

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Paradise Electronics Retail Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker, registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

PROPOSED GENERAL MANDATES TO ISSUE AND TO REPURCHASE SHARES PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION AND NOTICE OF ANNUAL GENERAL MEETING

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other material facts not contained herein the omission of which would make any statement herein misleading.

A notice convening the Annual General Meeting to be held at Tien Room, Pacific Place Conference Centre, 5/F One Pacific Place, 88 Queensway, Hong Kong on Friday, 26 May 2006 at 3:00 p.m. is set out on pages 17 to 20 of this circular. Whether or not you are able to attend the Annual General Meeting, you are advised to read this circular and to complete the form of proxy accompanying the notice of the Annual General Meeting in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude any member of the Company from attending the meeting or any adjournment thereof and voting in person if such member so wishes and in such event, the form of proxy will be deemed to be revoked.

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Annual General Meeting” or “AGM”	the annual general meeting of the Company to be held at Tien Room, Pacific Place Conference Centre, 5/F One Pacific Place, 88 Queensway, Hong Kong on Friday, 26 May 2006 at 3:00 p.m.;
“Articles”	the articles of association of the Company adopted by a special resolution passed on 14 September 2005;
“Board”	the board of Directors;
“Company”	China Paradise Electronics Retail Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange;
“Companies Law”	the Companies Law (2004 Revision), Cap.22 of the Cayman Islands (as amended from time to time);
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time);
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Issuance Mandate”	as defined in paragraph 5 of the Letter from the Board in this circular;
“Latest Practicable Date”	25 April 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Repurchase Mandate”	as defined in paragraph 6 of the Letter from the Board in this circular;
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time);
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	a holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) of the Company whether that company is incorporated in Hong Kong, the PRC, the British Virgin Islands or elsewhere;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers; and
“Yongle (China)”	Yongle (China) Electronics Retail Co., Ltd. (永樂(中國)電器銷售有限公司)(formerly known as Shanghai Yongle Electronics Retail Co., Ltd. (上海永樂家用電器有限公司)), a sino-foreign equity joint venture company established in the PRC on 6 September 1996 and an indirect non-wholly owned subsidiary of the Company,

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chen Xiao

(Chairman and President)

Ms. Shu Wei

(Vice Chairman and Executive Vice President)

Mr. Liu Hui

Mr. Ma Yawei

Mr. Yuan Yashi

Mr. Zhou Meng

(Vice President and Chief Operating Officer)

Mr. Shen Ping

Non-executive Director:

Mr. Julian Juul Wolhardt

Independent Non-executive Directors:

Dr. Yu Zengbiao

Mr. Chu Cheng Chung

Mr. Wang Bing

Registered Office:

M&C Corporate Services Limited

PO Box 309 GT

Ugland House, South Church Street

George Town, Grand Cayman

Cayman Islands

Principal place of business

in Hong Kong:

Unit 12, 26/F

China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

28 April 2006

Dear Shareholder(s),

**PROPOSED GENERAL MANDATES TO
ISSUE AND TO REPURCHASE SHARES
PROPOSED AMENDMENT TO
THE ARTICLES OF ASSOCIATION
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information in respect of the resolutions to be proposed at the Annual General Meeting including, inter alia:

- (a) to receive and consider the audited consolidated financial statements of the Company and the reports of the directors and auditors of the Company;

* for identification purposes only

LETTER FROM THE BOARD

- (b) to consider and declare a final dividend and a special dividend for the year ended 31 December 2005;
- (c) to re-appoint the auditors of the Company;
- (d) grant of the Issuance Mandate to the Directors;
- (e) grant of the Repurchase Mandate to the Directors;
- (f) grant of the extension mandate to extend the Issuance Mandate by adding to it the aggregate nominal amount of the Shares repurchased by the Company under the Repurchase Mandate;
- (g) re-election of Directors; and
- (h) amendment to the Articles.

2. RECEIVING 2005 FINANCIAL STATEMENTS

The full audited consolidated financial statements together with the Report of Auditors and Report of the Directors are set out on pages 52 to 116 and pages 43 to 50 of the Company's annual report for 2005 ("2005 Annual Report") respectively.

