American Lorain CORP
Form 10-Q
May 23, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **March 31, 2016**

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. **001-34449**

AMERICAN LORAIN CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	**87-0430320**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

BeihuanZhong Road
Junan County
Shandong, People s Republic of China, 276600
(Address, including zip code, of principal executive offices)

(86) 539-7317959
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X]   No [_]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X]   No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer [_]	Accelerated filer [_]
Non-accelerated filer [_]	Smaller reporting company [X]
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [_] No [X]

The numbers of shares outstanding of the issuer s class of common stock as of May 19, 2016 was 38,259,490

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FORM 10-Q
For the Quarterly Period Ended March 31, 2016

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Caution Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to the factors described in the section captioned Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission.

In some cases, you can identify forward-looking statements by terms such as anticipates, believes, could, estimate expects, intends, may, plans, potential, predicts, projects, should, would or the negative of such ter expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and are subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our estimates and assumptions only as of the date of this report. You should read this report completely and with the understanding that our actual results may be materially different from what we expect.

Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

Use of Certain Defined Terms

Except where the context otherwise requires and for the purposes of this report only:

1. We, us and our refer to ALN, and except where the context requires otherwise, our wholly-owned and majority-owned direct and indirect operating subsidiaries.

2. ALN refers to American Lorain Corporation, a Nevada corporation (formerly known as Millennium Quest, Inc.).

3. Athena refers to Athena*, a limited liability company organized under the laws of France that is majority- owned by JunanHongrun.

4. ILH refers to International Lorain Holding, Inc., a Cayman Islands company that is wholly - owned by ALN.

5. Junan Hongrun refers to Junan Hongrun Foodstuff Co., Ltd.

6. Luotian Lorain refers to Luotian Green Foodstuff Co., Ltd.

7. Beijing Lorain refers to Beijing Green Foodstuff Co., Ltd.

8. Shandong Lorain refers to Shandong Green Foodstuff Co., Ltd.

9. Dongguan Lorain refers to Dongguan Green Foodstuff Co., Ltd.

10. Shandong Greenpia refers to Shandong Greenpia Foodstuff Co., Ltd. 11. RMB refers to Renminbi, the legal currency of China.

12. U.S. dollar , $ and US$ refer to the legal currency of the United States.

13. China and PRC refer to the People s Republic of China (excluding Hong Kong and Macau).

*On August 8, 2015, the Company re-organized its French operations by merging the operations of Conserverie Minerve into its immediate parent and 100% shareholder Athena, and concurrently, Athena wound up and dissolved Conserverie Minerve. Athena subsequently changed its own legal name to Conservie Minerve to continue its business.

ITEM 1. Financial Statements

AMERICAN LORAIN CORPORATION

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: The Board of Directors and Stockholders of
American Lorain Corporation

We have reviewed the accompanying interim consolidated balance sheets of American Lorain Corporation (the Company) as of March 31, 2016 and December 31, 2015, and the related statements of income, and cash flows for the three months ended March 31, 2016 and 2015. These interim consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with auditing standards of the Public Company Accounting Oversight Board (United States), the balance sheets of American Lorain Corporation as of December 31, 2015, and the related statements of income, comprehensive income, retained earnings, and cash flows for the year then ended (not presented herein); and in our report dated April 14, 2016, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of December 31, 2015, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

San Mateo, California	WWC, P.C.
May 23, 2016	Certified Public Accountants

AMERICAN LORAIN CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS
AT MARCH 31, 2016 AND DECEMBER 31, 2015
(Stated in US Dollars)

		At March 31, 2016		At December 31, 2015 (Audited)
ASSETS				
Current assets				
Cash and cash equivalents	$	30,446,293	$	20,664,487
Restricted cash		11,678,563		11,792,596
Trade accounts receivable		34,800,657		62,532,017
Other receivables		5,897,569		12,107,256
Inventories		50,570,590		43,712,048
Advance to suppliers		36,679,163		34,631,432
Prepaid expenses and taxes		2,664,614		1,868,744
Deferred tax asset		171,222		-
Security deposits and other assets		3,766,181		3,741,346
Total current assets	$	176,674,852	$	191,049,926
Non-current assets				
Investment		3,101,785		3,081,332
Property, plant and equipment, *net*		78,199,042		82,110,315
Construction in progress, net		14,124,507		13,890,270
Intangible assets, *net*		14,766,089		16,186,515
Goodwill		-		3,219,172
TOTAL ASSETS	$	286,866,275	$	309,537,530
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities				
Short-term bank loans	$	29,053,349	$	36,310,826
Notes payable		-		2,965,747
Long-term debt current portion		21,133,925		22,197,027
Accounts payable		6,821,130		22,463,974
Taxes payable		2,404,325		5,863,261
Accrued liabilities and other payables		4,476,926		4,740,898
Related party payable		-		1,755,216
Deferred tax liabilities		-		5,076
Customers deposits		179,691		237,311
Capital lease current portion		475,365		464,090
Total current liabilities	$	64,544,711	$	97,003,426

See Accompanying Notes to the Financial Statements and Accountant s Report

AMERICAN LORAIN CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

		At March 31, 2016		At December 31, 2015 (Audited)
Long-term liabilities				
Long-term bank loans	$	-	$	326,591
Notes payable and debenture		9,607,779		9,544,425
Capital lease current portion		691,407		694,989
TOTAL LIABILITIES	$	74,843,897	$	107,569,431
STOCKHOLDERS EQUITY				
Preferred Stock, $0.001 par value, 5,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	$	-	$	-
Common Stock, $0.001 par value, 200,000,000 shares authorized; 38,259,490 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively		38,260		38,260
Additional paid-in capital		57,842,064		57,842,064
Statutory reserves		24,660,666		24,660,666
Retained earnings		98,314,952		101,389,920
Accumulated other comprehensive income		23,194,360		10,196,987
Non-controlling interests		7,972,076		7,840,202
TOTAL STOCKHOLDER S EQUITY	$	212,022,378	$	201,968,099
TOTAL LIABILITIES AND STOCKHOLDER S EQUITY	$	286,866,275	$	309,537,530

