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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)

CONNECTED TRANSACTIONS DISPOSAL OF NON-CORE BUSINESSES

Financial Adviser to China Paradise Electronics Retail Limited

CAZENOVE

Cazenove Asia Limited

The Directors are pleased to announce that its main operating subsidiary, Yongle China has entered into the Disposal Agreements with Minrong and the Key Management on 17 May 2006 pursuant to which, the Key Management has agreed to purchase and Yongle China and Minrong have agreed to sell the entire equity interest in each of Yongle Smart Buildings Engineering, Yongle Smart Buildings Marketing, Shanghai Yongju Home-Decoration, Shanghai Yongju Houseware Sales, Shanghai Yongju Decoration & Design and Zhejiang Yongle Smart Buildings Engineering and a 71% equity interest in Shanghai Yongle Illuminations for the consideration of approximately RMB2,100,697, RMB1,613,576, RMB10,000, RMB10,000, RMB5,450,447, RMB5,000,000 and RMB6,604,192, respectively. The aggregate consideration payable by the Key Management to Yongle China and Minrong in respect of the transfer under the Disposal Agreements amounts to approximately RMB20,788,912.

Pursuant to the terms of the Disposal Agreements, the Key Management will also take up indebtedness of an aggregate value of RMB49,500,000 due from Shanghai Yongju Houseware Sales and Shanghai Yongle Illuminations to Yongle China. The consideration in respect of the assignment of indebtedness will be satisfied in cash payable by the Key Management in full or by instalments within 6 months (in accordance with the relevant percentage of equity interests he/she acquired) from the date of the relevant Disposal Agreement. No interest is payable on the instalments.

The aggregate consideration payable by the Key Management in connection with the transactions contemplated under the Disposal Agreements amounts to approximately RMB70,288,912.

The Target Companies are principally engaged in the sale of lightings, home furnishings, building materials, etc. which are non-core businesses of the Group.

The consideration payable by the Key Management under each of the Disposal Agreements has been determined by reference to the audited net asset value of the relevant Target Company for the financial year ended 31 December 2005 prepared in accordance with PRC GAAP as further reviewed and adjusted by the auditors of the Company in accordance with the "Hong Kong Standard on Review Engagement 2400 - Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants.

The Company expects to book a gain of approximately RMB25,000,000 on the sale of the Target Companies based on the aggregate consideration (except consideration payable by the Key Management in connection with the assignment of indebtedness) less the aggregate unaudited net asset value of the Target Companies as at 31 March 2006. The actual gain is subject to further adjustment including the change in net asset value of each of the Target Companies for the period between 31 March 2006 and the completion date of each of the Disposal Agreements. The Company intends to apply the proceeds from the sale as additional working capital.

On completion of the Disposal Agreements, all the Target Companies will cease to become subsidiaries of Yongle China. Since each of the member of the Key Management is an executive Director of the Company, the Disposal Agreements constitute connected transactions and are subject to reporting and announcement requirements in accordance with Chapter 14A of the Listing Rules.

* For identification purpose only

INTRODUCTION

The Directors are pleased to announce that Yongle China and Minrong, both non-wholly owned subsidiaries of the Company have entered into the Disposal Agreements with the Key Management pursuant to which, Yongle China and Minrong will transfer their respective equity interests in the Target Companies to the Key Management in accordance with the terms set out below.

THE DISPOSAL AGREEMENTS

(I) Equity transfer agreement dated 17 May 2006 in respect of 100% equity interest in Yongle Smart Buildings Engineering

Parties: Vendors: Yongle China and Minrong

Purchaser: The Key Management

Summary: The Key Management has agreed to acquire 100% equity interest in Yongle Smart Buildings Engineering:

Equity interest holding structure immediately before the disposal		Equity interest holding structure immediately after the disposal	
Yongle China	90.00%	Chen Xiao	72.59%
Minrong	10.00%	Shu Wei	13.10%
		Liu Hui	9.77%
		Yuan Yashi	4.54%
Total	<u>100.00%</u>	Total	<u>100.00%</u>