The audited consolidated financial statements have been reviewed by the Audit Committee of the Company. A report of the Audit Committee is set out on page 51 of the 2005 Annual Report.

3. DECLARATION OF FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board has recommended a final dividend and a special dividend for the year ended 31 December 2005 of HK2.6 cents per Share and HK1.3 cents per Share respectively. Subject to passing the relevant resolution, such final dividend and special dividend are expected to be paid on or about 12 June 2006, together with a scrip dividend alternative, to shareholders whose names appear on the Company's register of members on 26 May 2006.

The share registrar will be closed from Wednesday, 24 May 2006 to Friday, 26 May 2006, both dates inclusive. In order to qualify for the proposed final dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Tuesday, 23 May 2006.

4. REAPPOINTMENT OF AUDITORS

The Audit Committee has recommended to the Board (which in turn endorsed the view) that, subject to the shareholders' approval at the forthcoming Annual General

LETTER FROM THE BOARD

Meeting, Ernst & Young be re-appointed as the external auditors of the Company for 2006 and to authorize the Board to fix their remuneration.

5. GENERAL MANDATES TO ISSUE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed for the shareholders to consider and, if thought fit, grant a general mandate to the Directors to exercise the power of the Company to allot, issue and deal with the Shares (the "Issuance Mandate"). The Shares which may be allotted and issued pursuant to the Issuance Mandate are up to 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of such resolution, namely, up to a maximum of 433,544,139 Shares on the basis that the issued share capital of the Company is comprised of 2,167,720,693 Shares as at the date of the Annual General Meeting.

The Issuance Mandate will continue in force until the conclusion of the next annual general meeting of the Company held after the Annual General Meeting or any earlier date as referred to in ordinary resolutions No. 5(a) set out in the notice of Annual General Meeting. The Directors wish to state that they have no immediate plan to issue any Shares pursuant to the Issuance Mandate.

6. GENERAL MANDATES TO REPURCHASE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed for the shareholders to consider and, if thought fit, grant a general mandate to the Directors to exercise the power of the Company to repurchase the Shares (the "Repurchase Mandate"). The Shares which may be repurchased pursuant to the Repurchase Mandate are up to 10% of the aggregate nominal amount of the issued share capital of the Company on the date of passing of such resolution, namely, up to a maximum of 216,772,069 Shares on the basis that the issued share capital of the Company is comprised of 2,167,720,693 Shares as at the date of the Annual General Meeting.

An explanatory statement as required under the Listing Rules, giving certain information regarding the Repurchase Mandate together with the details of the repurchases of Shares made by the Company during the six months immediately preceding the Latest Practicable Date, are set out in Appendix 1 to this circular.

The Repurchase Mandate will continue in force until the conclusion of the next annual general meeting of the Company held after the Annual General Meeting or any earlier date as referred to in ordinary resolutions No. 5(b) set out in the notice of Annual General Meeting. The Directors wish to state that they have no immediate plan to repurchase any Shares pursuant to the Repurchase Mandate.

7. GENERAL EXTENSION MANDATE

In addition, if the Repurchase Mandate and the Issuance Mandate are granted, an ordinary resolution will be proposed at the Annual General Meeting that the Directors be granted an extension of the Issuance Mandate, which provides that any Shares repurchased

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under the Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the Issuance Mandate.

With reference to the Issuance Mandate and the Repurchase Mandate, the Directors wish to state that they have no immediate plan to repurchase any Shares or issue any Shares pursuant thereto.

8. RE-ELECTION OF DIRECTORS

Pursuant to Article 130 of the Articles, one-third of the Directors shall retire from office by rotation at every annual general meeting. Mr. Ma Yawei, Mr. Liu Hui, Dr. Yu Zengbiao and Mr. Chu Cheng Chung will retire from office as Directors by rotation at the Annual General Meeting and being eligible, offer themselves for re-election. Particulars of the Directors proposed to retire and be re-elected at the Annual General Meeting is set out in Appendix II of this circular.

9. AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Board proposes to amend certain provisions of the Articles in order to align the Articles with the code provisions set out in Appendix 14 (Code on Corporate Governance Practices) of the Listing Rules. A summary of the proposed amendments to the Articles are as follows:

- (a) Article 114 shall be amended to provide that any Director appointed to fill a casual vacancy or as an addition to the Board shall be subject to re-election at the next following general meeting instead of at the next following annual general meeting in both cases.
- (b) Article 115 shall be amended to provide that any Director appointed to fill a casual vacancy or as an addition to the Board shall be subject to re-election at the next following general meeting instead of at the next following annual general meeting in both cases.
- (c) Article 118 shall be amended to provide that any Director may be removed by an ordinary resolution instead of by a special resolution.

Details of the above amendments to the Articles are set out in Resolution 8 of the notice of Annual General Meeting.

10. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice convening the Annual General Meeting to be held at Tien Room, Pacific Place Conference Centre, 5/F One Pacific Place, 88 Queensway, Hong Kong on Friday, 26 May 2006 at 3:00 p.m. is set out on pages 17 to 20 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, the granting of the Issuance Mandate, the Repurchase Mandate, the extension of the Issuance Mandate, the re-election of Directors and the amendment of the Articles.

LETTER FROM THE BOARD

The procedure by which Shareholders may demand a poll at any annual general meeting of the Company is set out in the section headed “Voting Information: Frequently Asked Questions and Answers” of this circular.

A form of proxy for use at the Annual General Meeting is enclosed with this circular. To be valid, this form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or authority must be deposited at the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude any member of the Company from attending the meeting or any adjournment thereof and voting in person if such member so wishes and in such event, the form of proxy will be deemed to be revoked.

11. RECOMMENDATION

The Directors consider that the proposed resolutions as set out in the notice for convening the Annual General Meeting, including, inter alia, the proposed resolutions in relation to the granting/extension of the Issuance Mandate and the Repurchase Mandate, the re-election of Directors and the amendment of the Articles are in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend the shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
On behalf of the Board
CHEN Xiao
Chairman and President

VOTING INFORMATION: FREQUENTLY ASKED QUESTIONS AND ANSWERS

Your vote is important, and you can exercise your right to vote whether you choose to attend the AGM or not.

Set out below are the procedures on how you can exercise your right to vote and answers to some of the questions you may have relating to the AGM. Please read carefully to learn more about your rights.

Q1. Who can attend the AGM and who can vote?

A1. Any person who is a registered Shareholder of China Paradise Electronics Retail Limited as at 26 May 2006 (the date of AGM) is entitled to attend the AGM and to vote.

In order to ensure your right to attend the AGM and to vote, you should inform the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by delivering to them the share certificates, share transfer form or relevant evidence to establish that you own the Shares no later than 4:00 p.m. on Tuesday, 23 May 2006. You should also take note that the register of members of the Company will be closed from Wednesday, 24 May 2006 to Friday, 26 May 2006, both days inclusive. If you have recently purchased Shares and have not yet delivered the documents to the share registrar of the Company to establish that you own those Shares, you should take immediate actions to register your Shares.

Q2. What is being voted on?

A2. At the AGM, resolutions including but not limited to the re-election of directors, re-appointment of auditors, declaration of final dividend and special dividend, amendment of Articles, will be put to the vote of Shareholders. Details of all resolutions to be voted on are set out in the Notice of AGM on pages 17 to 20, and "Letter from the Board" on pages 3 to 7 of this circular.

You are asked to read the notice of AGM and the Letter from the Board in full in order to familiarize yourself with the resolutions and cast your vote accordingly at the AGM.

Q3. How to vote? What are the procedures?

A3. 1. Attending the AGM and voting in person

If you are the registered Shareholder and attend the AGM, you may cast your vote in person. If you are a representative of a corporation who is the registered Shareholder, you can only vote on behalf of the corporation if the corporation has within the prescribed time period prior to the AGM submitted a properly executed form of proxy or corporate representative authorisation to the Company.