See Accompanying Notes to the Financial Statements and Accountant s Report

AMERICAN LORAIN CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(Stated in US Dollars)

	For the three months ended March 31,			
		2016		**2015**
Net revenues	$	31,719,419	$	37,557,311
Cost of revenues		25,828,352		31,939,605
Gross profit	$	5,891,067	$	5,617,706
Operating expenses				
Selling and marketing expenses		2,078,566		2,119,464
General and administrative expenses		1,132,297		2,616,204
		3,210,863		4,735,668
Operating income	$	2,680,204	$	882,038
Government subsidy income		528,692		256,997
Interest income		13,166		72,823
Other income		384,297		293,654
Other expenses		(558)		(381,089)
Interest expense		(1,173,942)		(1,715,479)
Loss from investment		(4,607,692)		-
Earnings before tax	$	(2,175,833)	$	(591,056)
Income tax		767,262		479,666
Net loss	$	(2,943,095)	$	(1,070,722)
Other comprehensive income:				
Foreign currency translation gain		12,997,373		(500,795)
Comprehensive Income		10,054,278		(1,571,517)
Net income attributable to:				
-Common stockholders	$	(3,074,969)	$	(497,106)
-Non-controlling interest		131,874		(573,616)
	$	(2,943,095)	$	(1,070,722)
Earnings per share				
- Basic	$	(0.07)	$	(0.03)
- Diluted	$	(0.07)	$	(0.03)
Weighted average shares outstanding				
- Basic		38,259,490		34,916,714
- Diluted		38,259,490		34,916,714

See Accompanying Notes to the Financial Statements and Accountant s Report

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AMERICAN LORAIN CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(STATED IN US DOLLARS)

	For the three months ended March 31,	
	2016	**2015**
Cash flows from operating activities		
Net loss	$ (2,943,095)	$ (1,070,722)
Depreciation of fixed assets	913,784	962,163
Amortization of intangible assets	91,550	91,500
Write down of assets from investment loss from deconsolidation	(13,279,242)	-
Decrease in accounts and other receivables	33,941,047	23,046,341
Increase in inventories	(6,858,543)	(6,800,908)
Increase in advance to suppliers	(2,047,730)	-
Increase in prepayment	(795,869)	(1,149,165)
(Increase) in deferred tax asset	(176,298)	(12,590)
Increase/(decrease) in accounts and other payables	(19,423,372)	1,672,677
Decrease in related party payable	(1,755,216)	(456,739)
Net cash (used in)/provided by operating activities	(12,332,984)	16,282,557
Cash flows from investing activities		
Decrease in restricted cash	114,032	(3,629,825)
Purchase of plant and equipment	(121,617)	(253,581)
Payment for the purchase of land use rights	-	(57,042)
Increase in capital lease	7,694	-
Increase/(decrease) in deposits	3,194,337	(385,201)
Net cash used in investing activities	3,194,446	(4,325,649)
Cash flows from financing activities		
Repayment of bank borrowings	(2,319,287)	(13,290,247)
Proceeds from bank borrowings and debentures	8,242,258	7,660,798
Net cash provided by/(used in) financing activities	$ 5,922,971	$ (5,629,449)
Net Increase/(decrease) of Cash and Cash Equivalents	(3,215,567)	6,327,459
Effect of foreign currency translation on cash and cash equivalents	12,997,373	139,180
Cash and cash equivalents beginning of period	20,664,487	30,279,988
Cash and cash equivalents end of period	$ 30,446,293	$ 36,746,627
Supplementary cash flow information:		
Interest received	$ 13,166	$ 72,823
Interest paid	$ 548,087	$ 606,630
Income taxes paid	$ 2,099,560	$ 787,789

See Accompanying Notes to the Financial Statements and Accountant s Report

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016 AND DECEMBER 31, 2015
(Stated in US Dollars)

1. ORGANIZATION, BASIS OF PRESENTATION, AND PRINCIPAL ACTIVITIES

(a) Organization history of American Lorain Corporation (formerly known as Millennium Quest, Inc.)

American Lorain Corporation (the Company or ALN) was originally a Delaware corporation incorporated on February 4, 1986. On November 12, 2009, the Company filed a statement of merger in the state of Nevada to transfer the Company s jurisdiction from Delaware to Nevada.

(b) Organization history of International Lorain Holding Inc. and its subsidiaries

ALN owns 100% of the equity of International Lorain Holding Inc. (ILH). ILH is a Cayman Islands company incorporated on August 4, 2006 and was wholly-owned by Mr. Hisashi Akazawa until May 3, 2007. ILH presently has two direct wholly-owned subsidiaries, Junan Hongrun and Luotian Lorain, and three indirectly wholly-owned subsidiaries through Junan Hongrun, which are Beijing Lorain, Dongguan Lorain, and Shandong Greenpia Foodstuff Co., Ltd. (Shandong Greenpia).

In addition, the Company directly and indirectly has 80.2% ownership of Shandong Lorain. The rest of the 19.8%, which is owned by the State under the name of Shandong Economic Development Investment Co. Ltd., is not included as a part of the Group.

On April 9, 2009, the Company, through its Junan Hongrun subsidiary, invested cash to establish Dongguan Lorain. Dongguan Lorain is indirectly 100% beneficially owned by the Company.

On June 28, 2010, the Company signed an equity transfer agreement with Shandong Greenpia. Shandong Greenpia was originally directly owned by Taebong Inc. and Shandong Luan Trade Company. The Company paid $2,100,000to Korean Taebong Inc. for 50% equity of Shandong Greenpia on September 20, 2010. On September 23, 2010, the Company issued 731,707 shares of restricted stock at an agreed price of $2.87 per share to the owner of Shandong Luan Trade Company, Mr. Ji Zhenwei, for the remaining 50% equity of Shandong Greenpia. Since September 23, 2010, Shandong Greenpia was directly owned by both Junan Hongrun and ILH. As a result, Shandong Greenpia is 100% owned by the Company. Accordingly, the Company booked a gain of $383,482 which is included in the statement of income as other income.