Consideration: The aggregate consideration is RMB2,100,697 which represents the audited net asset value of Yongle Smart Buildings Engineering for the year ended 31 December 2005 as further reviewed and adjusted by the auditors of the Company in accordance with the "Hong Kong Standard on Review Engagement 2400 – Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. The consideration, payable by each of the members of the Key Management in accordance with the relevant percentage of equity interest he/she acquired, is to be satisfied in the following manner:

- (i) 50% payable within 15 business days from the date of the agreement; and
- (ii) the remaining balance will be payable within 15 business days after completion of the registration for change with the local SAIC by Yongle Smart Buildings Engineering.

Completion: Completion will take place immediately after completion of the registration for change with the local SAIC by Yongle Smart Buildings Engineering.

(II) Equity transfer agreement dated 17 May 2006 in respect of 100% equity interest in Yongle Smart Buildings Marketing

Parties: Vendors: Yongle China and Minrong

Purchaser: The Key Management

Summary: The Key Management has agreed to acquire a 100% equity interest in Yongle Smart Buildings Marketing:

Equity interest holding structure immediately before the disposal		Equity interest holding structure immediately after the disposal	
Yongle China	90.00%	Chen Xiao	72.59%
Minrong	10.00%	Shu Wei	13.10%
		Liu Hui	9.77%
		Yuan Yashi	4.54%
Total	<u>100.00%</u>	Total	<u>100.00%</u>

Consideration: The aggregate consideration is RMB1,613,576 which represents the audited net asset value of Yongle Smart Buildings Marketing for the year ended 31 December 2005 as further reviewed and adjusted by the auditors of the Company in accordance with the "Hong Kong Standard on Review Engagement 2400 – Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. The consideration, payable by each of the members of the Key Management in accordance with the relevant percentage of equity interest he/she acquired, is to be satisfied in the following manner:

- (i) 50% payable within 15 business days from the date of the agreement; and
- (ii) the remaining balance will be payable within 15 business days after completion of the registration for change with the local SAIC by Yongle Smart Buildings Marketing.

Completion: Completion will take place immediately after completion of the registration for change with the local SAIC by Yongle Smart Buildings Marketing.

(III) Equity transfer agreement dated 17 May 2006 in respect of 100% equity interest in Shanghai Yongju Home-Decoration

Parties: Vendors: Yongle China and Minrong

Purchaser: The Key Management

Summary: The Key Management has agreed to acquire a 100% equity interest in Shanghai Yongju Home-Decoration:

Equity interest holding structure immediately before the disposal		Equity interest holding structure immediately after the disposal	
Yongle China	90.00%	Chen Xiao	72.59%
Minrong	10.00%	Shu Wei	13.10%
		Liu Hui	9.77%
		Yuan Yashi	4.54%
Total	<u>100.00%</u>	Total	<u>100.00%</u>

Consideration: The aggregate consideration is RMB10,000 which is nominal as Shanghai Yongju Home-Decoration has a negative net asset value of RMB6,383,269 for the year ended 31 December 2005 as further reviewed and adjusted by the auditors of the Company in accordance with the "Hong Kong Standard on Review Engagement 2400 – Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. The consideration, payable by each of the members of the Key Management in accordance with the relevant percentage of equity interest he/she acquired, is to be satisfied in the following manner:

- (i) 50% payable within 15 business days from the date of the agreement; and
- (ii) the remaining balance will be payable within 15 business days after completion of the registration for change with the local SAIC by Shanghai Yongju Home-Decoration.

Completion: Completion will take place immediately after completion of the registration for change with the local SAIC by Shanghai Yongju Home-Decoration.

