

## ***QKL Stores Inc. Reports Third Fiscal Quarter 2008 Financial Results***

***--3Q08 Revenues Increased 43% to \$31.6 Million--***

***--3Q08 Gross Profit Increased 84% to \$7.8 Million--***

***--3Q08 Net Income Increased 96% to \$2.4 Million--***

***--Company to Participate in Roth Capital China Conference--***

**Da Qing, China, November 14, 2008** – QKL Stores Inc. (the “Company”) (OTCBB: QKLS), a leading regional supermarket chain company operating in Northeast China, today reported its financial results for the third quarter ending September 30, 2008.

### **Third Quarter 2008 Results**

Third quarter revenue increased 43.3% to \$31.6 million compared to \$22.0 million in the third quarter of 2007. Direct sales, which consists of revenue derived from 22 supermarkets and one convenience store, represented \$30.6 million, or 96.8% of the quarter’s total revenue. This retail revenue was primarily driven by increased sales volume in the Company’s three core categories (fresh food, non-food, and grocery) plus the opening of one new supermarket in July 2008. Comparable store sales for the third quarter increased 2.3% to \$18.2 million from \$17.8 million in the third quarter of 2007. Other operating income, which includes revenue from the Company’s two department stores and from renters within its supermarket retail locations, represented \$1.0 million, or 3.2% of sales in the third quarter of 2008.

Mr. Wang Zhuangyi, Chairman and CEO, said “Our performance in the third quarter reflects the outstanding progress we are making in our retail supermarket business. Sales for the quarter increased considerably. Looking forward, we expect the new stores to help bolster sales in the fourth quarter and beyond. We remain dedicated to delivering quality products with a great value and expanding our overall store base while maximizing productivity to help boost sales.”

In the third quarter of 2008, gross profits increased 83.7% to \$7.8 million from \$4.2 million for the third quarter of 2007. Gross margin for the third quarter increased 540 basis points to 24.7%, compared to 19.3% in the same period last year. Gross margin was also up sequentially from 22.5% in the second quarter of 2008. The increase in gross margin reflected the growing sales volume of high margin items and increased operating efficiencies.

Operating income increased 65.3% to \$3.2 million from \$2.0 million in the third quarter of 2007. Third quarter 2008 selling, general and administrative expenses increased to \$4.6 million, or 14.5% of sales, compared to \$2.3 million, or 10.5% 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.

Income tax expense was \$824,344, or 25.4% of pre-tax income in the third quarter of 2008. Income tax expense in the third quarter of 2007 was \$673,111, or 35.2% of pre-tax income. This reduction was due entirely to a decreased income tax rate, from 33% of pre-tax net income to 25% of pre-tax net income, which took effect on January 1, 2008, as a result of changes in PRC tax laws.

Net income in the third quarter of 2008 increased 96.1% to \$2.4 million, or \$0.08 per diluted share, from \$1.2 million, or \$0.06 per diluted share, in the prior year’s third quarter. Diluted shares increased 63.1% to 31.1 million in the third quarter 2008 from 19.1 million in the third quarter 2007. This increase in the diluted share count was due to the Company’s reverse merger transaction on March 28, 2008.

### **Nine Months Ended September 30, 2008**

For the nine months ended September 30, 2008, total net revenues increased 35.1% to \$90.3 million from \$66.9 million in the first nine months of 2007. Comparable store sales for the nine months of 2008 increased 21.3% to \$56.9 million from \$46.9 million in the first nine months of 2007. During this same time period, gross profit improved 53.0% to \$21.3 million from \$13.9 million, and gross margin expanded 275 basis points to 23.5%. Income from operations increased 33.8% to \$9.0 million from \$6.7 million in the first nine months of 2007. Net income for the nine month period in 2008 was \$4.7 million, or \$0.15 per diluted share.

### **Balance Sheet and Cash Flow**

As of September 30, 2008, the Company had \$33.2 million of cash, compared to \$29.9 million at June 30, 2008. QKL Stores had working capital of approximately \$27.9 million at September 30, 2008. The Company had short-term bank loans of \$2.2 million (part of a revolving credit facility of \$7.1 million) and no long-term bank loans as of September 30,

2008.

Net cash flow from operating activities was \$10.4 million in the first nine months of 2008 compared to \$6.5 million in the first nine months of 2007. Net cash flow used by investing activities was \$1.9 million in the first nine months of 2008 compared to \$1.1 million in the first nine months of 2007. Net cash flow provided by financing activities was \$12.6 million in the first nine months of 2008 compared to \$130,280 used in the first nine months of 2007.

