

QKL Stores Inc. Announces First Quarter 2009 Financial Results

- 1Q09 Revenues Increased 98.4% to \$67.2 Million -- --
- 1Q09 Gross Profit Increased 65.0% to \$12.4 Million
- -- -- 1Q09 Net Income Increased 23.3% to \$3.7 Million
- -- -- Company Opens Two New Supermarkets in April 2009 --

- On Friday May 15, 2009, 8:30 am

DAQING, China, May 15 /PRNewswire-Asia/ -- QKL Stores Inc. (the "Company") (OTC Bulletin Board: [QKLS](#) - [News](#)), a leading regional supermarket chain in Northeast China, today announced its first quarter 2009 financial results for the period ending March 31, 2009.

First quarter revenue increased 98.4% to \$67.2 million compared to \$33.9 million in the first quarter of 2008. Retail sales revenue, which consists of revenue derived from 28 supermarkets, represented \$66.1 million, or 98.3% of the quarter's total revenue compared to \$32.4 million in the prior year period. This retail revenue was primarily driven by the continuous strong growth of 19 retail stores that have been opened for more than one year as well as the contribution of 9 new stores opened since the beginning of 2008. Comparable store sales for the first quarter 2009 for the 19 stores opened at least one year, increased 34.6% to \$43.8 million from \$32.6 million in the first quarter of 2008. Other income, which primarily includes revenue from the Company's two department stores and from tenants within its supermarket retail locations, represented \$1.1 million, or 1.7% of sales in the first quarter of 2009. The Company did not open any new stores in the 2009 first quarter.

Mr. Wang Zhuangyi, Chairman and CEO said, "The first quarter 2009 continued to demonstrate our strong operational and financial results. Our first quarter performance reflected a very healthy same store sales increase of 34.6% and we also benefitted from a contribution from our 9 new stores that have been opened since the beginning of last year. Our stores are becoming better established in their local communities and benefit from carrying larger quantities of in-demand products, which continues to result in strong customer demand. Our overall strategy of opening stores in small- and medium-sized cities along with our category expansion of fresh food, non-food and grocery and private-label items is showing meaningful results to our financial performance. In April 2009, we opened two new stores, totaling approximately 8,700 square meters (approximately 93,646 sq. feet) of retailing space, bringing our total current store count to 30 supermarkets and two department stores."

In the first quarter of 2009, gross profits increased 65.0% to \$12.4 million from \$7.5 million for the first quarter of 2008. Gross margin for the first quarter was 18.4%, compared to 22.2% in the same period last year. The decrease in gross margin met management's internal expectation and reflected the Company's expansion plans that entail the build out of new stores, which tend to be less profitable during the early months of operation. Additionally, the Company implemented more promotional strategies to increase market share and long-term sales volume. The Company expects gross margin to be between 17% to 19% over the next several quarters.

Operating income increased 25.7% to \$5.1 million from \$4.1 million in the first quarter of 2009. Selling expense increased 96.1% to \$5.8 million, or 8.6% of sales, compared to \$3.0 million, or 8.7% of sales in the prior year period. This increase was primarily due to higher marketing expense related to promotional and advertising events held in the quarter and growing salary expense as the Company hired new employees to manage the growing business. General and administrative expenses increased 204.7% to \$1.5 million, or 2.2% of sales from \$0.5 million, or 1.4% of sales in the prior year, primarily due to overall larger business operations.

Net income in the first quarter of 2009 increased 23.3% to \$3.7 million, or \$0.12 per diluted share, from \$3.0 million, or \$0.12 per diluted share, in the prior comparable period.

Balance Sheet and Cash Flow

As of March 31, 2009, the Company had \$22.6 million of cash, compared to \$19.3 million of cash as of December 31, 2008. The Company had no bank loans as of March 31, 2009.

Net cash flow from operating activities was \$7.0 million in the first quarter of 2009 compared to \$5.5 million in the first quarter of 2008. Net cash flow used by investing activities was \$1.5 million in the first quarter of 2009 compared to \$0.4 million used in the first quarter of 2008. Net cash flow used by financing activities was \$2.2 million in the first quarter of 2009 compared to \$12.1 million provided in the first quarter 2008.