(IV) Equity transfer agreement dated 17 May 2006 in respect of 100% equity interest in Shanghai Yongju Houseware Sales

Parties: Vendors: Yongle China and Minrong

Purchaser: The Key Management

Summary: The Key Management has agreed to acquire a 100% equity interest in Shanghai Yongju Houseware Sales and an indebtedness of RMB44,500,000 due to Yongle China:

Equity interest holding structure immediately before the disposal		Equity interest holding structure immediately after the disposal	
Yongle China	90.00%	Chen Xiao	72.59%
Minrong	10.00%	Shu Wei	13.10%
		Liu Hui	9.77%
		Yuan Yashi	4.54%
Total	<u>100.00%</u>	Total	<u>100.00%</u>

Consideration: The aggregate consideration is RMB10,000 which is nominal as Shanghai Yongju Houseware Sales has a negative net asset value of RMB14,291,894 for the year ended 31 December 2005 as further reviewed and adjusted by the auditors of the Company in accordance with the "Hong Kong Standard on Review Engagement 2400 – Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. The consideration, payable by each of the members of the Key Management in accordance with the relevant percentage of equity interest he/she acquired, is to be satisfied in the following manner:

- (i) 50% payable within 15 business days from the date of the agreement; and
- (ii) the remaining balance will be payable within 15 business days after completion of the registration for change with the local SAIC by Shanghai Yongju Houseware Sales.

Completion: Completion will take place immediately after completion of the registration for change with the local SAIC by Shanghai Yongju Houseware Sales.

Assignment of indebtedness: The Key Management has agreed to purchase the principal amount of an outstanding indebtedness of Shanghai Yongju Houseware Sales of approximately RMB44,500,000 due and payable to Yongle China at a cash consideration of RMB44,500,000, payable in full or by instalments within 6 months (in accordance with the relevant percentage of equity interest he/she acquired) from the date of the agreement at the discretion of the Key Management. No interest is payable on the instalments.

(V) Equity transfer agreement dated 17 May 2006 in respect of 100% equity interest in Shanghai Yongju Decoration & Design

Parties:	Vendors:	Yongle China and Minrong	
	Purchaser:	The Key Management	
Summary:	The Key Management has agreed to acquire a 100% equity interest in Shanghai Yongju Decoration & Design:		
	Equity interest holding structure immediately before the disposal		Equity interest holding structure immediately after the disposal
	Yongle China	90.00%	Chen Xiao 72.59%
	Minrong	10.00%	Shu Wei 13.10%
			Liu Hui 9.77%
			Yuan Yashi 4.54%
	Total	<u>100.00%</u>	Total <u>100.00%</u>
Consideration:	The aggregate consideration is RMB5,450,447 which represents the audited net asset value of Shanghai Yongju Decoration & Design for the year ended 31 December 2005 as further reviewed and adjusted by the auditors of the Company in accordance with the "Hong Kong Standard on Review Engagement 2400 - Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. The consideration, payable by each of the members of the Key Management in accordance with the relevant percentage of equity interest he/she acquired, is to be satisfied in the following manner:		
	(i) 50% payable within 15 business days from the date of the agreement; and		
	(ii) the remaining balance will be payable within 15 business days after completion of the registration for change with the local SAIC by Shanghai Yongju Decoration & Design.		
Completion:	Completion will take place immediately after completion of the registration for change with the local SAIC by Shanghai Yongju Decoration & Design.		

(VI) Equity transfer agreement dated 17 May 2006 in respect of 100% equity interest in Zhejiang Yongle Smart Buildings Engineering

