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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)

EXERCISE OF WANG MANAGEMENT INCENTIVE OPTION IN PART EXERCISE OF RM MANAGEMENT INCENTIVE OPTION PLACING OF EXISTING SHARES

Tong Ley has on 24 April 2006 exercised the Wang Management Incentive Option in part to subscribe for 21,712,717 Shares. The exercise of the Wang Management Incentive Option is conditional upon completion of the placing of the Wang Option Shares.

Retail Management has on 24 April 2006 exercised the RM Management Incentive Option to subscribe for 145,483,657 Shares. The exercise of the RM Management Incentive Option is conditional upon completion of the placing of 86,604,000 Shares.

The Company has been informed on 24 April 2006 that each of MS Retail, CDH, Tong Ley and Retail Management has entered into a placing agreement with Morgan Stanley & Co International Limited for the placing of an aggregate of 369,207,270 existing Shares to more than 6 independent places at the placing price of HK\$3.225 per Share. The Placing Shares represent approximately 15.81% of the issued share capital of the Company.

Upon completion of the Placing, MS Retail, CDH, Tong Ley and Retail Management will hold 224,392,912, 36,497,642, 0 and 1,180,675,243 Shares respectively representing approximately 9.61%, 1.56%, 0% and 50.57% of the issued share capital of the Company.

EXERCISE OF THE WANG MANAGEMENT INCENTIVE OPTION IN PART

Tong Ley Investment Ltd. (“**Tong Ley**”) has on 24 April 2006 exercised an option (the “**Wang Management Incentive Option**”) in part pursuant to the option deed dated 4 July 2005 to subscribe for a total of 21,712,717 ordinary shares (the “**Wang Option Shares**”) in the Company, par value HK\$ 0.10 each (“**Shares**”). The exercise of the Wang Management Incentive Option is conditional upon completion of the placing of the Wang Option Shares.

EXERCISE OF THE RM MANAGEMENT INCENTIVE OPTION

Retail Management Company Limited (“**Retail Management**”), the controlling shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of the Company, has on 24 April 2006, with the consent of Morgan Stanley Dean Witter Asia Limited and Cazenove Asia Limited, the joint global coordinators to the Company, exercised an option (the “**RM Management Incentive Option**”) pursuant to the option deed dated 14 September 2004, as amended

and restated on 16 December 2004 and as further amended on 17 April 2005 to subscribe for a total of 145,483,657 Shares. The exercise of RM Management Incentive Option is conditional upon completion of the placing of 86,604,000 Shares.

PLACING

The Company has been informed on 24 April 2006 that each of MS Retail Limited (“**MS Retail**”), CDH Electronics Limited (“**CDH**”), Tong Ley and Retail Management has entered into a placing agreement (each a “**Placing Agreement**” and together, the “**Placing Agreements**”) with Morgan Stanley & Co International Limited (the “**Placing Agent**”) for the placing of 224,392,911, 36,497,642, 21,712,717 and 86,604,000 existing Shares (the “**Placing Shares**”) respectively to more than 6 independent placees at the placing price of HK\$3.225 per Share on a fully-underwritten basis (the “**Placing**”). The Placing Shares represent approximately 15.81% of the issued share capital of the Company. Save for the number of Shares placed, the material terms of each Placing Agreement are identical.

PARTIES

MS Retail, CDH, Tong Ley and Retail Management have each entered into a separate Share Placing Agreement with the Placing Agent. The Placing Agreements are not inter-conditional.

NUMBER OF PLACING SHARES

MS Retail:	224,392,911 Shares
CDH:	36,497,642 Shares
Tong Ley:	21,712,717 Shares
Retail Management:	86,604,000 Shares

PLACING PRICE

HK\$3.225 per Placing Share, represents a discount of approximately 5.84% to the closing price of HK\$3.425 per Share as quoted on the Stock Exchange on 24 April 2006 and a discount of approximately 14.24% to the average closing price for the month commencing 24 March 2006 and ending 24 April 2006 (both dates inclusive).

PLACEES

The Placing Agent has undertaken to use its best endeavours to ensure that the placees of the Placing are investors who are independent of and not connected with any connected persons (as defined in the Listing Rules) of the Company. None of the placees will become a substantial shareholder (as defined in the Listing Rules) of the Company after the Placing.

CONDITIONS OF THE PLACING

The Placing is conditional upon, inter alia, there having been no material and adverse breach of any of the representations, warranties or undertakings by the relevant seller referred to in each respective Placing Agreement and no occurrence of an event of force majeure.

COMPLETION OF THE PLACING

Completion of the Placing is expected to take place on 27 April 2006, or such other date as may be agreed by the relevant parties.

The change in the shareholding structure of the Company pursuant to the Placing is set out below:

	Number of held as at the date of this announcement Shares (after the exercise of the Wang Management Incentive Option and the RM Management Incentive Option)	% share capital	Number of Shares held upon completion of the Placing (after the exercise of the Wang Management Incentive Option and RM Management Incentive Option)	% share capital
MS Retail	448,785,823	19.22%	224,392,912	9.61%
CDH (<i>Note</i>)	72,995,284	3.13%	36,497,642	1.56%
Tong Ley	21,712,717	0.93%	0	0.00%
Retail Management	1,267,279,243	54.27%	1,180,675,243	50.57%
Other public shareholders	524,144,000	22.45%	893,351,270	38.26%
Total number of shares	2,334,917,067	100.00%	2,334,917,067	100.00%

Note: CDH has been deemed a public shareholder of the Company since the listing of the Shares on the Stock Exchange.

LOCK-UP

Pursuant to the Placing Agreements each seller has agreed that from the date of the Placing Agreement until the expiry of 90 days from such date, each of the seller shall not dispose of any Shares by way of offer, pledge, option, right, warrant, lending or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or announce any intention of the above.

By Order of the Board
Chen Xiao
Chairman

Hong Kong, 24 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.

** for identification purposes only*

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