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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)

Clarification Announcement

This announcement is made pursuant to Rule 13.09 of the Listing Rules. This announcement is issued to clarify certain market rumours in relation to the Company.

The Board has noticed some recent press articles commenting on the status of the Strategic Cooperation Agreement entered into between the Company and Beijing Dazhong. The Company announces that it has received a request from Beijing Dazhong in relation to the Proposal. However, the Company has not been informed by Beijing Dazhong of its intention to forfeit the Deposit. No formal response has yet been given to Beijing Dazhong and no decision has yet been made by the Directors as to the Company's future relationship with Beijing Dazhong. Based on preliminary advice received from the Company's PRC lawyers, Beijing Dazhong does not have the right to unilaterally terminate the Strategic Cooperation Agreement. The Company has further been advised that any termination of the Strategic Cooperation Agreement will require its consent and that Beijing Dazhong has no right to forfeit the Deposit. As a matter of fact, the Company has been advised that it has the legal right to claim back the Deposit. The Company is now seeking further advice from its legal advisers and is now considering its options and proposed course of action.

The actions which the Company may take in response to the Proposal include the followings:

1. the commencement of legal action against Beijing Dazhong to enforce the terms of the Strategic Cooperation Agreement; or
2. the initiation of a claim against Beijing Dazhong for damages and refund of the Deposit.

The Directors confirm that save as disclosed above, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23, neither is the board aware of any matter discloseable under the general obligation imposed by Rule 13.09, which is or may be of a price-sensitive nature.

This announcement is made by the order of the Board, the Directors of which individually and jointly accept responsibility for the accuracy of this statement.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company. Further announcement in relation to the developments of the Strategic Cooperation Agreement will be made if necessary.

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The board of Directors of the Company ("**Board**") have noticed some recent press articles commenting on the status of the Strategic Cooperation Agreement entered into between the Company and Beijing Dazhong. The Directors would like to refer to the announcement of the Company dated 21 April 2006 ("**April Announcement**") and the joint announcement dated 25 July 2006 ("**Joint Announcement**") issued jointly by GOME Electrical Appliances Holding Limited and the Company. Unless otherwise defined, terms used herein shall have the same meanings in the April Announcement and the Joint Announcement.

The Company announces that it has received a request from Beijing Dazhong on 7 August 2006 in relation to a proposal to terminate the Strategic Cooperation Agreement ("**Proposal**"). However, the Company has not been informed by Beijing Dazhong of its intention to forfeit the Deposit or to claim damages against the Company. No formal response to the Proposal has yet been given to Beijing Dazhong and no decision has yet been made by the Directors as to the Company's future relationship with Beijing Dazhong. Based on preliminary advice received from the Company's PRC lawyers, the Strategic Cooperation Agreement remains in full force and effect as at the date hereof and Beijing Dazhong does not have the right to unilaterally terminate the Strategic Cooperation Agreement. The Company has further been advised that any termination of the Strategic Cooperation Agreement will require its consent and that Beijing Dazhong has no right to forfeit the Deposit. As a matter of fact, the Company has been advised that it has the legal right to claim back the Deposit. The Company is now seeking further advice from its legal advisers and is now considering its options and proposed course of action.

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2. the initiation of a claim against Beijing Dazhong for damages and refund of the Deposit.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company. Further announcement in relation to the developments of the Strategic Cooperation Agreement will be made if necessary.

The Directors confirm that save as disclosed above, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23, neither is the board aware of any matter discloseable under the general obligation imposed by Rule 13.09, which is or may be of a price-sensitive nature.

This announcement is made by the order of the board of the Company, the Directors of which individually and jointly accept responsibility for the accuracy of this statement.

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

Hong Kong, 17 August 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, opinions expressed in this announcement have been arrived at after due and careful consideration, and 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.