Parties:	Vendors:	Yongle China and Minrong	
	Purchaser:	The Key Management	
Summary:	The Key Management has agreed to acquire a 100% equity interest in Zhejiang Yongle Smart Buildings Engineering.:		
	Equity interest holding structure immediately before the disposal		Equity interest holding structure immediately after the disposal
	Yongle China	90.00%	Chen Xiao 72.59%
	Minrong	10.00%	Shu Wei 13.10%
			Liu Hui 9.77%
			Yuan Yashi 4.54%
	Total	<u>100.00%</u>	Total <u>100.00%</u>
Consideration:	Zhejiang Yongle Smart Buildings Engineering was incorporated on 13 December 2005 and commenced its business in February 2006. The aggregate consideration is RMB5,000,000 which represents the registered capital contributed by Yongle China and Minrong in Zhejiang Yongle Smart Buildings Engineering. The consideration, payable by each of the members of the Key Management in accordance with the relevant percentage of equity interest he/she acquired, is to be satisfied in the following manner:		
	(i) 50% payable within 15 business days from the date of the agreement; and		
	(ii) the remaining balance will be payable within 15 business days after completion of the registration for change with the local SAIC by Zhejiang Yongle Smart Buildings Engineering.		
Completion:	Completion will take place immediately after completion of the registration for change with the local SAIC by Zhejiang Yongle Smart Buildings Engineering.		

(VII) Equity transfer agreement dated 17 May 2006 in respect of 71% equity interest in Shanghai Yongle Illuminations

Parties: Vendors: Yongle China
Purchaser: The Key Management

Summary: The Key Management has agreed to acquire a 71% equity interest in Shanghai Yongle Illuminations and an indebtedness of RMB5,000,000 due to Yongle China:

Equity interest holding structure immediately before the disposal		Equity interest holding structure immediately after the disposal	
Yongle China	71.00%	上海靖耕實業有限公司 (Shanghai Ching Keng Enterprise Company Limited)	29.00%
上海靖耕實業有限公司 (Shanghai Ching Keng Enterprise Company Limited)	29.00%	Chen Xiao	51.54%
		Shu Wei	9.30%
		Liu Hui	6.94%
		Yuan Yashi	3.22%
Total	<u>100.00%</u>	Total	<u>100.00%</u>

Consideration: The aggregate consideration is RMB6,604,192 which represents 71% of the audited net asset value of Shanghai Yongle Illuminations for the year ended 31 December 2005 as further reviewed and adjusted by the auditors of the Company in accordance with the "Hong Kong Standard on Review Engagement 2400 – Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. The consideration, payable by each of the members of the Key Management in accordance with the relevant percentage of equity interest he/she acquired, is to be satisfied in the following manner:

- (i) 50% payable within 15 business days from the date of the agreement; and
- (ii) the remaining balance will be payable within 15 business days after completion of the registration for change with the local SAIC by Shanghai Yongle Illuminations.

Completion: Completion will take place immediately after completion of the registration for change with the local SAIC by Shanghai Yongle Illuminations.

Assignment of indebtedness: The Key Management has agreed to purchase the principal amount of an outstanding indebtedness of Shanghai Yongle Illuminations of approximately RMB5,000,000 due and payable to Yongle China at a cash consideration of RMB5,000,000, payable in full or by instalments within 6 months (in accordance with the relevant percentage of equity interest he/she acquired) from the date of the agreement at the discretion of the Key Management. No interest is payable on the instalments.

INFORMATION ABOUT THE TARGET COMPANIES

Prior to completion of the Disposal Agreements, all the Target Companies are indirect non-wholly owned subsidiaries of the Company. On completion of the Disposal Agreements, all of the Target Companies will cease to be subsidiaries of the Company. The following table sets out certain general information of each of the Target Companies:

