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**GOME Electrical Appliances
Holdings Limited**

國美電器控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 493)



**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)

JOINT ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

GOME and China Paradise jointly announce that GOME Appliance has entered into the GOME Appliance Agreements with Paradise Shanghai on 27 December 2006 pursuant to which, GOME Appliance has agreed to sell and purchase products to and from Paradise Shanghai. The GOME Appliance Agreements have been entered into to generate better overall procurement power and to ensure products availability for both GOME and China Paradise to take advantage of the merger between GOME and China Paradise.

GOME, as a holder of 98.24% of the issued shares of China Paradise as at the date of this announcement, and GOME Appliance, as an indirect wholly owned subsidiary of GOME, are connected persons of China Paradise within the meanings of the Listing Rules.

The transactions contemplated under the GOME Appliance Agreements constitute continuing connected transactions for China Paradise under Chapter 14A of the Listing Rules. As each of the percentage ratios for the Cap with respect to China Paradise is less than 2.5%, the transactions contemplated under the GOME Appliance Agreements are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

GOME and China Paradise jointly announce that GOME Appliance has entered into the GOME Appliance Agreements with Paradise Shanghai on 27 December 2006 pursuant to which, GOME Appliance has agreed to sell and purchase Products to and from Paradise Shanghai. The GOME Appliance Agreements have been entered into to generate better overall procurement power and to ensure products availability for both GOME and China Paradise to take advantage of the merger between GOME and China Paradise.

(I) GOME Appliance Purchase Agreement

- Parties: GOME Appliance
Paradise Shanghai
- Summary: GOME Appliance will, from time to time, purchase Products from Paradise Shanghai and Paradise Shanghai will, from time to time, sell Products to GOME Appliance.
- Term: Effective from the date of the GOME Appliance Purchase Agreement until 31 December 2007.
- Consideration: GOME Appliance will purchase Products from Paradise Shanghai at cost.

Cap: The proposed annual cap for the transactions contemplated under the GOME Appliance Purchase Agreement is RMB125,000,000 (excluding value added tax, which does not form part of the revenue of the payee). The proposed annual cap is determined after taking into consideration of the expected sale volume of Products to be sold by GOME Appliance and Paradise Shanghai before and during the peak periods during the period from the date of the GOME Appliance Agreements until 31 December 2007 and the average shortfall of supply in the Products of GOME Appliance and Paradise Shanghai in the past years.

Payment term: The payment for the sale of the Products shall be made within 15 Business Days upon receipt of the Products by GOME Appliance, unless the parties agree otherwise.

(II) GOME Appliance Sale Agreement

Parties: GOME Appliance
Paradise Shanghai

Summary: GOME Appliance will, from time to time, sell Products to Paradise Shanghai and Paradise Shanghai will, from time to time, purchase Products from GOME Appliance.

Term: Effective from the date of the GOME Appliance Sale Agreement until 31 December 2007.

Consideration: GOME Appliance will sell Products to Paradise Shanghai at cost.

Cap: The proposed annual cap for the transactions contemplated under the GOME Appliance Sale Agreement is RMB125,000,000 (excluding value added tax, which does not form part of the revenue of the payee). The proposed annual cap is determined after taking into consideration of the expected sale volume of Products to be sold by GOME Appliance and Paradise Shanghai before and during the peak periods during the period from the date of the GOME Appliance Agreements until 31 December 2007 and the average shortfall of supply in the Products of GOME Appliance and Paradise Shanghai in the past years.

Payment term: The payment for the purchase of the Products shall be made within 15 Business Days upon receipt of the Products by Paradise Shanghai, unless the parties agree otherwise.

REASONS FOR AND BENEFITS OF ENTERING INTO THE GOME APPLIANCE AGREEMENTS

GOME Appliance has entered into the GOME Appliance Agreements with Paradise Shanghai to enhance overall procurement power and ensure products availability, especially before and during peak periods during the year (e.g. before the New Year holiday period). By adopting such arrangements, GOME and China Paradise are of the view that they will be better positioned to enjoy procurement synergies and enhanced inventory management and sales co-ordination as a result of the merger between GOME and China Paradise. The GOME Directors and China Paradise Directors expect that the transaction contemplated under the GOME Appliance Agreements will generate incremental revenue and procurement synergies for the benefit of GOME and China Paradise.

CONNECTED TRANSACTION

GOME, as a holder of 98.24% of the issued shares of China Paradise as at the date of this announcement, and GOME Appliance, as an indirect wholly owned subsidiary of GOME, are connected persons of China Paradise within the meanings of the Listing Rules.