VOTING INFORMATION: FREQUENTLY ASKED QUESTIONS AND ANSWERS

2. Voting by Proxy

If you choose not to attend the AGM but nevertheless wish to vote on the resolutions, you may still cast your vote by appointing a proxy in one of the two ways. **Your proxy must vote as you instruct in the form of proxy:**

- (a) You may authorise the Chairman of the Company named in the form of proxy to vote your Shares. Please indicate how you would like your Shares voted.
- (b) You may appoint some other person to attend the AGM and vote your Shares on your behalf. Please print your appointee's name in the blank space provided on the form of proxy and indicate how you would like your Shares voted. A proxy need not be a Shareholder.

Q4. When and how should the form of proxy be returned?

A4. In order for the form of proxy to be valid, you must return the completed **original** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the same **to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time for holding the AGM or any adjournment thereof.**

If you have returned a duly completed form of proxy as indicated above, your proxy must vote according to your instructions. On the other hand, if you have not specified in your form of proxy how to vote on one or more resolutions, your proxy shall be entitled to vote your Shares on such resolution(s) at his discretion. Therefore, you should make sure you have completed your form of proxy clearly indicating how each resolution shall be voted on before returning the same to the Company.

You should note that forms of proxy sent electronically or by any other data transmission process will **NOT** be accepted.

Q5. Can a proxy or voting instruction be revoked?

A5. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the AGM should he so wish. Therefore, should you wish to attend the AGM and vote yourself after you have completed and returned a form of proxy to the Company, you may do so as your attendance at the AGM will override your proxy appointment.

Q6. What are the procedures for demanding a poll?

A6. On a poll, every member present in person (or in the case of a corporation by its corporate representative) or by proxy shall have one vote for each Share of which he is the holder.

VOTING INFORMATION: FREQUENTLY ASKED QUESTIONS AND ANSWERS

According to Article 90 of the Articles, at every general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least five members present in person (or in the case of a corporation, by its duly authorized representative) or by proxy and entitled to vote; or
- (c) any member or members present in person (or in the case of a corporation, by its duly authorized representative) or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or
- (d) any member or members present in person (or in the case of a corporation, by its duly authorized representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Q7. What if I have other questions?

A7. If you have any question regarding the AGM, the resolutions to be voted on at the AGM or the form of proxy, please contact the Company Secretarial Department of the Company, at 3693 4540.

This is the explanatory statement required under the Listing Rules in connection with the resolution authorizing the Repurchase Mandate proposed to be considered, and if thought fit, passed by the Shareholders at the Annual General Meeting.

1. Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their fully paid up shares on the Stock Exchange subject to certain restrictions.

2. Share capital

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,167,720,693 Shares.

Subject to the passing of the proposed resolution in respect of the granting of the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 216,772,069 Shares (representing 10% of the Shares in issue as at the date of granting of the Repurchase Mandate).

3. Reason for repurchases

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its shareholders. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share of the Company and will only be made when the Directors believe that such repurchase will benefit the Company and the Shareholders.

The Directors have no present intention to repurchase any Shares.

4. Funding of repurchases

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association, the Companies Law and the Listing Rules. According to Cayman Islands laws and the Company's Memorandum and Articles of Association, the Company may repurchase its Shares out of the profits of the Company or out of the proceeds of a fresh issue of Shares made for the purposes of the repurchase. The premium, if any, payable on the repurchase must be provided for out of the profits of the Company or out of the Company's share premium account before or at the time the Shares are repurchased or, subject to the statutory test of solvency, out of capital. Under Cayman Islands law, the Shares so repurchased will be treated as cancelled but the aggregate amount of authorized share capital will not be reduced.

In the event that the proposed share repurchases were to be carried out in full at any time during the proposed repurchase period, the working capital or gearing position of the Company might be materially different as compared with the position disclosed in the audited consolidated accounts of the Company for the year ended 31 December 2005. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. Share prices

As the Company was listed on the Stock Exchange on 14 October 2005, therefore the highest and lowest prices at which the Shares have traded on the Stock Exchange were from the date of listing of the Company up to the Latest Practicable Date and were as follows:-

Month	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2005		
October (from the date of listing)	2.725	2.250
November	2.900	2.300
December	2.925	2.475
2006		
January	3.775	2.650
February	3.800	3.375
March	4.025	3.200
April (up to the Latest Practicable Date)	4.300	2.900

6. Undertaking

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate and in accordance with the Listing Rules and the applicable laws of Hong Kong.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates (as defined in the Listing Rules), has any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Mandate if such mandate is approved by the Shareholders.

