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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)

**ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND
APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Financial adviser to China Paradise Electronics Retail Limited

CAZENOVE

Cazenove Asia Limited

The independent board committee comprising all the independent non-executive directors of the Company, namely Dr. Yu Zengbiao, Mr. Chu Cheng Chung and Mr. Wang Bing, has been established. Somerley Limited has been appointed as the independent financial adviser to the independent board committee in respect of the Offer.

Reference is made to the joint announcement dated 25 July 2006 (“**Announcement**”) issued by GOME Electrical Appliances Holding Limited and China Paradise Electronics Retail Company (“**Company**”). Unless otherwise defined, terms used herein shall have the same meanings in the Announcement.

The independent board committee comprising all of the independent non-executive directors of the Company, namely Dr. Yu Zengbiao, Mr. Chu Cheng Chung and Mr. Wang Bing, has been established to advise the China Paradise Shareholders (i) as to whether the Offer is, or is not, fair and reasonable and (ii) as to acceptance. Dr Yu Zengbiao, Mr Chu Cheng Chung and Mr Wang Bing are independent and do not have any direct or indirect interests in connection with the Offer. Somerley Limited has been appointed as the independent financial adviser to the independent board committee in respect of the Offer. Somerley Limited’s appointment has been approved by the independent board committee.

In connection with the Offer, MS Retail has given an irrevocable undertaking to the Offeror to accept the Offer in respect of all the China Paradise Shares held by it. Mr Julian Juul Wolhardt, a non-executive director of the Company, has been excluded from the independent board committee for reasons of his interest in MS Retail and his involvements in negotiating the Offer.

It is expected that the Composite Document containing, among others, the terms of the Offer, the letter from the independent board committee and the letter from the independent financial adviser, Somerley Limited, will be despatched to the China Paradise Shareholders within 35 days from the date of the Announcement.

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

Hong Kong, 28 July 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.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this announcement have been arrived at after due and careful consideration, and that there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

* *For identification purpose only*

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