

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this Announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Announcement.

This Announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of GOME or China Paradise.

GOME Shares have not been registered under the US Securities Act or under the securities laws of any jurisdiction of the United States, and may not be offered or sold in the United States absent registration under, or an applicable exemption from, such registration requirements. Consequently, subject to certain limitations and exceptions, the GOME Shares are not being offered or sold, directly or indirectly, in or into the United States, Canada, Australia or Japan (or to any residents thereof) or any other jurisdiction (or to residents in that jurisdiction), if to do so would constitute a violation of the relevant laws in such jurisdiction.

Neither the US Securities and Exchange Commission nor any US state securities commission has approved or disapproved of the GOME Shares or determined if this Announcement is accurate or complete. Any representation to the contrary is a criminal offence in the United States.



GOME Electrical Appliances Holding Limited

*(incorporated in Bermuda
with limited liability)
(Stock code: 493)*



China Paradise Electronics Retail Limited

*(incorporated in the Cayman Islands
with limited liability)
(Stock code: 503)*

**Voluntary conditional offer by
Goldman Sachs (Asia) L.L.C.
for and on behalf of
GOME Electrical Appliances Holding Limited
to acquire all of the issued shares in the capital of
China Paradise Electronics Retail Limited
(not already owned by GOME Electrical Appliances Holding Limited and parties
acting in concert with it)**

**CLARIFICATION ANNOUNCEMENT,
UPDATE ON STRATEGIC COOPERATION AGREEMENT,
ANNOUNCEMENT ON PROGRESS OF OFFER
AND RESUMPTION OF TRADING OF SECURITIES**

**Financial adviser to GOME
Electrical Appliances Holding Limited**

**Goldman
Sachs**

**Financial adviser to China Paradise
Electronics Retail Limited**

CAZENOVE
Cazenove Asia Limited

**Independent financial adviser to the Independent Board Committee of
China Paradise Electronics Retail Limited
in respect of the Offer**

Σ SOMERLEY LIMITED

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

GOME has noted the recent magazine and newspaper articles concerning Mr Wong, the chairman and an executive director of GOME, in connection with an investigation into the Alleged Loans granted by the Beijing branch of Bank of China.

GOME wishes to clarify that no notice has been received by it in connection with any investigation by any PRC government authority in connection with the Alleged Loans. GOME considers that it has a good track record of servicing its debts with financial institutions in the PRC. GOME wishes to state that it takes any allegations which are made to the contrary of the foregoing statements very seriously and reserves the right to take legal action against any party making false or misleading allegations about GOME.

Yongle China, the principal operating subsidiary of China Paradise, has received the Arbitration Notice from CIETAC in respect of the Strategic Cooperation Agreement. The claimants, Beijing Dazhong and Mr Zhang Dazhong, allege that Yongle China has breached the terms of the Strategic Cooperation Agreement as a result of the Offer. China Paradise wishes to reiterate that the Strategic Cooperation Agreement contains no provision which prohibits China Paradise from entering into the proposed merger with GOME. Yongle China is well prepared to enter into arbitration proceedings with Beijing Dazhong and Mr Zhang Dazhong and will file its response to the Arbitration Notice in due course.

The Offeror and China Paradise confirm that the Offer is progressing in accordance with its terms and the Takeovers Code. As 1 November 2006 is the next closing date of the Offer, an announcement as to whether the Offer will become or be declared unconditional in all respects, be extended or lapse will be made on 1 November 2006.

Trading in the GOME Shares on the Stock Exchange was suspended from 9.31 a.m. on 31 October 2006 at the request of GOME and an application will be made to the Stock Exchange to allow dealings in GOME Shares to resume with effect from 9.30 a.m. on 1 November 2006.

Trading in the China Paradise Shares on the Stock Exchange was suspended from 9.30 a.m. on 31 October 2006 at the request of China Paradise and an application will be made to the Stock Exchange to allow dealings in the China Paradise Shares to resume with effect from 9.30 a.m. on 1 November 2006.

