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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)

**UPDATE ON THE STRATEGIC COOPERATION AGREEMENT
WITH BEIJING DAZHONG ELECTRICAL APPLIANCES CO., LTD.**

This announcement is made pursuant to Rule 13.09 of the Hong Kong Listing Rules and Note 6 to Rule 8.1 of the Takeovers Code.

Further to the clarification announcement dated 17 August 2006 issued by the Company, the Company has received the Letter in relation to the Proposal. Unless otherwise defined, terms used herein shall have the same meanings in the announcement of the Company dated 21 April 2006 and the announcement dated 25 July 2006 issued jointly by GOME Electrical Appliances Holding Limited and the Company.

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

Further to the clarification announcement dated 17 August 2006 issued by the Company, the Company has received a letter on 4 September 2006 from the legal adviser to Beijing Dazhong (“**Letter**”) in relation to Beijing Dazhong’s proposal to terminate the Strategic Cooperation Agreement (“**Proposal**”).

It is alleged in the Letter that the proposed merger between the Company and GOME is against the terms of the Strategic Cooperation Agreement. It is proposed in the Letter that Beijing Dazhong will refund the Deposit of RMB150,000,000 to the Company and will not claim against the Company if the Company agrees to terminate the Strategic Cooperation Agreement. It is stated in the Letter that if the Strategic Cooperation Agreement cannot be terminated by mutual agreement, Beijing Dazhong and Mr Zhang Dazhong will submit a formal application to the China International Economic and Trade Arbitration Commission in which case, it is alleged that Beijing Dazhong and Mr Zhang Dazhong will claim against the Company for breach of its obligations under the Strategic Cooperation Agreement.

The Company’s PRC legal adviser has advised that allegations set out in the Letter are without basis and the alleged claim against the Company is groundless. The Strategic Cooperation Agreement contains no provision which restricts the proposed merger between the Company and GOME. 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 any unilateral termination will be a breach of the Strategic Cooperation Agreement.

The Directors would like to draw the attention of the China Paradise Shareholders that the Company is keen to continue discussions with Beijing Dazhong and Mr Zhang Dazhong, and to carry out the transactions contemplated under the Strategic Cooperation Agreement.

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

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

Hong Kong, 6 September 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.