Target Company	Date and place of incorporation	Ownership structure immediately prior to completion of the Disposal Agreements (%)	Principal Business
Yongle Smart Buildings Engineering	Limited liability company incorporated in the PRC on 14 June 2005	Owned as to 90% by Yongle China and 10% by Minrong	Sales, installation and maintenance of central air-conditioning system, smart system, kitchen and sanitary facilities, ventilation system and security system, etc.
Yongle Smart Buildings Marketing	Limited liability company incorporated in the PRC on 11 January 2005	Owned as to 90% by Yongle China and 10% by Minrong	Design and installation of central air-conditioning system, kitchen and sanitary facilities, smart system, security system and ventilation system, etc.
Shanghai Yongju Home-Decoration	Limited liability company incorporated in the PRC on 25 March 2005	Owned as to 90% by Yongle China and 10% by Minrong	Provision of management services to enterprises whose business relates to sanitary facilities, kitchen ware, etc.
Shanghai Yongju Houseware Sales	Limited liability company incorporated in the PRC on 18 April 2005	Owned as to 90% by Yongle China and 10% by Minrong	Wholesaling and retailing of metal products and sanitary facilities, etc.
Shanghai Yongju Decoration & Design	Limited liability company incorporated in the PRC on 10 May 2005	Owned as to 90% by Yongle China and 10% by Minrong	Sales of home decoration and construction materials.
Zhejiang Yongle Smart Buildings Engineering	Limited liability company incorporated in the PRC on 13 December 2005	Owned as to 90% by Yongle China and 10% by Minrong	Design, installation and maintenance of central air-conditioning system, kitchen and sanitary facilities and smart system, etc.
Shanghai Yongle Illuminations	Limited liability company incorporated in the PRC on 29 July 2005	Owned as to 71% by Yongle China and 29% by 上海靖耕實業有限公司 (Shanghai Ching Keng Enterprise Company Limited)*	Sales of illumination electronic appliances and electronic products, etc.

* A limited liability company incorporated in the PRC which is independent of and not connected with any connected person (as defined in the Listing Rules) of the Company.

On completion of the Disposal Agreements, all the Target Companies will cease to become subsidiaries of the Company.

Information about Yongle China, Minrong and the Company

Yongle China is a sino foreign equity joint venture established in the PRC owned by the Company and the Key Management as to 90% and 10% respectively. Minrong is a limited liability company incorporated in the PRC whose equity interest is owned by Yongle China and the Key Management as to 99% and 1%, respectively. Minrong principally acts as a holding company. The Company, together with its subsidiaries, is a leading specialty retailer of household appliances and consumer electronics products and related services in China with stores in Shanghai, the Yangtze River Delta Region, the Pearl River Delta region, the Capital Economic Zone and Mid-West China.

Information about the Key Management

The Key Management comprises of Mr. Chen Xiao, Ms. Shu Wei, Mr. Liu Hui and Mr. Yuan Yashi, who are all executive Directors of the Company. Mr. Chen Xiao, Ms. Shu Wei, Mr. Liu Hui and Mr. Yuan Yashi collectively owned as to 10% and 1% of the equity interest in Yongle China and Minrong, respectively.

As at the date of this announcement, Mr. Chen Xiao holds approximately 72.59% of the issued share capital of Retail Management Company Limited, the controlling shareholder of the Company. Please refer to the Prospectus for further details of the Key Management.

Financial Information

The audited net asset values of the Target Companies (except Zhejiang Yongle Smart Buildings Engineering) for the financial year ended 31 December 2005 prepared in accordance with PRC GAAP as further reviewed and adjusted by the auditors of the Company in accordance with the "Hong Kong Standard on Review Engagement 2400 - Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants are as follows:

Name of Target Company	Net asset value (RMB)
Yongle Smart Buildings Engineering	2,100,697
Yongle Smart Buildings Marketing	1,613,576
Shanghai Yongju Home-Decoration	(6,383,269)
Shanghai Yongju Houseware Sales	(14,291,894)
Shanghai Yongju Decoration & Design	5,450,447
Shanghai Yongle Illuminations	9,301,679

The net profit/(loss) before and after tax and extraordinary items of each of the Target Companies attributable to Yongle China based on its audited financial statements for the financial years ended 31 December 2004 and 31 December 2005 as further reviewed and adjusted by the auditors of the Company in accordance with the "Hong Kong Standard on Review Engagement 2400 - Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants are as follows:

Name of Target Company	Net profit/(loss) before tax and extraordinary items (RMB)		Net profit/(loss) after tax and extraordinary items (RMB)	
	Year 2004	Year 2005	Year 2004	Year 2005
Yongle Smart Buildings Engineering	Nil	118,467	Nil	100,697
Yongle Smart Buildings Marketing	Nil	(3,386,424)	Nil	(3,386,424)
Shanghai Yongju Home-Decoration	(4,791,150)	(2,592,119)	(4,791,150)	(2,592,119)
Shanghai Yongju Houseware Sales	Nil	(19,291,894)	Nil	(19,291,894)
Shanghai Yongju Decoration & Design	Nil	(6,549,553)	Nil	(6,549,553)
Zhejiang Yongle Smart Buildings Engineering *	Nil	Nil	Nil	Nil
Shanghai Yongle Illuminations	Nil	(698,321)	Nil	(698,321)

* Zhejiang Yongle Smart Buildings Engineering was incorporated on 13 December 2005 and commenced its business in February 2006.

Consideration payable by the Key Management

The aggregate consideration payable by the Key Management in connection with the transactions contemplated under the Disposal Agreements amounts to approximately RMB70,288,912 in cash. The consideration payable by the Key Management to Yongle China and Minrong under the Disposal Agreements are determined by the parties by references to the net asset value (except Zhejiang Yongle Smart Buildings Engineering) of each of the Target Companies as at 31 December 2005 as shown in its audited financial statements prepared in accordance with PRC GAAP as further reviewed and adjusted by the auditors of the Company in accordance with the "Hong Kong Standard on Review Engagement 2400 - Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. Zhejiang Yongle Smart Buildings Engineering is a newly established company and the parties have agreed that it would be more appropriate to base the consideration on the contribution of registered capital made by Yongle China.

Given that each of the Target Companies has recorded a loss for the financial year ended 31 December 2005 and the Key Management has purchased the indebtedness of Shanghai Yongju Houseware Sales and Shanghai Yongle Illuminations, the Directors (including the independent non-executive Directors) are of the view that the considerations payable under the Disposal Agreements are fair and reasonable.

Reasons for the disposal

The Company, together with its subsidiaries, is a leading specialty retailer of household appliances and consumer electronics products and related services in China with stores in Shanghai, the Yangtze River Delta Region, the Pearl River Delta region, the Capital Economic Zone and Mid-West China. Since year 2005, the PRC government has imposed macroscopic measure to cool off its economy. As a result, the local property market has entered into a solitude phase. The Target Companies are principally engaged in businesses in the area of building engineering, home furnishing and lightings, which rely substantially on the performance of the property market. Intensified competition, together with the effect of the macroscopic economy measures have accelerated the decline of the local property market and thus the businesses of the Target Companies.

For the year ended 31 December 2005, the Target Companies (excluding Zhejiang Yongle Smart Buildings Engineering) have recorded aggregate losses before and after tax and extraordinary items of RMB32,636,778 and RMB32,619,008, respectively. As disclosed in the Prospectus and in view of the intense competition in this market in the foreseeable future, the Board anticipates that the businesses of the Target Companies will continue to be under pressure, especially considering the potential increase in labour cost and increase competition.

The Company has entered into the Disposal Agreements in order to divest its non-core businesses and streamline its operations. The Directors expect that the disposal by Yongle China and Minrong of the Target Companies will have a positive impact on the earnings and assets of the Company. The Directors (including all of the independent non-executive Directors) believe that the terms of the transaction are fair and reasonable and in the interests of the shareholders as a whole.

The Company expects to book a gain of approximately RMB25,000,000 on the sale of the Target Companies based on the aggregate consideration (except consideration payable by the Key Management in connection with the assignment of indebtedness) less the aggregate unaudited net asset value of the Target Companies as at 31 March 2006. The actual gain is subject to further adjustment including the change in net asset value of each of the Target Companies for the period between 31 March 2006 and the completion date of each of the Disposal Agreements. The Company intends to apply the proceeds from the sale as additional working capital.

Connected Transactions

Each of the member of the Key Management is an executive Director of the Company. Each of them is therefore a connected person of the Company within the meaning of the Listing Rules. The Disposal Agreements constitute connected transactions under the Listing Rules and are subject to reporting and announcement requirements under Chapter 14A of the Listing Rules.