On February 7, 2014, American Lorain Corporation, through its indirect wholly owned subsidiary, Junan Hongrun entered into two Share Purchase Agreements with Intiraimi, a limited liability company organized under the laws of France and Biobranco II, a company organized under Portuguese law, respectively, to acquire 51% of the share capital of Athena Group. On June 30, 2014, Junan Hongrun officially completed the acquisition and controlled total 51% shares of Athena Group. As of March 31, 2016, Athena was deconsolidated from the Company due to loss in control as a result of Athena group going bankrupt after failing to legally reorganize and meet a consensus with its non-controlling shareholders. Please refer to note 24 - subsequent events.

(c) Business Activities

The Company develops, manufactures, and sells convenience foods (including ready-to-cook (or RTC) foods; ready-to-eat (or RTE) foods and meals ready-to-eat (or MRE); chestnut products; and frozen foods, in hundreds of varieties. The Company operates through indirect Chinese and European subsidiaries. The products are sold in domestic markets as well as exported to foreign countries and regions such as Japan, Korea and Europe.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Method of accounting

The Company maintains its general ledger and journals with the accrual method accounting for financial reporting purposes. The financial statements and notes are representations of management. Accounting policies adopted by the Company conform to generally accepted accounting principles in the United States of America and have been consistently applied in the presentation of financial statements, which are compiled on the accrual basis of accounting.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016 AND DECEMBER 31, 2015
(Stated in US Dollars)

The Company regrouped certain accounts in its presentation of changes in assets and liabilities in the statement of cash flows for the three months ended March 31, 2016 in order to be consistent with the presentation provided for the year ended December 31, 2015. There was no impact on earnings for the regrouping.

(b) *Principles of consolidation*

The consolidated financial statements which include the Company and its subsidiaries are compiled in accordance with generally accepted accounting principles in the United States of America. All significant inter-company accounts and transactions have been eliminated. The consolidated financial statements include 100% of assets, liabilities, and net income or loss of those wholly-owned subsidiaries; ownership interests of non-controlling investors are recorded as non-controlling interests.

As of March 31, 2016, the detailed identities of the consolidating subsidiaries are as follows:

Name of Company	***Place of incorporation***	***Attributable equity interest %***	***Registered capital***
International Lorain Holding Inc.	Cayman Islands	100	$ 47,943,597
Junan Hongrun Foodstuff Co., Ltd.	PRC	100	46,096,723
Shandong Lorain Co., Ltd.	PRC	80.2	12,462,403
Beijing Lorain Co., Ltd.	PRC	100	1,540,666
Luotian Lorain Co., Ltd.	PRC	100	3,902,322
Shandong Greenpia Foodstuff Co., Ltd.	PRC	100	2,366,463
Dongguan Lorain Co., Ltd.	PRC	100	154,067

As of March 31, 2016, Athena was deconsolidated from the Company due to loss in control as a result of Athena group going bankrupt after failing to legally reorganize and meet a consensus with its non-controlling shareholders. The audited accounts of Athena at December 31, 2015 have not been deconsolidated and reclassified as a result of the bankruptcy proceedings.

(c) *Use of estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Management makes these estimates using the best information available at the time the estimates are made; however, actual results could differ materially from those estimates.

(d) *Cash and cash equivalents*

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

(e) *Investment securities*

The Company classifies securities it holds for investment purposes into trading or available-for-sale. Trading securities are bought and held principally for the purpose of selling them in the near term. All securities not included in trading securities are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Unrealized holding gains and losses on trading securities are included in the net income. Unrealized holding gains and losses, net of the related tax effect, on available for sale securities are excluded from net income and are reported as a separate component of other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Stated in US Dollars)

A decline in the market value of any available-for-sale security below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged as an expense to the statement of income and comprehensive income and a new cost basis for the security is established. To determine whether impairment is other-than-temporary, the Company considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year end, and forecasted performance of the investee.

Premiums and discounts are amortized or accreted over the life of the related available-for-sale security as an adjustment to yield using the effective-interest method. Dividend and interest income are recognized when earned.

(f) *Trade receivables*

Trade receivables are recognized and carried at the original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(g) *Inventories*

Inventories consisting of finished goods and raw materials are stated at the lower of cost or market value. Finished goods are comprised of direct materials, direct labor and an appropriate proportion of overhead.

(h) *Customer deposits and advances to suppliers*

Customer deposits were received from customers in connection with orders of products to be delivered in future periods.

Advance to suppliers is a good faith deposit paid to the supplier for the purpose of committing the supplier to provide product promptly upon delivery of the Company s purchase order for raw materials, supplies, equipment, building materials, and other items necessary for our operations. Pursuant to the Company s arrangements with its suppliers, this deposit is generally 20% of the total amount contracted for. This type of transaction is classified as a prepayment under the account name Advance to Suppliers until such time as the Company s purchase order is delivered, at which point this account is reduced by reclassification of the applicable amount to the appropriate asset account such as inventory or fixed assets or construction in progress.

(i) *Property, plant and equipment*

Plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided over their estimated useful lives, using the straight-line method with a salvage value of 10%. Estimated useful lives of the plant and equipment are as follows:

Buildings	20-40 years
Landscaping, plant and tree	30 years

Machinery and equipment	1-10 years
Motor vehicles	10 years
Office equipment	5 years

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the statement of income. The cost of maintenance and repairs is charged to income as incurred, whereas significant renewals and betterments are capitalized.

(j) *Construction in progress*

Construction in progress represents direct and indirect construction or acquisition costs. The construction in progress is transferred to plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided until the asset is completed and ready for intended use.