The transactions contemplated under the GOME Appliance Agreements constitute continuing connected transactions for China Paradise under Chapter 14A of the Listing Rules. As each of the percentage ratios for the Cap with respect to China Paradise is less than 2.5%, the transactions contemplated under the GOME Appliance Agreements are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

INFORMATION ABOUT THE GOME GROUP

The GOME Group is principally engaged in retailing of electrical appliances and consumer electronic products in the PRC.

INFORMATION ABOUT CHINA PARADISE AND PARADISE SHANGHAI

Paradise Shanghai is a sino-foreign equity joint venture established in the PRC owned as to 90% by China Paradise. China Paradise, 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.

On completion of a compulsory acquisition to be made by GOME, China Paradise will become a wholly-owned subsidiary of GOME and an application will be made for the withdrawal of listing of China Paradise's shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

Upon withdrawal of listing, China Paradise will not be required to comply with the requirements of the Listing Rules and, therefore the transactions contemplated under the GOME Appliance Agreements will not constitute continuing connect transactions to China Paradise under Chapter 14A of the Listing Rules.

GENERAL

The GOME Directors and China Paradise Directors (including the independent non-executive Directors of each of GOME and China Paradise) consider that the transactions contemplated under the GOME Appliance Agreements have been and will be entered into in the usual and ordinary course of business of GOME and China Paradise. They also consider that the terms of the GOME Appliance Agreements have been negotiated and will be conducted on an arm's length basis and on normal commercial terms between GOME Appliance and Paradise Shanghai.

The GOME Directors and China Paradise Directors (including the independent non-executive Directors of each of GOME and China Paradise) are of the view that the transactions contemplated under the GOME Appliance Agreements, the Caps and the terms are fair and reasonable and in the best interests of GOME and China Paradise and their respective shareholders (with Mr. Wong Kwong Yu, Ms Du Juan and Mr. Ng Kin Wah, being the Directors of both GOME and China Paradise, having abstained from voting).

Reference is made to the China Paradise's announcement dated 27 November 2006. China Paradise has not been able to appoint a qualified accountant as at the date of this announcement. China Paradise will continue to use its best endeavours in finding a suitable replacement as soon as possible. China Paradise will keep its shareholders informed in respect of any appointment and will seek to comply with the Listing Rules as soon as possible.

DEFINITIONS

“Business Day”	a day (excluding Saturday) on which banks are generally open for business in Hong Kong
“Cap”	the annual cap of the transactions contemplated under the GOME Appliance Agreements
“China Paradise”	China Paradise Electronics Retail Limited, a company incorporated in the Cayman Islands and whose shares are listed on the main board of the Stock Exchange
“China Paradise Directors”	the directors of China Paradise
“GOME”	GOME Electrical Appliances Holding Limited, a company incorporated in Bermuda and whose shares are listed on the main board of the Stock Exchange
“GOME Appliance”	國美電器有限公司 (GOME Appliance Company Limited), an indirect wholly owned subsidiary of GOME
“GOME Appliance Agreements”	the GOME Appliance Purchase Agreement and the GOME Appliance Sale Agreement
“GOME Appliance Purchase Agreement”	the agreement date 27 December 2006 entered into between GOME Appliance and Paradise Shanghai pursuant to which GOME Appliance agrees to purchase the Products from Paradise Shanghai from time to time

“GOME Appliance Sale Agreement”	the agreement dated 27 December 2006 entered into between GOME Appliance and Paradise Shanghai pursuant to which GOME Appliance agrees to sell the Products to Paradise Shanghai from time to time
“GOME Directors”	the directors of GOME
“GOME Group”	GOME and its subsidiaries (including China Paradise and its subsidiaries)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Paradise Shanghai”	Yongle (China) Electronics Retail Co., Ltd. (永樂(中國)電器銷售有限公司), an indirect non wholly owned subsidiary of China Paradise
“PRC”	the People’s Republic of China
“Products”	electrical appliances and consumer electronic products
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

By Order of the Board
GOME Electrical Appliances Holding Limited
Ng Kin Wah
Executive Director

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

Hong Kong, 29 December 2006

As at the date of this announcement, the Executive Directors of GOME are Mr. Wong Kwong Yu, Ms. Du Juan and Messrs 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 Mr. Michael Sze Tsai Ping, Mr. Chan Yuk Sang, Mr. Mark C. Greaves and Dr Liu Peng Hui.

As at the date of this announcement, the Executive Directors of China Paradise are Mr. Chen Xiao, Mr. Wong Kwong Yu, Ms. Du Juan and Mr. Ng Kin Wah; the Independent Non-Executive Directors of China Paradise are Dr. Yu Zengbiao, Mr. Chu Cheng Chung and Mr. Wang Bing.

* *For identification purpose only*

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