



**QKL STORES INC.**

**CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE MONTHS ENDED JUNE 30, 2009 AND 2008  
(Stated in US Dollars)(Unaudited)**

	Three months ended June 30,	
	2009	2008
Net revenues		
Direct sales	\$ 50,397,527	\$ 24,882,810
Other operating income	1,140,169	788,946
	\$ 51,537,696	\$ 25,671,756
Cost of inventories sold	(41,645,062)	(19,718,746)
	\$ 9,892,634	\$ 5,953,010
Gross profit		
Selling expenses	(6,266,436)	(3,393,810)
General and administrative expenses	(685,644)	(788,742)
	\$ 2,940,554	\$ 1,770,458
Income from operation		
Interest income	89,447	83,346
Interest expenses	-	(55,643)
	\$ 3,030,001	\$ 1,798,161
Income before income taxes		
Income taxes	(687,178)	(486,772)
	\$ 2,342,823	\$ 1,311,389
Net income		
Basic earnings per share	\$ 0.11	\$ 0.06
Diluted earnings per share	\$ 0.08	\$ 0.04
Basic weighted average share outstanding	20,882,353	20,882,353
Diluted weighted average share outstanding	30,000,000	31,127,457

**CONSOLIDATED BALANCE SHEETS**  
**AS AT JUNE 30, 2009 AND DECEMBER 31, 2008**  
**(Stated in US Dollars)**

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 21,276,845	\$ 19,285,021
Pledged deposits	202,472	293,149
Trade receivables	-	793,352
Other receivables	4,827,181	4,189,140
Prepaid expenses	1,861,573	1,862,591
Advances to suppliers	2,816,971	3,342,756
Inventories and consumables	13,376,199	14,544,341
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Total current assets	\$ 44,361,241	\$ 44,310,350
Property, plant and equipment, net	14,917,975	12,960,303
Intangible assets, net	763,757	776,259
Goodwill	19,202,765	18,878,823
Long term prepayment	768,856	787,741
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<b>TOTAL ASSETS</b>	<b>\$ 80,014,594</b>	<b>\$ 77,713,476</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Short-term bank loans	\$ -	\$ 2,188,439
Accounts payable	20,777,611	21,283,818
Cash card and coupon liabilities	4,340,299	3,858,514
Deposits received	1,271,012	2,901,205
Accruals	742,716	681,969
Other PRC taxes payable	391,826	203,443
Other payables	1,569,734	1,476,665
Income taxes payable	680,503	1,252,336
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Total current liabilities	\$ 29,773,701	\$ 33,846,389
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<b>TOTAL LIABILITIES</b>	\$	29,773,701	\$	33,846,389
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**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008  
(Stated in US Dollars)(Unaudited)**

	Six months ended June 30,	
	2009	2008
Cash flows from operating activities		
Net income	\$ 6,017,999	\$ 2,415,296
Depreciation	1,163,183	872,058
Amortization	13,571	15,874
Loss on disposal of plant and equipment	-	184,684
Adjustments to reconcile net income to net cash provided by operating activities:		
Other receivables	162,191	(413,108)
Inventories and consumables	1,188,388	837,907
Advances to suppliers	530,497	24,633
Prepaid expenses	23,547	(749,020)
Accounts payable	(535,559)	3,191,214
Cash card and coupon liabilities	476,596	201,683
Deposits received	(1,634,551)	(852,263)
Accruals	59,918	344,202
Other PRC taxes payable	188,147	296,759
Other payables	71,097	(13,089)
Income taxes payable	(573,684)	91,984
Net cash provided by operating activities	\$ 7,151,340	\$ 6,448,814
Cash flows from investing activities		
Purchase of plant and equipment	\$ (3,124,662)	\$ (822,573)
Sales proceed of fixed assets	21,160	-
Payment of long term prepayments	-	(12,712)
Decrease in pledged deposits	90,677	-
Increase in pledged deposits	-	(300,000)

Net cash used in investing activities	\$	(3,012,825)	\$	(1,135,285)
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**QKL STORES INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008  
(Stated in US Dollars)(Unaudited)**

	Six months ended June 30,	
	2009	2008
Cash flows from financing activities		
Issuance of Series A convertible preferred stock	\$ -	\$ 15,500,000
Bank loan repayments	(2,191,947)	(2,827,802)
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Net cash (used in)/provided by financing activities	\$ (2,191,947)	\$ 12,672,198
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Net cash and cash equivalents sourced	\$ 1,946,568	\$ 17,985,727
Effect of foreign currency translation on cash and cash equivalents	45,256	1,180,212
Cash and cash equivalents—beginning of year	19,285,021	10,742,064
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Cash and cash equivalents—end of year	\$ 21,276,845	\$ 29,908,003
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