AMERICAN LORAIN CORPORATION
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(Stated in US Dollars)

(k) Land use rights

Land use rights are carried at cost and amortized on a straight-line basis over a specified period. Amortization is provided using the straight-line method over 40-50 years.

(l) Accounting for the impairment of long-lived assets

The long-lived assets held by the Company are reviewed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 360-10-35, Accounting for the Impairment or Disposal of Long-Lived Assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. It is reasonably possible that these assets could become impaired as a result of technology or other industry changes. Impairment is present if carrying amount of an asset is less than its undiscounted cash flows to be generated.

If an asset is considered impaired, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Company believes no impairment has occurred to its assets during 2016.

(m) Advertising

All advertising costs are expensed as incurred.

(n) Shipping and handling

All shipping and handling are expensed as incurred.

(o) Research and development

All research and development costs are expensed as incurred.

(p) Retirement benefits

Retirement benefits in the form of contributions under defined contribution retirement plans to the relevant authorities are charged to the consolidated statement of income as incurred.

(q) Income taxes

The Company accounts for income tax using an asset and liability approach and allows for recognition of deferred tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Company is able to realize their benefits, or that future realization is uncertain.

The Company has implemented ASC Topic 740, Accounting for Income Taxes. Income tax liabilities computed according to the United States, People s Republic of China (PRC), and France tax laws are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of fixed assets and intangible assets for financial and tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future income taxes.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016 AND DECEMBER 31, 2015
(Stated in US Dollars)

A valuation allowance is created to evaluate deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize that tax benefit, or that future realization is uncertain.

Effective January 1, 2008, PRC government implemented a new 25% tax rate across the board for all enterprises regardless of whether domestic or foreign enterprise without any tax holiday which is defined as "two-year exemption followed by three-year half exemption" hitherto enjoyed by tax payers. As a result of the new tax law of a standard 25% tax rate, tax holidays terminated as of December 31, 2007. However, PRC government has established a set of transition rules to allow enterprises that were already participating in tax holidays before January 1, 2008, to continue enjoying the tax holidays until they had been fully utilized.

The standard corporate income tax in France is 33.33% except for a small or new business, which may benefit from lower rates. In addition, a 3.3% of social surcharge is charged to the Company s French subsidiaries if the standard corporate income tax liability exceeds EUR 763,000. Furthermore, a 10.7% temporary surtax applies when a company s turnover exceeds EUR 250 million.

The Company is subject to United States Tax according to Internal Revenue Code Sections 951 and 957. Corporate income tax is imposed at progressive rates in the range of: -

	Taxable Income		
Rate	*Over*	*But Not Over*	*Of Amount Over*
15%	0	50,000	0
25%	50,000	75,000	50,000
34%	75,000	100,000	75,000
39%	100,000	335,000	100,000
34%	335,000	10,000,000	335,000
35%	10,000,000	15,000,000	10,000,000
38%	15,000,000	18,333,333	15,000,000
35%	18,333,333	-	-

(r) Statutory reserves

Statutory reserves are referring to the amount appropriated from the net income in accordance with laws or regulations, which can be used to recover losses and increase capital, as approved, and are to be used to expand production or operations. The Company did not make any transfers from retained earnings to statutory reserves for the three months ended March 31, 2016 and 2015. PRC laws prescribe that an enterprise operating at a profit, must appropriate, on an annual basis, an amount equal to 10% of its profit. Such an appropriation is necessary until the reserve reaches a maximum that is equal to 50% of the enterprise s PRC registered capital.

(s) Foreign currency translation

The accompanying financial statements are presented in United States dollars. The functional currencies of the Company are the Renminbi (RMB) and the Euro (EUR). The financial statements are translated into United States dollars from RMB and EUR at year-end exchange rates as to assets and liabilities and average exchange rates as to revenues and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred.

	3/31/2016	*12/31/2015*	*3/31/2015*
Period/year end RMB: US$ exchange rate	6.4479	6.4907	6.1091
Period/annual average RMB: US$ exchange rate	6.5395	6.2175	6.1358
Period/year end EUR: US$ exchange rate	0.8805	0.9168	0.9215
Period/annual average EUR: US$ exchange rate	0.9066	0.9011	0.8871

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The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into US Dollars at the rates used in translation.

(t) *Revenue recognition*

The Company's revenue recognition policies are in compliance with Staff accounting bulletin (SAB) 104. Sales revenue is recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectibility is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as unearned revenue.

The Company's revenue consists of invoiced value of goods, net of a value-added tax (VAT). The Company allows its customers to return products if they are defective. However, this rarely happens and amounts returned have been de minimis.

(u) *Earnings per share*

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net income by the sum of the weighted average number of ordinary shares outstanding and potential dilutive securities during the year. For the year ended December 31, 2009, 1,334,573 stock options were granted to employees pursuant to the Company s equity incentive plan; 2,255,024 warrants were issued to investors in connection with a PIPE financing. For the year ended December 31, 2010, 81,155 warrants were issued to certain service providers. For the year ended December 31, 2015, no warrants were issued nor were options granted. As of December 31, 2015, 1,753,909 shares of Series A warrants have expired and all stock options to employees from the 2009 stock incentive program have expired. These warrants and options could be potentially dilutive if the market price of the Company s common stock exceeds the exercise price for these securities.

The Company computes earnings per share (EPS) in accordance with ASC Topic 260, Earnings per share and SEC Staff Accounting Bulletin No. 98 (SAB 98). SFAS No. 128 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as the income or loss available to common shareholders divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options, and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e. those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS.

(v) *Financial instruments*

The Company s financial instruments, including cash and equivalents, accounts and other receivables, accounts and other payables, accrued liabilities and short-term debt, have carrying amounts that approximate their fair values due to their short maturities. ASC Topic 820, Fair Value Measurements and Disclosures, requires disclosure of the fair value of financial instruments held by the Company. ASC

Topic 825, Financial Instruments, defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

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Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, Distinguishing Liabilities from Equity, and ASC 815.

