

QKL STORES INC.**CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31, 2009 AND DECEMBER 31, 2008
(Stated in US Dollars)**

	March 31, 2009 (Unaudited)	December 31, 2008 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 22,626,709	\$ 19,285,021
Pledged deposits	230,350	293,149
Trade receivables	-	793,352
Other receivables	3,827,883	4,189,140
Prepaid expenses	2,042,966	1,862,591
Advances to suppliers	2,894,422	3,342,756
Inventories and consumables	13,028,787	14,544,341
Total current assets	\$ 44,651,117	\$ 44,310,350
Property, plant and equipment, net	14,019,536	12,960,303
Intangible assets, net	19,970,972	19,655,082
Long term prepayment	768,766	787,741
TOTAL ASSETS	\$ 79,410,391	\$ 77,713,476
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term bank loans	\$ -	\$ 2,188,439
Accounts payable	21,928,761	21,283,818
Cash card and coupon liabilities	4,358,166	3,858,514
Deposits received	1,445,411	2,901,205
Accruals	718,565	681,969
Other PRC taxes payable	322,123	203,443
Other payables	1,274,422	1,476,665
Income taxes payable	1,469,150	1,252,336
Total current liabilities	\$ 31,516,598	\$ 33,846,389
TOTAL LIABILITIES	\$ 31,516,598	\$ 33,846,389
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
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 March 31, 2009
and December 31, 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

17,878,687 14,204,169

Accumulated other comprehensive
income

4,211,324 3,859,136

\$ 47,893,793 \$ 43,867,087

**TOTAL LIABILITIES AND
STOCKHOLDERS' EQUITY**

\$ 79,410,391 \$ 77,713,476

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

	Three months ended March 31,	
	2009	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
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

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

	Three months ended March 31,	
	2009	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)

Decrease in pledged deposits	62,799	-
	<hr/>	<hr/>
Net cash used in investing activities	\$ (1,549,607)	\$ (364,371)
	<hr/>	<hr/>

QKL STORES INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(Stated in US Dollars)(Unaudited)**

	Three months ended March 31,	
	2009	2008
Cash flows from financing activities		
Issuance of Series A convertible preferred stock	\$ -	\$ 13,539,921
Bank loan repayments	(2,190,872)	(1,393,596)
	<hr/>	<hr/>
Net cash (used in)/provided by financing activities	\$ (2,190,872)	\$ 12,146,325
	<hr/>	<hr/>
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
	<hr/>	<hr/>
Cash and cash equivalents—end of period	\$ 22,626,709	\$ 28,583,324
	<hr/>	<hr/>
Supplementary cash flow information:		
Interest paid	\$ 20,786	\$ 72,759
Tax paid	1,220,800	382,127
	<hr/>	<hr/>