No other connected person (as defined in the Listing Rules) has notified the Company that s/he has a present intention to sell Shares to the Company or its subsidiaries, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

7. Effect of the Takeovers Code

If on the exercise of the powers to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could, depending on the level of increase of shareholding interests, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Retail Management Company Limited held 1,121,795,586 Shares representing approximately 51.75% of the issued share capital of the Company. On the basis that no Shares are issued or repurchased prior to the date of the Annual General Meeting, in the event that the Directors exercise in full the power to repurchase Shares in accordance with the terms of the relevant ordinary resolution to be proposed at the Annual General Meeting, the interests of Retail Management Company Limited in the issued share capital of the Company would be increased to approximately 57.50% of the total issued share capital of the Company. The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases made under the Repurchase Mandate.

8. Share repurchase made by the Company

The Company has not repurchased any Shares (whether on the Stock Exchange or otherwise) during the six months preceding the Latest Practicable Date.

Information on the Directors standing for re-election at the Annual General Meeting is set out below:

MA YAWEI

Mr. Ma Yawei, aged 51, is an executive director of the Company. Mr. Ma is also the special assistant to the President. Prior to joining the Company in 1998, Mr. Ma served as the manager of Taicang Commercial Company, the trading manager of Taicang Heshan Building and the general manager of the Nantong branch of Yongle (China). He has over 35 years of management experience in the household electrical appliances retail industry in the PRC.

Pursuant to the service contract entered into between the Company and Mr. Ma on 14 September 2005, Mr. Ma was appointed as an executive director of the Company for a staggered term of three years. The said service contract is terminable by either party giving no less than 3 months notice. Pursuant to the service contract, Mr. Ma is entitled to receive emoluments. The remuneration of the director shall comprise of (a) a fixed salary at the rate of approximately RMB300,000 (or such other equivalent currency) per annum (inclusive of any fees to which the director may be entitled as a director of the Company or any Group Company); and (b) a discretionary bonus as determined by the Remuneration Committee by reference to the performance of the Group and the director.

The remuneration package of Mr. Ma will be reviewed by the remuneration committee of the Company.

Mr. Ma is not related to any Directors, senior management and substantial shareholders.

As at the Latest Practicable Date, Mr. Ma does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, there is no other information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters concerning Mr. Ma that need to be brought to the attention of the Shareholders.

LIU HUI

Mr. Liu Hui, aged 46, is an executive director of the Company. Mr. Liu joined the Group in September 1996. Mr. Liu also serves as the general manager of the Company's Jiangsu branch, and is one of the founders of Yongle (China). Prior to joining the Company, Mr. Liu served as the general manager of a branch of Shanghai Paradise Electrical Appliances Corporation. Mr. Liu has over 20 years of management experience in the household electrical appliances retail industry in the PRC.

Pursuant to the service contract entered into between the Company and Mr. Liu on 14 September 2005, Mr. Liu was appointed as an executive director of the Company for a staggered term of three years. The said service contract is terminable by either party giving no less than 3 months notice. Pursuant to the service contract, Mr. Liu is entitled to receive emoluments. The remuneration of the director shall comprise of (a) a fixed salary at the rate of approximately RMB420,000 (or such other equivalent currency) per annum

(inclusive of any fees to which the director may be entitled as a director of the Company or any Group Company); and (b) a discretionary bonus as determined by the Remuneration Committee by reference to the performance of the Group and the director.

The remuneration package of Mr. Liu will be reviewed by the remuneration committee of the Company.

Mr. Liu is not related to any Directors, senior management and substantial shareholders.

As at the Latest Practicable Date, Mr. Liu does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, there is no other information to disclosed pursuant to the requirements of Reule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters concerning Mr. Liu that need to be brought to the attention of the Shareholders.