As of March 31, 2016 and December 31, 2015, the Company did not identify any assets and liabilities whose carrying amounts were required to be adjusted in order to present them at fair value.

(w) *Commitments and contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

(x) *Comprehensive income*

Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income are required to be reported in a financial statement that is presented with the same prominence as other financial statements. The Company s current component of other comprehensive income includes the foreign currency translation adjustment and unrealized gain or loss.

The Company uses FASB ASC Topic 220, Reporting Comprehensive Income . Comprehensive income is comprised of net income and all changes to the statements of stockholders equity, except the changes in paid- in capital and distributions to stockholders due to investments by stockholders. Comprehensive income for the three months ended March 31, 2016 and 2015 included net income and foreign currency translation adjustments.

(y) *Goodwill*

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable assets acquired in a business combination. In accordance with FASB ASC Topic 350, "Goodwill and Other Intangible Assets", goodwill is no longer subject to amortization. Rather, goodwill is subject to at least an annual assessment for impairment, applying a fair-value based test. Fair value is generally determined using a discounted cash flow analysis.

(z) *Recent accounting pronouncements*

On January 5, 2016, the FASB issued ASU 2016-01 Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities , which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Although the ASU retains many current requirements, it significantly revises an entity s accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017.

On February 25, 2016, the FASB issued ASU 2016-02 Leases (Topic 842) , its new standard on accounting for leases. ASU 2016-02 introduces a lessee model that brings most leases on the balance sheet. The new standard also aligns many of the underlying principles of the new lessor model with those in ASC 606, the FASB s new revenue recognition standard (e.g., those related to evaluating when profit can be recognized).

Furthermore, the ASU addresses other concerns related to the current leases model. For example, the ASU eliminates the requirement in current U.S. GAAP for an entity to use bright-line tests in determining lease classification. The standard also requires lessors to increase the transparency of their exposure to changes in value of their residual assets and how they manage that exposure. The new model represents a wholesale change to lease accounting. As a result, entities will face significant implementation challenges during the transition period and beyond, such as those related to:

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- Applying judgment and estimating.
- Managing the complexities of data collection, storage, and maintenance.
- Enhancing information technology systems to ensure their ability to perform the calculations necessary for compliance with reporting requirements.
- Refining internal controls and other business processes related to leases.
- Determining whether debt covenants are likely to be affected and, if so, working with lenders to avoid violations.
- Addressing any income tax implications.

The new guidance will be effective for public business entities for annual periods beginning after December 15, 2018 (e.g., calendar periods beginning on January 1, 2019), and interim periods therein.

On March 15, 2016, the FASB issued ASU 2016-07 Investments Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting , which simplifies the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. Consequently, when an investment qualifies for the equity method (as a result of an increase in the level of ownership interest or degree of influence), the cost of acquiring the additional interest in the investee would be added to the current basis of the investor s previously held interest and the equity method would be applied subsequently from the date on which the investor obtains the ability to exercise significant influence over the investee. The ASU further requires that unrealized holding gains or losses in accumulated other comprehensive income related to an available-for-sale security that becomes eligible for the equity method be recognized in earnings as of the date on which the investment qualifies for the equity method.

The guidance in the ASU is effective for all entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years; early adoption is permitted for all entities. Entities are required to apply the guidance prospectively to increases in the level of ownership interest or degree of influence occurring after the ASU s effective date. Additional transition disclosures are not required upon adoption.

On March 17, 2016, the FASB issued ASU 2016-08 Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) , which amends the principal-versus-agent implementation guidance and illustrations in the Board s new revenue standard (ASU 2014-09). The FASB issued the ASU in response to concerns identified by stakeholders, including those related to (1) determining the appropriate unit of account under the revenue standard s principal-versus-agent guidance and (2) applying the indicators of whether an entity is a principal or an agent in accordance with the revenue standard s control principle. Among other things, the ASU clarifies that an entity should evaluate whether it is the principal or the agent for each specified good or service promised in a contract with a customer. As defined in the ASU, a specified good or service is a distinct good or service (or a distinct bundle of goods or services) to be provided to the customer. Therefore, for contracts involving more than one specified good or service, the entity may be the principal for one or more specified goods or services and the agent for others.

The ASU has the same effective date as the new revenue standard (as amended by the one-year deferral and the early adoption provisions in ASU 2015-14). In addition, entities are required to adopt the ASU by using the same transition method they used to adopt the new revenue standard.

On March 30, 2016, the FASB issued ASU 2016-09 Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting , which simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows.

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The ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods.

As of March 31, 2016, there are no other recently issued accounting standards not yet adopted that would or could have a material effect on the Company s consolidated financial statements.

3. RESTRICTED CASH

Restricted cash represents interest bearing deposits placed with banks to secure banking facilities in the form of loans and notes payable. The restriction of funds is based on time. The funds that collateralize loans are held for 60 days in a savings account that pays interest at the prescribed national daily savings account rate. For funds that under lie notes payable, the cash is deposited in six month time deposits that pay interest at the national time deposit rate.

4. TRADE ACCOUNTS RECEIVABLE

		3/31/2016		12/31/2015
Trade accounts receivable	$	35,379,362	$	68,433,828
Less: Allowance for doubtful accounts		(578,705)		(5,901,811)
	$	34,800,657	$	62,532,017

Allowance for bad debt:		3/31/2016		12/31/2015
Beginning balance	$	(5,901,811)	$	(5,919,625)
Additions to allowance		-		-
Bad debt written-off from lost in investment		5,323,106		17,814
Ending balance	$	(578,705)	$	(5,901,811)

The Company offers credit terms of between 30 to 60 days to most of their domestic customers, including supermarkets and wholesalers, around 90 days to most of their international customers, and between 0 to 15 days for most of the third-party distributors the Company works with.

