transaction levy of 0.005%, investor compensation levy of 0.002% and Hong Kong Stock Exchange trading fee of 0.005%), being the Offer Price per Share in connection with the Global Offering.

The Company announces that the Over-allotment Option referred to in the Prospectus was exercised in full by the Joint Global Coordinators on behalf of the International Purchasers on 20 October 2005 in respect of the Over-allotment Shares (representing approximately 15% of Shares initially offered under the Global Offering), solely to cover over-allocations in the International Offering. An aggregate of 68,366,000 Shares will be issued and allotted by the Company at HK\$2.25 per Share (excluding brokerage fee of 1%, SFC transaction levy of 0.005%, investor compensation levy of 0.002% and Hong Kong Stock Exchange trading fee of 0.005%), being the Offer Price per Share in connection with the Global Offering. The Listing Committee of the Hong Kong Stock Exchange has already granted the listing of and permission to deal in the Over-allotment Shares.

The shareholding structures of the Company immediately before and after the issue and allotment of the Over-allotment Shares, but without taking into account of any Shares which may fall to be issued pursuant to the exercise of the Management Incentive Options, are as follows:

Shareholders	Before the issue and allotment of the Over-allotment Shares				After the issue and allotment of the Over-allotment Shares			
	Number of Shares		%		Number of Shares		%	
Retail Management	1,121,795,586		53.43		1,121,795,586		51.75	
MS Retail	448,785,823		21.38		448,785,823		20.70	
Public shareholders								
<i>CDH</i>	72,995,284		3.48		72,995,284		3.37	
<i>Other public shareholders</i>	455,778,000	<u>528,773,284</u>	<u>21.71</u>	<u>25.19</u>	524,144,000	<u>597,139,284</u>	<u>24.18</u>	<u>27.55</u>
Total issued share capital	<u>2,099,354,693</u>		<u>100.00%</u>		<u>2,167,720,693</u>		<u>100.00%</u>	

Approximately 50% of the net proceeds of approximately HK\$149 million from the issue of the Over-allotment Shares by the Company will be used by the Company for the implementation of its expansion strategies through opening new stores and acquiring suitable business targets and premises, while the remaining 50% of such additional net proceeds may be used as additional working capital and other general corporate purposes.

By Order of the Board
Chen Xiao
Chairman

Shanghai, 20 October 2005

As at the date of this announcement, our executive directors are Mr. Chen Xiao, Ms. Shu Wei, Mr. Liu Hui, Mr. Yuan Yashi, Mr. Ma Yawei, Mr. Zhou Meng and Mr. Shen Ping; our non-executive directors are Mr. Liu Haifeng, David, Mr. Jiao Shuge (alias Jiao Zhen) and Mr. Julian Juul Wolhardt; our independent non-executive directors are Dr. Yu Zengbiao, Mr. Chu Cheng Chung and Mr. Wang Bing.

* *For identification purpose only*

*Please also refer to the published version of this announcement in **South China Morning Post**.*