GOME Shareholders and investors generally should exercise caution when dealing in the securities of GOME. China Paradise Shareholders and investors generally should exercise caution when dealing in the securities of China Paradise.

INTRODUCTION

Reference is made to the joint announcement dated 25 July 2006 (the *Joint Announcement*) issued by GOME Electrical Appliances Holding Limited (*GOME* or the *Offeror*) and China Paradise Electronics Retail Limited (*China Paradise*), the composite offer and response document despatched on 29 August 2006 to China Paradise Shareholders (the *Composite Document*) and the joint announcement dated 17 October 2006 (the *17 October 2006 Announcement*) issued by GOME and China Paradise. Unless the context requires otherwise, terms defined in the Joint Announcement and the Composite Document have the same meaning when used in this Announcement.

CLARIFICATION OF MAGAZINE AND NEWSPAPER ARTICLES

GOME has noted the recent magazine and newspaper articles concerning Mr Wong Kwong Yu (*Mr Wong*), the chairman and an executive director of GOME, in connection with an investigation into alleged illegal loans in an aggregate amount of approximately RMB1.3 billion (the *Alleged Loans*) granted by the Beijing branch of Bank of China.

GOME wishes to clarify that no notice has been received by it in connection with any investigation by any PRC government authority in connection with the Alleged Loans and that it did not provide the guarantee in relation to the Mortgage (as defined below). GOME considers that it has a good track record of servicing its debts with financial institutions in the PRC. GOME also wishes to clarify that it is independent from Towercrest (as defined

below). GOME wishes to state that it takes any allegations which are made to the contrary of the foregoing statements very seriously and reserves the right to take legal action against any party making false or misleading allegations about GOME.

Mr Wong has also confirmed to GOME that:

- (a) neither Mr Wong nor any of his privately held companies, nor so far as Mr Wong is aware, have any of his close relatives (as defined in the Takeovers Code) (save for his elder brother, Mr Wong Chung Yam, who was unwilling to answer Mr Wong's enquiries concerning Mr Wong Chung Yam's separate businesses), or any of their privately held companies been the subject of, or received, any notification that he or any of them is, or was, under investigation by any PRC government authority in connection with the Alleged Loans;
- (b) while Eagle Property Group (*Eagle*), an investment company indirectly owned by Mr Wong, has been assisting a PRC government authority in its investigation into a mortgage (the *Mortgage*) guaranteed by Eagle and taken out by a third party independent of Mr Wong and his privately held companies who bought certain residential property from Eagle, it is not, and was not, subject to any investigation by any PRC government authority in connection with the Alleged Loans;
- (c) he and his privately held companies have a good track record of servicing its debts with financial institutions in the PRC;
- (d) he and his privately held companies do not have any outstanding loan balance with the Beijing branch of Bank of China and maintain a normal business relationship with other banks;
- (e) Mr Wong, his privately held companies, including GOME Home Appliances Group (GHAG), an investment company indirectly owned by Mr Wong, and Eagle, have not carried on any business in the automobile trading industry or in automobile loans; and
- (f) Mr Wong, his privately held companies, including GHAG and Eagle, are independent from Beijing Towercrest Group (*Towercrest*), a company which invests in real estate as its principal business and is controlled by Mr Wong Chung Yam; and
- (g) Mr Wong and Mr Wong Chung Yam conduct their respective businesses in a totally independent manner.

ARBITRATION WITH BEIJING DAZHONG

Further to its announcement dated 24 October 2006, China Paradise announces that its principal operating subsidiary, Yongle China, has received an arbitration notice dated 27 October 2006 (*the Arbitration Notice*) from China International Economic and Trade Arbitration Commission (*CIETAC*) in respect of the Strategic Cooperation Agreement. Beijing Dazhong and Mr Zhang Dazhong are claimants under the Arbitration Notice and the respondent is Yongle China, an operating subsidiary of China Paradise and signatory to the Strategic Cooperation Agreement. Yongle China is well prepared to enter into arbitration proceedings with Beijing Dazhong and Mr Zhang Dazhong and will file its response to the Arbitration Notice in due course.