5. OTHER RECEIVABLES

Other receivables consisted of the following as of March 31, 2016 and December 31, 2015:

		3/31/2016		12/31/2015
Advances to employees for job/travel disbursements		1,214,429		2,160,303
Amount due by a non-related enterprise		155,090		154,067
Other non-related receivables		-		1,844,125
Other related party receivables		92,214		89,509
Short-term investment sale receivable		1,550,892		1,540,666
Vendor rebate receivable		-		6,318,586
Recoverable inventory from loss of investment		2,884,944		-
	$	5,897,569	$	12,107,256

Advances to employees for job/travel disbursements consisted of advances to employees for transportation, meals, client entertainment, commissions, and procurement of certain raw materials. The advances issued to employees may be carried for extended periods of time because employees may spend several months out in the field working to procure new sales contracts or fulfill existing contracts.

Specifically, the company uses available employees of the purchasing department to arrange purchases with desirable chestnut or other raw material growers. However, because many of these growers are in rural farming areas of China where traditional banking and credit arrangements are difficult to implement, the Company must utilize cash purchases and also must contract for its future needs by placing a good faith deposit in cash with the growers. However none of these advances to employees for delivery to the growers on behalf of the Company are "personal loans" to the employees. Advances to employees for purchase of materials in other receivables are adjusted to advances to suppliers as of March 31, 2016.

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Related party receivables represented advances issued by management for job or travel disbursement in the normal course of business. The receivables had no impact on earnings. As with other employees, officers sign notes when cash is issued to them as job or travel disbursement. In order to satisfy certain criteria for obtaining the long-term loan with DEG, as noted in footnote 11, Junan Hongrun lent money to Mr. You, Huadong to purchase life insurance. Related party receivable amounts are disclosed as other related party receivables in other receivables.

In September 2010, Shandong Lorain and Junan Hengji Real Estate Development Co., Ltd. ("Junan Hengji") entered into a cooperative development agreement (the "Agreement"), and in March 2011, Jiangsu Heng An Industrial Investment Group Co., Ltd. ("Heng An Investment"), an affiliated company of Junan Hengji also entered into the Agreement with Shandong Lorain to jointly develop the project with Junan Hengji. Pursuant to the Agreement, Shandong Lorain agreed to sell the Company s interest in the amount of $7,764,577 (RMB 49,604,000) in a parcel of land located in Junan Town, Shandong Province, to construct residential buildings by Junan Hengji and Heng An Investment. The land was sold to Junan Hengji and Heng An Investment for a total sales price of RMB 69,604,000 and a guaranteed gross profit of RMB 20,000,000 without consideration of the profit or loss of the residential building project.

As of December 31, 2015, a total of RMB 42,029,955 has been received and there was an unpaid balance of RMB 27,574,045. The Company filed litigation against Junan Hengji and Heng An Investment in 2014 for a claim of RMB 10,000,000, which is half of the original guaranteed profit of RMB 20,000,000. The Company evaluated the potential claims against Junan Hengji and Heng An Investment, disputes between the parties with respect to out of pocket expenses paid by Junan Hengji as well as the litigation fee that is required to be paid to the court by Shandong Lorain first based upon the amount claimed for disputes between the parties. Shandong Lorain decided to file the lawsuit with the Linyi City Intermediate People's Court to claim a fixed return of RMB 10 million (approximately US$1,550,893).

On March 21, 2015, Shandong Lorain received the Linyi City Intermediate People's Court decision that rejected Shandong Lorain's claim for RMB 10 million against Junan Hengji and Heng An Investment. On April 3, 2015, Shandong Lorain appealed the decision to the Supreme Court of Shandong Province. The balance of the claim was deemed to be uncollectable and was written off as a loss. In November 2015, the Supreme Court of Shandong Province vacated the decision of the Linyi Court and remanded the case back to the Linyi Court for a retrial. The retrial took place on April 25, 2016 and Shandong Lorain is waiting for the Linyi City Intermediate People's Court's decision at this time.

6. INVENTORIES

Inventories consisted of the following as of March 31, 2016 and December 31, 2015:

		3/31/2016		12/31/2015
Raw materials	$	25,455,564	$	23,272,163
Finished goods		25,115,026		20,439,885
	$	50,570,590	$	43,712,048

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7. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment consisted of the following as of March 31, 2016 and December 31, 2015:

	3/31/2016	12/31/2015
At Cost:		
Buildings	$ 77,276,801	$ 82,678,210
Land	-	209,010
Landscaping, plant and tree	10,399,595	10,331,020
Machinery and equipment	15,212,088	22,188,630
Office equipment	796,916	1,059,269
Motor vehicles	528,085	592,045
	$ 104,213,485	$ 117,058,184
Less: Accumulated depreciation		
Buildings	(11,484,034)	(15,445,517)
Landscaping, plant and tree	(4,963,346)	(4,705,085)
Machinery and equipment	(8,583,375)	(13,157,839)
Office equipment	(578,803)	(1,199,028)
Motor vehicles	(404,885)	(440,400)
	(26,014,443)	(34,947,869)
	$ 78,199,042	$ 82,110,315

Landscaping, plants, and trees accounts for the orchards that the Company has developed for agricultural operations. These orchards as well as the young trees which were purchased as nursery stock are capitalized into fixed assets. The depreciation is then calculated on a 30-year straight-line method when production in commercial quantities begins. The orchards have begun production in small quantities and the Company has accounted for depreciation commencing July 1, 2010. In 2013, the Company began leasing three greenhouses to grow seasonal crops in order to lower cost. Depreciation expense for the three months ended March 31, 2016 and 2015 was $ 913,784 and $962,163, respectively.

8. INTANGIBLE ASSETS, NET

Intangible assets consisted of the following as of March 31, 2016 and December 31, 2015:

	3/31/2016	12/31/2015
Land use rights, *at cost*	16,679,665	16,569,679
Utilities rights, *at cost*	48,244	47,926
Software, *at cost*	110,663	463,246
Patent, *at cost*	1,463	1,419,428
	$ 16,840,035	$ 18,500,279
Less: Accumulated amortization	(2,073,946)	(2,313,764)
	$ 14,766,089	$ 16,186,515

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All land is owned by the government in China. Land use rights represent the Company s purchase of usage rights for a parcel of land for a specified duration of time, typically 50 years. Amortization expense for the three months ended March 31, 2016 and 2015 was $91,550 and $91,500, respectively.

