



QKL Stores Inc. Announces Second Quarter 2009 Financial Results

DAQING, China, Aug. 14 /PRNewswire-Asia/ -- QKL Stores Inc. (the "Company") (OTC Bulletin Board: QKLS), a leading regional supermarket chain in Northeast China, today announced its financial results for the second quarter ended June 30, 2009.

Second Quarter 2009 Financial Results

Second quarter revenue increased 100.8% to \$51.5 million compared to \$25.7 million in the second quarter of 2008. Retail sales revenue, which consists of revenue derived from 31 supermarkets and two department stores, represented \$50.4 million, or 97.8% of the quarter's total revenue, compared to \$24.9 million, or 96.9% of revenue, in the prior year period. The retail revenue was primarily driven by 13 new stores opened since April 2008 as well as the steady growth of the 20 retail stores that have been open for more than one year.

Sales from the 20 stores open at least one year increased 23.0% to \$28.7 million from \$23.3 million in the second quarter of 2008. Other income, which primarily includes revenue from the Company's two department stores and from tenants within its supermarket retail locations, grew to \$1.1 million in the second quarter of 2009, up from \$0.8 million in the prior year's period.

In the second quarter of 2009, gross profit increased 66.2% to \$9.9 million from \$6.0 million in the second quarter of 2008. Gross margin decreased to 19.2% from 23.2% in the prior year's period. Second quarter gross margin results were in line with the Company's expectations which assumes that gross margin will be in the range of 17%-19% over the next few quarters as additional new stores, which tend to be less profitable, contribute to the financial performance.

Mr. Zhuangyi Wang, Chairman and CEO, said, "We are pleased to report our financial results for the second quarter of 2009. Our retail stores continue to drive our topline performance, which grew more than 100% year over year. Looking forward, we expect the new stores to help bolster our sales and overall visibility while the existing stores demonstrate steady and consistent growth. While we remain focused on enhancing overall efficiency and profits, our commitment to execute on our store expansion plan is expected to slightly impact our gross margin. We believe our strategy of providing our customers with a broad variety of products coupled with competitive prices will drive customer loyalty and effectively enable us to expand our geographic presence and further bolster our dominant store position in the Northeast provinces."

Operating income in the second quarter of 2009 increased 66.1% to \$2.9 million from \$1.8 million in the prior year period.

Selling expense increased to \$6.3 million, or 12.2% of sales, compared to \$3.4 million, or 13.2% of sales, in the prior year period. This increase was due primarily to marketing expenses related to promotional and marketing events during the quarter designed to increase customer loyalty and drive pedestrian traffic to its stores. General and administrative expenses in the second quarter of 2009 decreased 13.1% to \$0.7 million from \$0.8 million in the prior year's period.

Net income in the second quarter of 2009 increased 78.7% to \$2.3 million, or \$0.08 per diluted share, from \$1.3 million, or \$0.04 per diluted share, in the prior comparable period.

Balance Sheet and Cash Flow

As of June 30, 2009, the Company had \$21.3 million of cash, compared to \$22.6 million as of March 31, 2009 and \$19.3 million as of December 31, 2008. The Company had no bank loans as of June 30, 2009. Net cash flow from operating activities was \$7.1 million in the second quarter of 2009 compared to \$6.4 million in the second quarter of 2008. Net cash flow used by investing activities was \$3.0 million in the first half of 2009 compared to \$1.1 million used in the first half of 2008. Net cash flow used by financing activities was \$2.2 million in the first half of 2009 compared to \$12.7 million provided in the first half of 2008.

Retail Store Update

During the second quarter, the Company opened new supermarkets in Lindian county, Daqing's Xinguangtiandi commercial shopping center, and Zhaodong City, respectively, bringing to 31 the number of total supermarkets opened as of today.

The Company has supermarket locations and one department store totaling 67,000 sq. meters under construction, all of which are scheduled to open by the end of 2009 or at the beginning of 2010. Additionally, in order to support its retail expansion efforts, the Company plans to open a 19,600 sq. meter distribution center in Harbin, the capital city of Heilongjiang Province. Management believes that this new facility, which is expected to be operational in the fourth quarter of 2009, is sufficient to support its current stores in the region as well as future stores the Company plans on opening over the next few years.

Mr. Zhuangyi Wang, Chairman and Chief Executive Officer of QKL Stores, said, "During these challenging economic times, we remain focused on providing our customers with diversified products of great value and competitive pricing. We have built a strong brand in the northeast provinces and we will continue to leverage our trusted brand to more small and medium sized cities in northeastern China without modern supermarkets chains.

Mr. Wang continued, "For the remainder of the year, we are committed to expanding our store base and opening a distribution center in Harbin that can provide better support to our existing stores as well as planned expansion in the coming years. As previously announced, we recently launched a new initiative with existing as well as prospective suppliers to further strengthen our relationships and deepen our supply chain. Through these efforts, we continue to add new national and regional suppliers to our network.

Mr. Wang continued, "Our healthy balance sheet and cash flow generated from operations have enabled us to capitalize on our market opportunity and execute an aggressive growth plan for this year. We look forward to continued momentum in the second half of the year and believe we have the right team in place to further enhance our leadership position in northeast China."

Conference Call

The Company will conduct a conference call to discuss its second quarter 2009 results on Monday, August 17th at 9:00am ET. Listeners may access the call by dialing +1-913-312-0658. To listen to the live webcast of the event, please go to <http://www.viavid.net> . Listeners may access the call replay, which will be available through August 31st, by dialing +1-719-457-0820; passcode: 1319054.

About QKL Stores Inc.:

Based in Daqing, China, QKL Stores Inc. is a leading regional supermarket chain company operating in Northeast China. The Company sells a broad selection of merchandise, including groceries, fresh food, and non-food items, through its retail supermarkets, hypermarket stores, and department stores; the company also has its own distribution centers that service its supermarkets.

Safe Harbor Statement

Certain statements in this release and other written or oral statements made by or on behalf of the Company are "forward-looking statements" within the meaning of the federal securities laws. Statements regarding future events and developments and our future performance, as well as management's expectations, beliefs, plans, estimates or projections relating to the future, are forward-looking statements within the meaning of these laws. The forward looking statements are subject to a number of risks and uncertainties including market acceptance of the Company's services and projects and the Company's continued access to capital and other risks and uncertainties. The actual results the Company achieves may differ materially from those contemplated by any forward-looking statements due to such risks and uncertainties. These statements are based on our current expectations and speak only as of the date of such statements.