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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
EXTENSION OF THE PERIOD OF
EXEMPTION FOR CERTAIN
CONTINUING CONNECTED TRANSACTIONS**

- The Board announces that the Stock Exchange has granted an extension of the exemption period for certain continuing connected transactions of the Company arising from the deeming of Paradise Shanghai and its subsidiaries as connected persons of the Company by the Stock Exchange pursuant to rule 14A.06 of the Listing Rules.

* *For identification purpose only*

- The Exemption will expire on 14 April 2006 pursuant to the terms originally stipulated by the Stock Exchange in relation to the Exemption. The Stock Exchange has subsequently agreed to grant an extension to the Exemption Period for a period of six months commencing from 14 April 2006.
- If the relevant conditions precedent set out in the Agreements were not satisfied before 1 April 2006, the Agreements would terminate automatically unless the signing parties gave their unanimous written consent for an extension of the Agreements. The relevant signing parties have given their unanimous written consent to extend the time for the satisfaction of the conditions precedent of the Agreements to 14 October 2006 pursuant to the terms of the Agreements and in line with the Extended Exemption Period granted by the Stock Exchange.
- The Stock Exchange has notified the Company that it is highly unlikely that any further extension of the Exemption will be considered by the Stock Exchange in the future.
- Upon the expiration of the Extended Exemption Period, the Company will have to comply fully with the disclosure and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of all the connected transactions arising thereafter from the deeming of Paradise Shanghai and its subsidiaries as connected persons of the Company by the Stock Exchange.

The board of directors of the Company (the “**Board**”) announces that the Stock Exchange has granted an extension of the exemption period of certain continuing connected transactions of the Company set out below for a further six months ending 14 October 2006 subject to certain conditions described below.

Background

Prior to the commencement of dealings in the shares of the Company on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 14 October 2005 (the “**Listing Date**”), the Stock Exchange exercised its discretion to deem Shanghai Yongle Electronics Retail Co., Ltd. (上海永樂家用電器有限公司) (“**Paradise Shanghai**”), an indirect non-wholly owned subsidiary of the Company, and its subsidiaries as connected persons pursuant to Rule 14A.06 of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

The Stock Exchange has exempted the connected transactions arising from deeming Paradise Shanghai and its subsidiaries as connected persons which have been or will be entered into in the ordinary and usual course of business from the requirements of Chapter 14A of the Listing Rules (the “**Exemption**”) for a period of six months commencing on the Listing Date (the “**Exemption Period**”). Other connected transactions arising outside the ordinary and usual course of the business of the Company are not covered by the Exemption and the Company will be required to comply with the requirements under Chapter 14A of the Listing Rules in respect of these connected transactions.

The Exemption shall terminate upon the expiry of the Exemption Period unless a further extension is granted by the Stock Exchange. If no such further extension were granted by the Stock Exchange, the Company shall then ensure full compliance with the disclosure and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of all the connected transactions arising from deeming Paradise Shanghai and its subsidiaries as connected persons. Upon the equity interest attributable to the Company (both directly and indirectly) in Paradise Shanghai effectively exceeding 90%, the Stock Exchange will no longer deem Paradise Shanghai and its subsidiaries as connected persons.

In order to enable the Company to increase the equity interest attributable to it (both directly and indirectly) in Paradise Shanghai beyond 90%, China Paradise Electronics Retail (Hong Kong) II Limited (“**Paradise Hong Kong II**”) entered into an equity transfer agreement dated 14 September 2005 (the “**Equity Transfer Agreement**”) for the purpose of acquiring approximately 2% of the equity interest in Paradise Shanghai held by Messrs. Chen Xiao, Shu Wei, Liu Hui and Yuan Yashi who are the executive directors of the Company (the “**Key Management**”).

On 14 September 2005, the Key Management and Paradise Hong Kong II also entered into a registered capital subscription agreement (the “**Subscription Agreement**”) whereby Paradise Hong Kong II agreed to subscribe for additional equity interest in Paradise Shanghai at the same valuation as in the Equity Transfer Agreement. The completion of the transactions contemplated in the Equity Transfer Agreement and the Subscription Agreement (the “**Agreements**”) mentioned above (the “**Transactions**”) are conditional upon the approvals from

certain government authorities of the People's Republic of China (the "PRC") being obtained by the Company.