According to the Arbitration Notice, Beijing Dazhong and Mr Zhang Dazhong allege that the Yongle China has breached the terms of the Strategic Cooperation Agreement as a result of the Offer. China Paradise wishes to reiterate that the Strategic Cooperation Agreement contains no provision which prohibits China Paradise from entering into the proposed merger with GOME. Meanwhile, China Paradise and Yongle China is seeking legal advice from its PRC legal advisers and further announcements by China Paradise will be made to keep the China Paradise Shareholders and potential investors informed of any material development as and when appropriate.

PROGRESS OF OFFER

The Offeror and China Paradise confirm that the Offer is progressing in accordance with its terms and the Takeovers Code. As 1 November 2006 is the next closing date of the Offer, an announcement as to whether the Offer will become or be declared unconditional in all respects, be extended or lapse will be made on 1 November 2006. As stated in the 17 October 2006 Announcement, the Offeror will issue an announcement when the Offer has become unconditional in all respects. The Long Stop Date in respect of the Offer was initially 21 November 2006 as set out in the Composite Document. The Long Stop Date is now 7 November 2006. Subject to the Offer

becoming or being declared unconditional in all respects, an application for suspension in dealings in the securities of China Paradise will be made immediately after the close of the Offer.

TRADING

Trading in the GOME Shares on the Stock Exchange was suspended from 9.31 a.m. on 31 October 2006 at the request of GOME and an application will be made to the Stock Exchange to allow dealings in GOME Shares to resume with effect from 9.30 a.m. on 1 November 2006.

Trading in the China Paradise Shares on the Stock Exchange was suspended from 9.30 a.m. on 31 October 2006 at the request of China Paradise and an application will be made to the Stock Exchange to allow dealings in the China Paradise Shares to resume with effect from 9.30 a.m. on 1 November 2006.

GOME Shareholders and investors generally should exercise caution when dealing in the securities of GOME. China Paradise Shareholders and investors generally should exercise caution when dealing in the securities of China Paradise.

All time references contained in this announcement are to Hong Kong time.

By order of the board of
GOME Electrical Appliances Holding Limited
Wong Kwong Yu
Chairman

By order of the board of
China Paradise Electronics Retail Limited
Chen Xiao
Chairman

Hong Kong, 31 October 2006

As at the date of this Announcement, the Executive Directors of GOME are Mr Wong Kwong Yu, Ms Du Juan, Mr Lam Pang and Mr Ng Kin Wah; the Non-Executive Director of GOME is Mr Sun Qiang Chang; and the Independent Non-Executive Directors of GOME are Messrs Michael Sze Tsai Ping, Chan Yuk Sang and Mark C. Greaves. The Directors of GOME jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than in relation to China Paradise) and confirm, having made all reasonable enquiries, that to the best of their knowledge, their 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 of their statements in this Announcement misleading.

As at the date of this Announcement, the Executive Directors of China Paradise are Mr Chen Xiao, Ms Shu Wei, Mr Liu Hui, Mr Yuan Yashi, Mr Ma Yawei, Mr Zhou Meng and Mr Shen Ping; the Non-Executive Director of China Paradise is Mr Julian Juul Wolhardt; and the Independent Non-Executive Directors of China Paradise are Dr. Yu Zengbiao, Mr Chu Cheng Chung and Mr Wang Bing. The Directors of China Paradise jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than in relation to GOME and Mr Wong Kwong Yu) and confirm, having made all reasonable enquiries, that to the best of their knowledge, their 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 of their statements in this Announcement misleading.

Please also refer to the published version of this announcement in The Standard.