9. GOODWILL

On August 8, 2015, the Company re-organized its French operations by merging the operations of Conserverie Minerve into its immediate parent Athena, and concurrently, Athena wound up and dissolved Conserverie Minerve. Athena subsequently changed its own legal name to Conservie Minerve and currently continues the business. At the date of acquisition, the net liability of Conserverie Minerve was $3,255,911(EUR 2,968,089); the purchase consideration paid for the Athena (aka Conservie Minerve) was $2,100,000. The acquisition of Athena and its then subsidiaries gave rise to goodwill in the amount of $6,786,928. As of December 31, 2015, the surviving business entity, Conserverie Minerve, on a post merged basis, recognized net operating losses during the years ended December 31, 2015 and 2014. As of December 31, 2015, the Company was unable to determine if the Conserverie Minerve would be able to generate future profit and positive operating cash flows to justify the carrying value of goodwill in the amount of $6,786,928; accordingly, the Company elected to write off the goodwill in its entirety.

10. BANK LOANS

Bank loans include bank overdrafts, short-term bank loans, and current portion of long-term loan, which consisted of the following as of March 31, 2016 and December 31, 2015:

Bank Overdrafts	3/31/2016	12/31/2015
CIC Lorient Enterprises,		
Interest rate of EURIBOR+1.70% due within 3 months Credit Agricole,	$ -	$ 141,210
Interest rate of EURIBOR+1.70% due within 3 months LCL Banque et Assurance,	-	140,453
Interest rate of EURIBOR+1.70% due within 3 months Société Générale,	-	3,800
Interest rate of EURIBOR+1.70% due within 3 months Banque Tarneud,	-	83,500
Interest rate of EURIBOR+1.70% due within 3 months BPI France,	-	407,917
Interest rate of EURIBOR+1.70% due within 3 months BNP Paribas,	-	-
Interest rate of EURIBOR+1.70% due within 3 months HSBC,	-	194,835
Interest rate of EURIBOR+1.70% due within 3 months GE,	-	3,459
Interest rate of EURIBOR+1.70% due within 3 months BES,	-	707
Interest rate of EURIBOR+1.70% due within 3 months	-	236
Banco Portugues de Negocios	-	1,672
Banco Espirito Santo	-	3,545
	$ -	$ 981,334

Bank overdrafts are collateralized by inventory.

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Short-term Bank Loans	3/31/2016	12/31/2015
Loan from Industrial and Commercial Bank of China,		
Interest rate at 6.72% per annum; due 12/1/2015	-	1,509,061
Interest rate at 6.305% per annum; due 1/4/2016	-	1,016,839
Interest rate at 6.955% per annum; due 4/20/2016*	3,873,018	3,851,665
Interest rate at 6.02% per annum; due 7/4/2016	1,023,589	
Interest rate at % per annum; due 7/27/2016	1,550,893	-
Interest rate at 6.02% per annum; due 12/26/2016	1,550,893	-
Loan from China Minsheng Bank Corporation, Linyi Branch		
Interest rate at 5.98% per annum due 9/22/2016	1,550,893	1,540,666
Loan from Agricultural Bank of China, Junan Branch		
Interest rate at 7.28% per annum due 1/22/2016	-	2,203,152
Interest rate at 5.52% per annum due 9/5/2016	3,101,785	3,081,332
Interest rate at 5.655% per annum due 1/31/2017	2,217,776	-
China Agricultural Development Bank,		
Interest rate at 5.6% per annum due 1/6/2016	-	770,333
Luotian Sanliqiao Credit Union,		
Interest rate at 9.72% per annum due 2/13/2017	2,791,607	2,002,866
Bank of Ningbo,		
Interest rate at 7.80% per annum due 10/27/2016	1,240,714	1,232,533
Hankou Bank, Guanggu Branch,		
Interest rate at 6.85% per annum due 10/24/2016	1,550,893	1,540,666
Postal Savings Bank of China,		
Interest rate at 9.72% per annum due 7/27/2016	403,232	400,573
Bank of Rizhao,		
Interest rate at 7.28% per annum due 1/19/2016*	1,219,232	1,540,666

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China Construction Bank,				
Interest rate at 6.18% per annum due 11/29/2016		775,446		770,333
Luotian County Ministry of Finance,				
Interest rate at 6.18% per annum due 11/29/2016		-		616,266
Huaxia Bank,				
Interest rate at 7.8% per annum due 5/19/2016		1,550,893		1,540,666
City of Linyi Commercial Bank, Junan Branch,				
Interest rate at 8.4% per annum due 2/16/2016*		1,550,701		1,540,666
Interest rate at 7.83% per annum due 7/15/2016		3,101,784		3,081,332
Bank of China, Paris Branch				
Interest rate at 2.80% per annum due 11/18/2015		-		4,363,002
Interest rate at 2.80% per annum due 2/11/2016		-		2,726,875
		29,053,349		35,329,492
	$	29,053,349	$	36,310,826

The short-term loans, which are denominated in the functional currencies Renminbi (RMB) and Euros, were primarily obtained for general working capital. If not otherwise indicated in the below remarks, short-term loans are guaranteed by either companies within the group or personnel who hold a management role within the group.

*Note: The short-term loans have not been repaid as of March 31, 2016.