Definitions

“Board”	the board of Directors
“Company”	China Paradise Electronics Retail Limited, a limited liability company incorporated in the Cayman Islands whose shares are listed in the main board of the Stock Exchange
“Directors”	the directors of the Company
“Disposal Agreements”	means (1) the equity transfer agreement dated 17 May 2006 between Yongle China, Minrong and the Key Management in respect of 100% equity interests in Yongle Smart Buildings Engineering; (2) the equity transfer agreement dated 17 May 2006 between Yongle China, Minrong and the Key Management in respect of 100% equity interests in Yongle Smart Buildings Marketing; (3) the equity transfer agreement dated 17 May 2006 between Yongle China, Minrong and the Key Management in respect of 100% equity interests in Shanghai Yongju Home-Decoration; (4) the equity transfer agreement dated 17 May 2006 between Yongle China, Minrong and the Key Management in respect of 100% equity interests in Shanghai Yongju Houseware Sales; (5) the equity transfer agreement dated 17 May 2006 between Yongle China, Minrong and the Key Management in respect of 100% equity interests in Shanghai Yongju Decoration & Design; (6) the equity transfer agreement dated 17 May 2006 between Yongle China, Minrong and the Key Management in respect of 100% equity interests in Zhejiang Yongle Smart Buildings Engineering; and (7) the equity transfer agreement dated 17 May 2006 between Yongle China and the Key Management in respect of 71% equity interests in Shanghai Yongle Illuminations
“Key Management”	comprises of Mr. Chen Xiao, Ms. Shu Wei, Mr. Liu Hui and Mr. Yuan Yashi, who are also the executive Directors of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Minrong”	Shanghai Minrong Investment Co., Ltd.
“PRC”	The People’s Republic of China
“PRC GAAP”	General Accepted Accounting Principles in the PRC
“Prospectus”	the prospectus of the Company dated 4 October 2005
“RMB”	Renminbi, the lawful currency of the PRC
“SAIC”	the PRC State Administration for Industry and Commerce
“Shanghai Yongju Home-Decoration”	上海永居裝飾市場經營管理有限公司 (Shanghai Yongju Home-Decoration Marketing Management Company Limited)
“Shanghai Yongju Houseware Sales”	上海永居家庭裝飾產品銷售有限公司 (Shanghai Yongju Houseware Sales Company Limited)
“Shanghai Yongju Decoration & Design”	上海永居裝潢設計有限公司 (Shanghai Yongju Decoration & Design Company Limited)
“Shanghai Yongle Illuminations”	上海永樂照明電器有限公司 (Shanghai Yongle Illuminations Electronics Company Limited)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” or “Target Companies”	Yongle Building Facility Management, Yongle Building Facility Sales, Shanghai Yongju Home-Decoration, Shanghai Yongju Houseware Sales, Shanghai Yongju Decoration & Design, Zhejiang Yongle Smart Buildings Engineering and Shanghai Yongle Illuminations
“Yongle China”	Yongle (China) Electronics Retail Co., Ltd. (永樂(中國)電器銷售有限公司) (previously known as Shanghai Yongle Electronics Retail Co., Ltd.), an indirect non wholly owned subsidiary of the Company
“Yongle Smart Buildings Engineering”	上海永樂樓宇設備工程服務有限公司 (Shanghai Yongle Smart Buildings Equipment Engineering & Services Company Limited)
“Yongle Smart Buildings Marketing”	上海永樂樓宇設備銷售有限公司 (Shanghai Yongle Smart Buildings Equipment Marketing Company Limited)
“Zhejiang Yongle Smart Buildings Engineering”	浙江永樂樓宇工程服務有限公司 (Zhejiang Yongle Smart Buildings Equipment Engineering & Services Company Limited)

By Order of the Board
China Paradise Electronics Retail Limited
Chen Xiao
Chairman

Hong Kong, 18 May 2006

As at the date of this announcement, the Board of Directors 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; 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.”