### **New Store Development**

The Company opened two new supermarkets in the third quarter 2008, one in July and one in September, in addition to one department store in September. As of September 30, 2008, the Company had 22 supermarkets, two department stores, and one convenience store, with a total of approximately one million square feet of store space. There have been no store closings in the past 12 months.

Mr. Alan Stewart, Chief Operating Officer, commented, "QKL's supermarkets continue to resonate well with the consumer audience. We remain focused on opening six stores in the fourth quarter totaling 475 thousand square feet and expect to finish the year with 31 stores totaling approximately 1.5 million square feet. We plan to open an additional 15 to 20 stores in 2009 and have a long-term goal of 200 stores within five years. The average size of many the new stores we open over the next 12 months should be larger than our historic average. We anticipate that 10 to 15 of the new supermarkets that we open in the next 12 months will be at least 45,000 square feet in size, while the other new stores we open will be smaller. In addition to offering fresh food and grocery items, our larger store formats provide a large assortment of non-food items to customers which can allow us to dominate the market in many towns in which we operate and provide greater economies of scale over time resulting in higher profitability for our company."

For the next few quarters, the Company expects gross margin in the range of 19% to 20% and net profit margin in the range of 5% to 6%, both slightly lower than recent quarters. This is primarily due to the Company's aggressive expansion plans that entail a large number of new stores, which tend to be less profitable during the early months of operation. Additionally, the Company expects to provide customers with lower prices in order to increase market share and long-term sales volume.

Mr. Wang continued, "In addition to our store expansion plans, we continue to increase our private label business, already up from 85 items to 500 items at present. In June, we established a specialized department for designing and purchasing private label merchandise. We are in the process of redesigning the label and have an anticipated roll-out date of the first quarter of 2009."

"Our total revenue continues to climb, and, with over \$33 million in cash, we are able to move forward with our store expansion plans. We are dedicated to delivering our shareholders enhanced, sustainable profitability. We remain focused on our goal of becoming the leading retail supermarket chain in northeast China, and believe that we are well positioned to continue our growth trajectory. Our management expertise, our solid strategic plan, and our strong capital structure give us the infrastructure to continue to leverage the growing opportunities and demand for high quality products and services in the retail supermarket sector," concluded Mr. Wang.

### **Roth China Conference**

The Company announces that it will be attending the Roth 'China Comes to Vegas' Conference. This conference is being held from Wednesday, November 19, 2008, through Friday, November 21, 2008, at the Wynn Las Vegas Hotel in Las Vegas, Nevada. Management is currently scheduled to meet with institutional investors and to present at 1:00 pm PT on Thursday, November 20, 2008. Investors interested in attending this event should contact their institutional sales representative.

### **About QKL Stores Inc.:**

Based in Da Qing, 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.

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**(Financial Tables on Following Pages)**

**QKL STORES INC.****CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007  
(Stated in US Dollars)(Unaudited)**

	Three months ended September 30,	
	2008	2007
Net revenues		
Direct sales	\$ 30,568,689	\$ 20,888,268
Other operating income	1,013,733	1,153,041
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	\$ 31,582,422	\$ 22,041,309
Cost of inventories sold	(23,788,325)	(17,797,930)
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Gross profit	\$ 7,794,097	\$ 4,243,379
Selling	(3,945,824)	(1,872,592)
General and administrative	(647,002)	(435,428)
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Operating income	\$ 3,201,271	\$ 1,935,359
Interest income	89,683	14,785
Interest expenses	(41,533)	(40,107)
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Income before income taxes	\$ 3,249,421	\$ 1,910,037
Income taxes	(824,344)	(673,111)
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Net income	\$ 2,425,077	\$ 1,236,926
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Basic earnings per share	\$ 0.12	\$ 0.06
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Diluted earnings per share	\$ 0.08	\$ 0.06
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Basic weighted average share outstanding	20,882,353	19,082,299
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Diluted weighted average share outstanding	31,127,457	19,082,299
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**QKL STORES INC.****CONSOLIDATED STATEMENTS OF INCOME  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007  
(Stated in US Dollars)(Unaudited)**