YU ZENGBIAO

Dr. Yu Zengbiao, aged 49, is the independent non-executive director of the Company. Prior to joining us in June 2005, Dr. Yu was a lecturer at Hebei University from 1985 to 1987, a professor and tutor for postgraduates in 1993, the dean of the Faculty of Business Administration, and the head of the Department of Accounting at the Hebei University from 1996 to 1999. Dr. Yu was transferred to Qinghua University in 1999 and has since been a professor and tutor for doctoral students. Dr. Yu is a member of the China Accounting Society, China Cost Research Society, and the Asia Pacific Accounting Management Society, and a chief member of the expert committee of the International Management Accountants Association (PRC). Dr. Yu is also a member of the editorial committees of Corporate Finance Magazine and the Financial Manager Magazine. Dr. Yu is also an independent director of CNHTC Jinan Truck Co. Ltd. and Tangshan Jingyuan Yufeng Electronic Co. Ltd.. Dr. Yu was named as the National Advanced Accountant by the Ministry of Finance in 1995. Dr. Yu graduated from Hebei University with a Bachelors degree in Economics in 1982, and obtained a Masters degree in Accounting from Xiamen University in 1986. In 1993, he was conferred a Doctorate degree in Economics (Accounting) by Xiamen University under a programme jointly organised by Xiamen University and UIUC. Dr. Yu is also a certified public accountant in the PRC.

Pursuant to the letter of appointment entered into between the Company and Dr. Yu on 14 September 2005, Dr. Yu was appointed as an independent non-executive director of the Company for an annual salary of RMB60,000 for an initial term of one year renewable for further successive periods of one year, subject to a maximum period of three years and subject to the right of the independent non-executive director or the Company to terminate the appointment of the independent non-executive director at any time by giving at least one month's notice in writing. Since 1 January 2006, the annual salary of Dr. Yu has been revised to RMB90,000.

Dr. Yu is not related to any Directors, senior management and substantial shareholders.

As at the Latest Practicable Date, Dr. Yu does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, there is no other information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters concerning Dr. Yu that need to be brought to the attention of the Shareholders.

CHU CHENG CHUNG

Mr. Chu Cheng Chung, aged 60, is the independent non-executive director of the Company. Prior to joining us in June 2005, Mr. Chu has 25 years of experience in working for various U.S. companies, including U.S. Coca-Cola. Prior to joining U.S. Coca-Cola, Mr. Chu was a technician at America Maize Company. In 1992, he was seconded by U.S. Coca-Cola to the PRC as the general manager of the condensed drink department of Coca-Cola. From 1995 to 1998, he was the vice president of the marketing department of Coca-Cola. In 1999, he became the general manager and vice president of Shanghai Shen-Mei Beverage & Food Co. Ltd.. Mr. Chu is currently the chief adviser to CIIC Human Resources Management Consulting Company. He has gained extensive experience in corporate human resources management. Mr. Chu is also an independent director of Hengan International Group Company Limited, a company listed on the main board of the Hong Kong Stock Exchange. After retiring from Coca-Cola, Mr. Chu became the chief executive officer of Media Partners International Holdings Inc. ("MPI"). Before joining MPI, he was the general manager of Thomas Group in the PRC, a consulting firm in the U.S.. Mr. Chu graduated from Tuskegee University with a Masters Degree in Food Sciences in 1977 and Lake Forest Graduate School of Management in EMBA in 1992. From 1986 to 1990, Mr. Chu was the chairman of the China American Food Society. In 1989, his name was entered into America Who's Who in Management. Mr. Chu was awarded twice the Shanghai Municipal Government Magnolia Award by the Shanghai Government as the most outstanding expatriate in 1996 and 1998. In 1998, he was a director of American Chamber of Commerce in Shanghai.

Pursuant to the letter of appointment entered into between the Company and Mr. Chu on 14 September 2005, Mr. Chu was appointed as an independent non-executive director of the Company for an annual salary of RMB60,000 for an initial term of one year renewable for further successive periods of one year, subject to a maximum period of three years and subject to the right of the independent non-executive director or the Company to terminate the appointment of the independent non-executive director at any time by giving at least one month's notice in writing. Since 1 January 2006, the annual salary of Mr. Chu has been revised to RMB90,000.

