GOME RETAIL HOLDINGS LIMITED

國美零售控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

PROFIT WARNING ANNOUNCEMENT

This announcement is made by GOME Retail Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**GOME**") pursuant to the Inside Information Provisions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

The board of directors (the "**Board**") of the Company wishes to inform the shareholders of the Company and potential investors that during the nine-month period ended 30 September 2018 (the "**Reporting Period**"), the Group continued to promote the integration of its online and offline businesses and its "Social + Business + Sharing" shared retail model vigorously. Based on the preliminary review of the latest management accounts of the Group, the total gross merchandise volume ("**GMV**") of the Group for both online and offline operations during the Reporting Period is expected to grow by approximately 5% as compared to the corresponding period last year, among which the Shared Retail GMV and the GMV from the marketplace of the e-commerce business are expected to grow by more than 100% and 25%, respectively, as compared to the corresponding period last year. The consolidated gross profit margin is expected to maintain at a high level exceeding 18%. The Group will continue to speed up its expansion on the services regime and expand into the third- to sixth-tier cities, with a view to shaping up its new competitive advantage.

During the Reporting Period, as a result of the implementation of the strategic transformation plan, sales revenue of the Group is expected to decrease by approximately 11% and operating expenses increased slightly as compared to the corresponding period last year, while finance costs were still at a high level. Taking into account the above factors, the Group's loss attributable to owners of the parent during the Reporting Period is expected to fall within the range of between RMB400 million and RMB500 million, as compared to a net profit for the corresponding period last year. However, the consolidated gross profit margin of the Group was maintained at a relatively high level in the third quarter, while the third quarter operating expenses also decreased as compared with the second quarter. Therefore, the profit attributable to owners of the parent is expected to achieve break-even for the third quarter.

In 2018, GOME proposed the “Triple New” initiative of “New Market, New Technology, New Business” to rapidly open county stores in the third- to sixth-tier cities, and vigorously pushed forward new service initiatives including “integration of kitchen cabinets and electrical appliances”, “HVAC”, “home furnishing/kitchen cabinet” and “kitchen interior design” in first- and second-tier cities. Meanwhile, GOME uses its middle-end data platform to integrate its online and offline front-end businesses. The “Triple New” initiative proposed by GOME not only represents an operational shift of focus from products to users, but also demonstrates GOME’s determination in attracting users with quality services.

In the future, the Group will continue with its “Home • Living” strategy and provide the shareholders with better returns.

The information contained in this announcement is only based on the preliminary review by the Company’s management and is not based on any figures or information that has been audited or reviewed by the auditor or the audit committee of the Company. Such information is subject to finalization and if the finalized information differs significantly from the estimation set forth in this announcement, the Company will provide updates on a timely basis. Shareholders and potential investors are advised to read carefully the results announcement of the Company for the Reporting Period which is expected to be published by the end of November 2018.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board of
GOME Retail Holdings Limited
Zhang Da Zhong
Chairman

Hong Kong, 2 November 2018

As at the date of this announcement, the Board of the Company comprises Mr. Zou Xiao Chun as executive director; Mr. Zhang Da Zhong, Ms. Huang Xiu Hong and Mr. Yu Sing Wong as non-executive directors; and Mr. Lee Kong Wai, Conway, Ms. Liu Hong Yu and Mr. Wang Gao as independent non-executive directors.

* *For identification purpose only*