Retail Store Update

The Company opened up two new stores in April 2009:

- On April 1, 2009, the Company opened a new supermarket store in Lindian, a city in Heilongjiang Province approximately 140 kilometers from Daqing, which is QKL's corporate headquarters. The new store occupies approximately 5,000 square meters in Lindian's commercial center.

- On April 30, 2009, the Company opened a 3,700 square meter store in the Xingguangtiandi commercial shopping center in Daqing. The opening of this store originated from an agreement entered into by QKL Stores with Daqing Xingguangtiandi Shopping Center Co., Ltd. on September 30, 2008 to acquire all assets of a supermarket store located in the Xingguangtiandi shopping center. The assets included the lease, the inventory and all licenses held. The transfer was completed on December 12, 2008. The purchase price of RMB 13.80 million (approximately \$2.0 million) was fully paid by December 2, 2008 and the date of the completion of the transfer of the seller's assets and the relevant registration procedures regarding the change of the ownership with the Bureau of Industry and Commerce was completed on this date as well. The store was renovated and was opened on April 24, 2009.

Mr. Wang continued, "We are still on plan to open an additional 30,000 sq. meters of retail space in 2009, approximately 30% of which was opened during the month of April. We currently have three new stores under construction which we expect to open in the second quarter of 2009. We are also planning on adding a 10,000 sq. meter distribution center to serve our expanding base of stores and are continuing to make improvements to our logistics and information systems to support our existing supermarkets. Our plan is to finance these initiatives from funds generated from our operations, which we believe is sufficient to fund this expansion.

During these challenging economic times, we continue to focus on improving our balance sheet and were pleased to have increased our cash flow from operations and our cash position, lowered our bank loans and maintain stable lines of credit to ensure the fulfillment of our operational needs.

The Northeastern region of China in which we operate can provide us with strong growth opportunities for many years to come. There are hundreds of small and medium sized cities in northeastern China without modern supermarkets. Our highly experienced management team, fast growing and profitable merchandise concepts, strong supplier relationships, effective marketing programs, superior logistics and information management systems and healthy balance sheet provide us with a unique platform to expand our presence, meet growing demand, increase our market share and grow our revenue and profits in the coming years. We look forward to capitalizing on our opportunities and maximizing value for our shareholders."

About QKL Stores Inc.:

Based in Daqing, China, QKL Stores Inc. is a leading regional supermarket chain company operating in Northeast China. QKL Stores sells a broad selection of merchandise, including groceries, fresh food, and non-food items, through its

retail supermarkets, convenience store, and department store; 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.

For more information, please contact:

Company Contact

QKL Stores Inc.

Crystal Chen

Tel: +86-45-9460-7987

Diana Zhang

Tel: +86-45-9460-7626

Investor Relations:

ICR, Inc.

Bill Zima & Wei Jung Yang

Tel: +86-10-6599-7968

QKL STORES INC.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008

(Stated in US Dollars)

	03/31/2009	03/31/2008
Net revenues		
Direct sales	\$66,105,519	\$32,352,709
Other operating income	1,121,885	1,536,790
	\$67,227,404	\$33,889,499

Cost of inventories sold	(54,836,837)	(26,382,060)
Gross profit	\$12,390,567	\$7,507,439
Selling expenses	(5,810,144)	(2,962,974)
General and administrative expenses	(1,479,598)	(485,642)
Income from operation	\$5,100,825	\$4,058,823
Other expenses	--	(5,751)
Interest income	63,670	24,707
Interest expenses	(20,786)	(72,759)
Income before income taxes	\$5,143,709	\$4,005,020
Income taxes	(1,469,191)	(1,025,825)
Net income	\$3,674,518	\$2,979,195
Other comprehensive income:		
Foreign currency translation adjustment	352,188	1,671,880
Comprehensive income	\$4,026,706	\$4,651,075
Basic earnings per share	\$0.18	\$0.14
Diluted earnings per share	\$0.12	\$0.12
Basic weighted average share outstanding	20,882,353	20,882,353
Diluted weighted average share outstanding	30,000,000	25,441,177

QKL STORES INC.

CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31, 2009 AND 2008
(Stated in US Dollars)

	03/31/2009	03/31/2008
ASSETS		
Current assets		
Cash and cash equivalents	\$22,626,709	\$28,283,324

Pledged deposits	230,350	300,000
Other receivables	3,827,883	3,424,174
Prepaid expenses	2,042,966	691,097
Advances to suppliers	2,894,422	989,590
Inventories and consumables	13,028,787	9,449,705
Total current assets	\$44,651,117	\$43,137,890
Property, plant and equipment, net	14,019,536	10,133,227
Intangible assets, net	19,970,972	795,327
Long term prepayment	768,766	--
TOTAL ASSETS	\$79,410,391	\$54,066,444
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term bank loans	\$--	\$1,424,055
Accounts payable	21,928,761	10,635,795
Cash card and coupon liabilities	4,358,166	2,568,734
Deposits received	1,445,411	20,223
Accruals	718,565	408,149
Other PRC taxes payable	322,123	69,258
Other payables	1,274,422	647,442
Income taxes payable	1,469,150	1,048,245
Total current liabilities	\$31,516,598	\$16,821,901
Long-term bank loans	--	2,136,083
TOTAL LIABILITIES	\$31,516,598	18,957,984
Commitments and contingencies	\$--	\$--
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.001, 100,000,000 shares authorized, 20,882,353 shares issued and outstanding at March 31, 2009 and 2008 respectively	\$20,882	\$20,882
Series A convertible preferred stock, par value \$0.01, 10,000,000 shares authorized, 9,117,647 shares issued and outstanding at March 31, 2009 and 2008 respectively	91,176	91,176

Additional paid-in capital	21,783,477	19,805,207
Statutory reserves	3,908,247	2,703,742
Retained earnings	17,878,687	9,390,801
Accumulated other comprehensive income	4,211,324	3,096,652
	\$47,893,793	\$35,108,460
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 \$79,410,391	 \$54,066,444

QKL STORES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(Stated in US Dollars)

	03/31/2009	03/31/2008
Cash flows from operating activities		
Net income	\$3,674,518	\$2,979,195
Depreciation	569,605	425,317
Amortization	6,782	1,580
Loss on disposal of plant and equipment	---	5,751
Adjustments to reconcile net income to net cash provided by operating activities:		
Other receivables	1,160,701	(99,190)
Inventories and consumables	1,533,604	(848,870)
Advances to suppliers	452,468	56,803
Prepaid expenses	(158,048)	250,818
Accounts payable	618,116	2,399,996
Cash card and coupon liabilities	494,734	664,566
Deposits received	(1,459,228)	(870,719)
Accruals	35,802	45,230
Other PRC taxes payable	118,406	51,351
Other payables	(251,723)	(175,196)
Income taxes payable	215,210	643,697
 Net cash provided by operating activities	 \$7,010,947	 \$5,530,329
 Cash flows from investing activities		
Purchase of plant and equipment	\$ (1,612,406)	\$ (353,422)
Payment of lease prepayments	---	(10,949)

Increase in pledged deposits	62,799	--
Net cash used in investing activities	\$ (1,549,607)	\$ (364,371)
Cash flows from financing activities		
Issuance of capital, net of transaction costs of \$1,976,470	\$--	\$13,539,921
Bank repayments	(2,190,872)	(1,393,596)
Net cash provided by/(used in) financing activities	\$ (2,190,872)	\$12,146,325
Net cash and cash equivalents sourced	\$3,270,468	\$17,312,283
Effect of foreign currency translation on cash and cash equivalents	71,220	528,977
Cash and cash equivalents - beginning of period	19,285,021	10,742,064
Cash and cash equivalents - end of period	\$22,626,709	\$28,583,324