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 (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

The board of directors (the "**Board**") of the Company hereby notifies shareholders and potential investors of the Company that during the six-month period ended 30 June 2020 (the "**Reporting Period**"), with a consistent focus on the "Home • Living" strategy and based on the models of "integrated home solution, service solution and supply chain provider" and local retail, the Group developed high-frequency, dual platforms with online and offline interaction for multi scenarios. Faced with the challenges from the coronavirus pandemic (the "**COVID-19**"), the Group fully leveraged on its resources and capabilities throughout its operation covering the supply chain, communities, logistics and services delivery to create live broadcast sales model. The Group initiated the live broadcast sales model with the features of "informative contents + premium IP + scenario", bringing high quality and low price products and services to consumers across the country.

Based on the preliminary review of the latest management accounts of the Group, during the Reporting Period, benefitting from the contribution from the vigorous expansion of the communities and the GOME APP in digitalized local retail, the GMV from the Group's community + GOME APP is expected to grow by over 70% compared with the corresponding period last year. While the number of the Group's communities grew over 40% year-on-year to over 200,000, reaching over 66 million users, representing a 65% increase year-on-year. Leveraging on the comprehensive upgrade of the "Store" channel on the GOME APP, the sales conversion rate rose over 150% year-on-year. In addition, through the successful introduction of JD and Pinduoduo in April and May as our strategic partners, the Group's GMV generated from these e-commerce platforms is expected to grow more than 100 times year-on-year. The Group maintained sufficient capital after the full repayment of overseas bonds with an aggregate principal amount of US$466 million during the Reporting Period. As of 30 June 2020, the Group's cash and cash equivalents are expected to exceed RMB10,000 million.

During the Reporting Period, the outbreak of the COVID-19 caused disruption to many industries in China, especially to the home appliance retail industry. In the first half of the year, both total retail sales of consumer goods and home appliances in the domestic market dropped significantly compared to the corresponding period last year. The sales revenue from home appliances for the first half of 2020 is expected to decline by approximately 40% compared to the corresponding period last year (of which, sales revenue for the first quarter decreased by approximately 60% year-on-year due to severe outbreak of the COVID-19. However, a rapid rebound was achieved through live broadcasts and other initiatives, with the decrease in sales revenue for the second quarter being narrowed down to approximately 16% compared with the corresponding period last year). In the first half of 2020, leveraging on our SKU selecting capabilities and our professional community staff, the Group held many live broadcast sales events with various themes featuring professional quality scenarios. Through these events, the Group reached over 100 million cumulative views. In four of the super live broadcast sales events, the Group's sales revenue totaled approximately RMB2,500 million. Due to the sales of bulk home appliances being seriously affected by the pandemic, the consolidated gross profit margin of overall business was approximately 10% during the Reporting Period. However, with the gradual alleviation of the pandemic and the stimulating policies, the consolidated gross profit margin began to improve in the second quarter.

In addition, due to a reduction in rentals, salaries and other selling and distribution expenses, the operating expenses of the Group significantly decreased by over 25% compared with the corresponding period last year. 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 RMB2,500 million and RMB3,000 million, compared with a loss of RMB380 million for the corresponding period last year.

The Group successfully completed its infrastructure construction integrating its online and offline operations and optimizing the store network. The business models such as "store services", "home services" and "online services" are becoming increasingly mature. In the future, the Group will further deepen and upgrade the "Home • Living" strategy and expand the platform with extensive commodity and service mix on the top of our solid home appliances retail foundation. Together with excellent offline experience and rapid online order process, we strive to become a leading digital local community retailer.

The information contained in this announcement is only based on a 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 August 2020.

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

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

Hong Kong, 7 August 2020

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*