QKL STORES INC.

Condensed Balance Sheets

	September 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Cash	$ 26,689,177	$ 19,285,021
Pledged deposits	181,693	293,149
Trade receivables	452,366	793,352
Other receivables	3,889,925	4,189,140
Prepaid expenses	2,111,601	1,862,591
Advances to suppliers	3,039,363	3,342,756
Inventories and consumables	15,614,718	14,544,341
Total current assets	51,978,843	44,310,350
Property, plant equipment, net	15,822,986	12,960,303
Intangible assets, net	757,770	776,259
Goodwill	19,222,986	18,878,823
Long-term prepayment	419,146	787,741
Total assets	$ 88,201,731	$ 77,713,476
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term bank loans	$ --	$ 2,188,439
Accounts payable	24,580,735	21,283,818
Cash card and coupon liabilities	6,256,616	3,858,514
Deposits received	1,561,722	2,901,205
Accrued expenses	1,320,638	681,969
Other PRC taxes payable	178,993	203,443
Other payables	2,806,766	1,476,665
Income taxes payable	761,381	1,252,336
Total current liabilities	37,466,851	33,846,389
Commitments and contingencies		
Stockholders' equity		
Common stock, $.001 par value per share, authorized 100,000,000, shares, issued and outstanding		

20,82,353 at September 30, 2009 and December 31, 2008	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 September 30, 2009 and December, 2008	91,176	91,176
Additional paid-in capital	21,783,477	21,783,477
Statutory reserves	3,908,247	3,908,247
Retained earnings (accumulated deficit)	22,498,994	14,204,169
Accumulated other comprehensive income	2,432,104	3,859,136
Total stockholders' equity	50,734,880	43,867,087
Total liabilities and stockholders' equity	$ 88,201,731	$ 77,713,476

QKL STORES INC.

Unaudited Condensed Statements of Operations

	(Unaudited) Three Months Ended September 30,		(Unaudited) Nine Months Ended September 30,	
	2009	2008	2009	2008
Net revenues				
Direct sales	$55,790,251	$30,568,689	$172,301,378	$87,880,021
Other operating income	1,288,622	1,013,733	3,550,675	2,456,883
	57,078,873	31,582,422	175,852,053	90,336,904
Cost of inventories sold	46,607,907	23,788,325	143,096,587	69,080,122
Gross profit	10,470,966	7,794,097	32,755,466	21,256,782
Selling expenses	6,348,030	3,945,824	18,424,432	10,280,984
General and administrative expenses	1,051,608	647,002	3,217,258	2,025,131

Income from operation	3,071,328	3,201,271	11,113,776	8,950,667
Other expenses	--	--	--	1,976,470
Interest income	35,342	89,683	188,448	196,143
Interest expenses	4	41,533	20,800	170,675
Income before provision for income taxes	3,106,666	3,249,421	11,281,424	6,999,665
Provision for income taxes	829,840	824,344	2,986,599	2,343,631
Net income (loss) attributable to common stockholders	$2,276,826	$2,425,077	$8,294,825	$4,656,034
Weighted average number of shares outstanding				
Basic	20,882,353	20,882,353	20,882,353	20,882,353
Diluted	30,000,000	31,127,457	30,000,000	30,753,466
Net income (loss) per share				
Basic	$0.11	$0.12	$0.40	$0.22
Diluted	0.08	0.08	0.28	0.15

QKL STORES INC.
Unaudited Condensed Statements of Cash Flows

	Nine Months Ended September 30, 2009 (Unaudited)	Nine Months Ended September 30, 2008 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$8,294,825	$4,656,034
Depreciation	1,869,122	1,300,368
Amortization	20,359	24,026
Loss on disposal of plant and equipment	51,040	37,295
Adjustments to reconcile net income		

(loss) to net cash used in operating activities:		
Accounts receivables	342,666	--
Other receivables	309,164	(3,199,657)
Inventories and consumables	(1,034,325)	(871,726)
Advances to suppliers	311,285	(482,372)
Prepaid expenses	(614,555)	(998,758)
Accounts payable	2,225,442	8,150,921
Cash card and coupon liabilities	2,387,021	1,036,247
Deposits received	(317,626)	(655,423)
Accruals	636,669	393,631
Other PRC taxes payable	(24,927)	69,085
Other payables	1,277,448	539,059
Income taxes payable	(493,640)	415,374
Net cash provided by (used in) operating activities	15,239,968	10,414,104
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of plant and equipment	(4,246,550)	(1,612,321)
Sales proceed of fixed assets	21,162	92,561
Payment of long term prepayments	--	(32,154)
Increase(Decrease) pledged deposits	111,456	(300,000)
Net cash provided by (used in) investing activities	(4,113,932)	(1,851,914)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of Series A convertible preferred stock	--	15,500,000
Repayment of bank loan	(2,192,178)	(2,857,608)
Net cash provided by financing activities	(2,192,178)	12,642,392
Net increase (decrease) in cash	8,933,858	21,204,582
Effect of foreign currency translation on and cash equivalents	(1,529,702)	1,261,970
Cash at beginning of period	19,285,021	10,742,064
Cash at end of period	$ 26,689,177	33,208,616
Supplemental disclosures of cash flow		

information:		
Interest received	$ 188,448	196,143
Interest paid	20,800	170,675
Income taxes paid	$ 2,504,587	1,928,258

SOURCE QKL Stores Inc.

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