Mr. Chu is not related to any Directors, senior management and substantial shareholders.

As at the Latest Practicable Date, Mr. Chu does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, there is no other information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters concerning Mr. Chu that need to be brought to the attention of the Shareholders.

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Paradise Electronics Retail Limited (the "Company") will be held at Tien Room, Pacific Place Conference Centre, 5/F One Pacific Place, 88 Queensway, Hong Kong on Friday, 26 May 2006 at 3:00 p.m. for the purpose of transacting the following business:

ORDINARY RESOLUTIONS

1. To receive and consider the audited consolidated financial statements of the Company and the reports of the directors of the Company ("Directors") and the Auditors for the year ended 31 December 2005;
2. To consider and declare a final dividend and a special dividend for the year ended 31 December 2005;
3. To re-elect directors of the Company (particulars of the directors proposed to retire and be re-elected are set out in Appendix II to the Company's circular dated 28 April 2006);
4. To re-appoint Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

As special business, to consider and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

5. "THAT:
 - (a) subject to paragraph (c) below, a general mandate be and is hereby unconditionally granted to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options, warrants and other securities which would or might require the exercise of such powers;
 - (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options, warrants and other securities which would or might require the exercise of such powers after the end of the Relevant Period;

* for identification purposes only

NOTICE OF ANNUAL GENERAL MEETING

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (as hereinafter defined) or any issue of shares of the Company on the exercise of the subscription rights attaching to any warrants which may be issued by the Company from time to time or on the exercise of any options granted under the share option scheme of the Company or an issue of shares in lieu of the whole or part of a dividend on shares in accordance with the articles of association of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company passed in a general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any legal restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

6. **“THAT:**

- (a) subject to paragraph (b) below, a general mandate be and is hereby unconditionally granted to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to repurchase its shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares may be listed and which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Stock Exchange or of any other stock exchange as amended from time to time;

NOTICE OF ANNUAL GENERAL MEETING

(b) the aggregate nominal amount of securities authorised to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company passed at a general meeting.”

7. **“THAT** conditional upon the passing of the resolutions set out in paragraphs 5 and 6 of the notice convening this meeting, the aggregate nominal value of the shares which are purchased or otherwise acquired by the Company pursuant to the resolution set out in paragraph 6 above shall be added to the aggregate nominal value of the shares which may be issued pursuant to the resolution set out in paragraph 5.”

As special business, to consider and, if thought fit, pass with or without amendments the following resolutions as Special Resolutions:

SPECIAL RESOLUTIONS

8. **“THAT** the current Articles be amended as follows:

(a) By deleting the current Article 114 in its entirety and substituting therefore the following new Article 114:

“The Board shall have the power from time to time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.”

NOTICE OF ANNUAL GENERAL MEETING

- (b) By deleting the current Article 115 in its entirety and substituting therefore the following new Article 115:

“The Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall not be less than two. Subject to the provisions of these Articles and the Law, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.” and

- (c) By replacing the word “special” by “ordinary” immediately after the words “The Company may by” in the first sentence in the current Article 118 and in the right margin.

By Order of the Board
CHEN Xiao
Chairman and President

Hong Kong, 28 April 2006

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company. A member who is holding two or more shares of the Company is entitled to appoint more than one proxy to attend and vote on his behalf. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or authority must be deposited at the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude any member of the Company from attending the meeting or any adjournment thereof and voting in person if such member so wishes and in such event, the form of proxy will be deemed to have been revoked.
3. The register of members of the Company will be closed from Wednesday, 24 May 2006 to Friday, 26 May 2006 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and special dividend to be approved at the meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 23 May 2006.

As at the date of this notice, the Board of Directors of the Company comprises Mr. Chen Xiao (Chairman and President), Ms. Shu Wei (Vice Chairman and Executive Vice President), Mr. Liu Hui, Mr. Ma Yawei, Mr. Yuan Yashi, Mr. Zhou Meng (Vice President and Chief Operating Officer) 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.