	Nine months ended September 30,	
	2008	2007
Net revenues		
Direct sales	\$ 87,880,021	\$ 65,268,033
Other operating income	2,456,883	1,599,610
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	\$ 90,336,904	\$ 66,867,643
Cost of inventories sold	(69,080,122)	(52,971,984)
	<hr/>	<hr/>
Gross profit	\$ 21,256,782	\$ 13,895,659
Selling	(10,280,984)	(6,374,245)
General and administrative	(2,025,131)	(805,374)
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Operating income	\$ 8,950,667	\$ 6,716,040
Transaction cost of reverse merger	(1,976,470)	-
Interest income	196,143	36,610
Interest expenses	(170,675)	(120,847)
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Income before income taxes	\$ 6,999,665	\$ 6,631,803
Income taxes	(2,343,631)	(2,218,857)
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Net income	\$ 4,656,034	\$ 4,412,946
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Basic earnings per share	\$ 0.22	\$ 0.23
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Diluted earnings per share	\$ 0.15	\$ 0.23
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Basic weighted average share outstanding	20,882,353	19,082,299
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Diluted weighted average share outstanding	30,753,466	19,082,299
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**QKL STORES INC.****CONSOLIDATED BALANCE SHEETS****AS AT SEPTEMBER 30, 2008 AND DECEMBER 31, 2007****(Stated in US Dollars)**

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 33,208,616	\$ 10,742,064
Pledged deposits	300,000	-
Other receivables	6,647,808	3,190,205
Prepaid expenses	1,994,083	909,587
Advances to suppliers	1,565,659	1,005,824
Inventories and consumables	9,681,491	8,239,770
Total current assets	\$ 53,397,657	\$ 24,087,450
Property, plant and equipment, net	10,649,082	9,806,545
Lease prepayments, net	811,551	752,844
<b>TOTAL ASSETS</b>	<b>\$ 64,858,290</b>	<b>\$ 34,646,839</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Short-term bank loans	\$ 2,188,152	\$ 2,734,444
Accounts payable	16,704,677	7,856,753
Cash card and coupon liabilities	2,993,684	1,814,229
Deposits received	262,986	873,657
Accruals	786,289	347,486
Other PRC taxes payable	87,729	16,115
Other payables	1,629,013	793,484
Income taxes payable	824,082	374,895
Total current liabilities	\$ 25,476,612	\$ 14,811,063
Long-term bank loans	-	2,050,833
<b>TOTAL LIABILITIES</b>	<b>\$ 25,476,612</b>	<b>\$ 16,861,896</b>
Commitments and contingencies	\$ -	\$ -

**QKL STORES INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007  
(Stated in US Dollars)(Unaudited)**

	Nine months ended September 30,	
	2008	2007
Cash flows from operating activities		
Net income	\$ 4,656,034	\$ 4,412,946
Depreciation	1,300,368	1,034,211
Amortization	24,026	21,962
Loss on disposal of plant and equipment	37,295	23,388
Adjustments to reconcile net income to net cash provided by operating activities:		
Other receivables	(3,199,657)	(2,884,414)
Inventories and consumables	(871,726)	936,322
Advances to suppliers	(482,372)	(2,016,879)
Prepaid expenses	(998,758)	395,771
Accounts payable	8,150,921	1,577,923
Cash card and coupon liabilities	1,036,247	1,187,735
Deposits received	(655,423)	(803,619)
Accruals	393,631	(14,019)
Other PRC taxes payable	69,085	(82,516)
Other payables	539,059	2,858,953
Income taxes payable	415,374	(143,997)
Net cash provided by operating activities	<u>\$ 10,414,104</u>	<u>\$ 6,503,767</u>
Cash flows from investing activities		
Purchase of plant and equipment	\$ (1,612,321)	\$ (1,167,454)
Payment of lease prepayments	(32,154)	19,693
Sale proceeds of plant, and equipment	92,561	-
Increase in pledged deposits	(300,000)	-
Net cash used in investing activities	<u>\$ (1,851,914)</u>	<u>\$ (1,147,761)</u>
Cash flows from financing activities		
Issuance of Series A convertible preferred stock	\$ 15,500,000	\$ -
Bank borrowings	-	2,605,605
Bank repayments	(2,857,608)	(2,475,325)
Net cash provided by financing activities	<u>\$ 12,642,392</u>	<u>\$ 130,280</u>

**QKL STORES INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007  
(Stated in US Dollars)(Unaudited)**

	Nine months ended September 30,	
	2008	2007
Net cash and cash equivalents sourced	\$ 21,204,582	\$ 5,486,286
Effect of foreign currency translation on cash and cash equivalents	1,261,970	279,651
Cash and cash equivalents—beginning of period	10,742,064	4,116,600
Cash and cash equivalents—end of period	\$ 33,208,616	\$ 9,882,537
Supplementary cash flow information:		
Interest received	\$ 196,143	\$ 36,610
Interest paid	170,675	120,847
Tax paid	1,928,258	2,362,854