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**") 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 year ended 31 December 2018 (the "**Reporting Period**"), the Group actively embarked on a path to a new retail era with GOME's characteristics and through the integration of GOME APP, physical stores and ME Shop, the Group strives to transform itself into an integrated home solution, service solution and supply chain provider based on its strategy of "Home • Living". Leveraging its logistics and after-sales service capabilities, the Group is committed to becoming the largest logistics, installation and maintenance service provider on home appliances and bulky household items in China. The Group is building a new retail ecosystem by virtue of its self-operated product and service capabilities. Based on the preliminary review of the latest management accounts of the Group, there had been a steady development in the new market, new business and new technology during the Reporting Period. The Group recorded an increase in sales of over 100% for its new businesses such as home solution and integration of kitchen cabinets with electrical appliances as compared with the corresponding period last year. The Group is also a pioneer in the industry in developing the self-operated cabinet business model through a partnership with IXINA, a top kitchen cabinet chain store brand in Europe. While persistently exploring new types of stores, the Group continues its strategic development of large-scale integrated flagship stores and home decoration material stores in the first- and second-tier cities, and expedite its county-level stores network in the third- to sixth-tier cities. In 2018, the Group opened more than 600 new stores in total. Leveraging the continuous optimized middle-end data platform and big data technology, the Group continues to provide its consumers with lifecycle service solutions of merchandise and to expand its smart home solutions business. The Group started to provide services to both its customers and third-party partners through GOME House Manager and warehousing services. Currently, the contribution of service income to consolidated gross profit has been significantly improved. The booming new business indicates that the transformation is progressing well.

During the Reporting Period, the total gross merchandise volume ("**GMV**") of the Group for both online and offline operations is expected to remain stable as compared with the corresponding period last year, among which GMV from ME Shop is expected to grow by more than 300%, while service GMV and GMV from smart products are expected to grow by 50% and 80%, respectively as compared with the corresponding period last year. The consolidated gross profit margin is expected to maintain at a high level for the industry of approximately 17%. As of 31 December 2018, the Group had sufficient capital with cash and cash equivalents of approximately RMB10,000 million.

During the Reporting Period, the Group's traditional business is affected by a sluggish macroeconomy. The sales revenue for 2018 is expected to decrease by approximately 10% as compared with the corresponding period last year, resulting in a decrease in the consolidated gross profit. The operating expenses increased as compared with the corresponding period last year, and the financial costs still stood at a relatively high level. In addition, to be conservative and comply with the applicable accounting standards, the Group has made a provision for goodwill impairment on some businesses which did not meet expectations. The amount of provision is expected to fall within the range of between RMB1,600 million and RMB2,200 million. Taking into account the above factors, the Group's loss attributable to owners of the parent during the Reporting Period is expected to be between RMB4,200 million and RMB4,900 million, as compared with a loss of RMB450 million for the corresponding period last year.

However, if the non-operating items, such as non-cash goodwill impairment, losses on financial assets at fair value through profit or loss and foreign exchange loss are excluded, the adjusted EBITDA of offline business of the Group is expected to achieve a breakeven.

With the Group's strategic transformation entering into a critical stage, the Group's new business began to take its initial shape. The Group is positive to inaugurate a new retail era with GOME's characteristics. The Group will also take physical stores and ME Shop as the core of its low-cost traffic gateways, making the GOME APP as a centralized platform for traffic collection and distribution, in order to have the three terminals to share traffic, tools and scenarios with each other. The Company leverages the internet model to accomplish its transformation and realize online and offline integration. With the new market, new business and new technology as the important pillars of its growth, the Group is committed in pursuing better shareholder value.

The Company intends to buy-back shares of the Company at an appropriate time, subject to compliance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 March 2019.

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, 1 March 2019

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*