On 31 October 2005, certain terms of the Agreements, such as the consideration for the equity transfer, the total amount of capital to be injected into Paradise Shanghai and the amount of increase in the registered capital of Paradise Shanghai in connection with such capital injection, were clarified and/or quantified by the relevant parties to the agreements and the Agreements were re-dated 31 October 2005. The purposes of clarifying and/or quantifying the Agreements were to facilitate the approval process by the Ministry of Commerce of the PRC. Although the Agreements contained detailed provisions on how such amounts should be calculated, it was not possible to clarify and/or quantify such amounts in the Agreements when they were signed on 14 September 2005. On 31 October 2005, such amounts were quantified in the manner described in the prospectus of the Company dated 4 October 2005 after the actual net proceeds from the share offer of the Company had been ascertained.

Grant of Extension

The Company submitted an application to certain PRC government authority for its approvals of the Transactions together with all the relevant documents as required by the relevant PRC laws and regulations on 5 December 2005, but, as at the date of this announcement, the Company has not been able to obtain such approval. The Company expected to obtain the approval of the relevant PRC government authority in relation to the Transactions within three months from the date of submission of the application as a time limit of not more than three months from the date of submission of all necessary documents has been stipulated for the duration of the examination and approval process to be conducted by the relevant PRC authority. However,

the relevant PRC authority sent a written request to the Company on 26 January 2006 for the provision of certain supplementary documents, therefore, the stipulated time limit for examination and approval had to be recalculated from the day when the supplementary documents were submitted to the relevant PRC authority. The nature of the supplementary documents requested by the relevant PRC government authority relates to the use of proceeds and description of the connected relationships between the parties to the Agreements. Consequently, the Company was not able to obtain the approvals of the Transactions from the relevant PRC government authority prior to 14 April 2006.

Since it is unlikely that such approval will be forthcoming prior to the end of the Exemption Period, an application has been submitted on behalf of the Company to seek the grant of an extension of the Exemption Period by the Stock Exchange. On 17 March 2006, the Stock Exchange granted the Company an extension of the Exemption Period for a period of six months commencing from 14 April 2006 (the “**Extended Exemption Period**”) in order for the Company to complete the Transactions. The Stock Exchange also notified the Company that it is highly unlikely that any extension of the Extended Exemption Period (which will expire on 14 October 2006) will be considered by the Stock Exchange in the future.

If the relevant conditions precedent set out in the Agreements were not satisfied before 1 April 2006, the Agreements would terminate automatically unless the relevant signing parties gave their unanimous written consent for an extension of the Agreements. The relevant signing parties have given their unanimous written consent to extend the time for the satisfaction of the conditions precedent of the Agreements to 14 October 2006 pursuant to the terms of the Agreements and in line with

the Extended Exemption Period granted by the Stock Exchange.

Upon the expiration of the Extended Exemption Period, the Company will have to comply fully with the disclosure and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of all the connected transactions arising thereafter from the deeming of Paradise Shanghai and its subsidiaries as connected persons of the Company by the Stock Exchange. Upon the equity interest attributable to the Company (both directly and indirectly) in Paradise Shanghai effectively exceeding 90%, the Stock Exchange will no longer deem Paradise Shanghai and its subsidiaries as connected persons.

The Board confirms that all reasonable care has been taken in order to ensure that the information and representations set out in this announcement are true, accurate and not misleading and that no material information or facts have been intentionally omitted or withheld by the Board.

By Order of the Board

Chen Xiao

Chairman

Hong Kong, 12 April 2006

As at the date of this announcement, the Board comprises Mr. Chen Xiao, Ms. Shu Wei, Mr. Liu Hui, Mr. Yuan Yashi, Mr. Ma Yawei, Mr. Zhou Meng and Mr. Shen Ping who are executive directors; Mr. Julian Juul Wolhardt who is a non-executive director; and Dr. Yu Zengbiao, Mr. Chu Cheng Chung and Mr. Wang Bing who are independent non-executive directors.

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