11. CURRENT PORTION LONG TERM DEBT

Current portions of notes payable, debentures, and long-term debt consisted of the following as of March 31, 2016 and December 31, 2015:

		3/31/2016		12/31/2015
Debenture issued by 5 private placement holders underwritten by Guoyuan Securities Co., Ltd.				
Interest rate at 10% per annum due 8/28/2016	$	7,754,463	$	7,703,329
Debenture issued by 2 private placement holders underwritten by Daiwa SSC Securities Co. Ltd.				
Interest rate at 9.5% per annum due 11/8/2015		7,754,462		7,703,329
BNP Paribas,				
Interest rate at 4.20% per annum due 12/20/2016		-		97,678

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CIO,		
Interest rate at 4.20% per annum due 12/20/2016	-	137,733
Credit Agricole,		
Interest rate at 4.20% per annum due 12/20/2016	-	129,338
Interest rate at 1.85% per annum due 1/25/2017	-	50,237
Banque Tarneud,		
Interest rate at 3.28% per annum due 12/2016	-	65,336
Interest rate at 2.90% per annum due 12/2016	-	121,689
BPI France,		
Interest rate at 3.42% per annum due 12/20/2016	-	409,031
Société Générale,		
Interest rate at 2.90% per annum due 5/15/2016	-	17,142
LCL,		
Interest rate at 4.20% per annum due 12/20/2016	-	137,185
Loans from Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG)		
Interest rate at 5.510% per annum due 3/15/2015	1,875,000	1,875,000
Interest rate at 5.510% per annum due 9/15/2015	1,875,000	1,875,000
Interest rate at 5.510% per annum due 3/15/2016	1,875,000	1,875,000
	21,133,925	22,197,027

The Company began repaying its loan with DEG in semi-annual installments on September 15, 2012. As of March 31, 2016 and December 31, 2015, the Company has not repaid any principal. The loan was collateralized with the following terms:

(a.) Create and register a first ranking mortgage in the amount of about USD 12,000,000 on its land and building in favor of DEG.
(b.) Undertake to provide a share pledge of Mr. Si Chen, its majority shareholder, or shares as the sponsor in the amount of about USD 12,000,000 in form and substance satisfactory to DEG
(c.) The total amount of the first ranking mortgage as indicated in the Loan Agreement (Article 12(1)(a)) and the value of the pledged shares of Mr. Si Chen (Loan Agreement (Article 12(1)(a))) should be at least USD 24,000,000.
(d.) Undertake to provide a guarantee from Mr. Si Chen in form and substance satisfactory to DEG.

The Company is in the process of negotiation with DEG to reschedule the three installment repayments.

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12. NOTES PAYABLE AND CONVERTIBLE PROMISSORY NOTE

Notes payable consisted of the following as of March 31, 2016 and December 31, 2015:

	3/31/2016	12/31/2015
Notes payable issued by Hankou Bank,		
Interest rate at 5.55% per annum due 3/24/2015	$ -	$ -
Notes payable issued by BNP Paribas,		
Interest rate at EURIBOR + 1.7% per annum due within 3 months	-	630,214
Notes payable issued by CIC Lorient Enterprises,		
Interest rate at EURIBOR + 1.7% per annum due within 3 months	-	929,562
Notes payable issued by Credit Agricole,		
Interest rate at EURIBOR + 1.7% per annum due within 3 months	-	443,203
Notes payable issued by LCL Banque et Assurance,		
Interest rate at EURIBOR + 1.7% per annum due within 1 months	-	516,773
Notes payable issued by Société Générale,		
Interest rate at EURIBOR + 1.7% per annum due within 1 months	-	445,995
	$ -	$ 2,965,747

The notes payable are guaranteed by third party guarantors.

13. TAXES PAYABLES

Taxes payable consisted of the following as of March 31, 2016 and December 31, 2015:

	3/31/2016	12/31/2015
Value added tax payable	$ 23,252	$ 2,187,542
Corporate income tax payable	1,035,361	2,370,952
Employee payroll tax withholding	14,056	9,561
Property tax payable	92,095	87,619
Stamp tax payable	1,581	1,571
Business tax payable	150,603	149,610
Land use tax payable	184,944	159,923
Capital gain tax payable	902,433	896,483
	$ 2,404,325	$ 5,863,261

14. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables consisted of the following as of March 31, 2016 and December 31, 2015:

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	3/31/2016	12/31/2015
Accrued salaries and wages	$ 25,334	$ 278
Accrued utility expenses	21,536	331,692
Accrued interest expenses	2,057,807	1,700,353
Accrued transportation expenses	900,150	1,029,973
Other accruals	1,106,080	983,857
Business and other taxes	50,237	377,957
Accrued staff welfare	315,782	316,788
	$ 4,476,926	$ 4,740,898

15. LONG-TERM DEBT

Non-current portions of long-term debt consisted of the following as of March 31, 2016 and December 31, 2015:

	3/31/2016	12/31/2015
Loans from Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG)		
Interest rate at 5.510% per annum due 3/15/2016	$ -	$ 1,875,000
BNP Paribas,		
Interest rate at 4.20% per annum due 12/20/2016	-	105,863
CIC Lorient Enterprises,		
Interest rate at 4.20% per annum due 12/20/2016	-	104,394
Credit Agricole,		
Interest rate at 4.20% per annum due 12/20/2016	-	104,394
Interest rate at 1.85% per annum due 1/25/2017	-	38,887
LCL Banque et Assurance,		
Interest rate at 4.20% per annum due 12/20/2016	-	104,394
Société Générale,		
Interest rate at 2.90% per annum due 5/15/2016	-	10,665
Banco Portugue de Negocios,		
Interest rate at EURIBOR 3M+spread 2% per annum due 06/2024	-	337,064
Banco Espirito Santo		
Interest rate at EURIBOR 3M+spread 2% per annum due 06/2024	-	26,926
	$ -	$ 2,707,587

Non-current portions of notes payable and debentures consisted of the following as of March 31, 2016 and December 31, 2015:

	3/31/2016	12/31/2015
Debenture issued by 5 private placement holders underwritten by Guoyuan Securities Co., Ltd.		
Interest rate at 10% per annum due 8/28/2016	9,607,779	16,290,625
Debenture issued by 2 private placement holders underwritten by Daiwa SSC Securities Co. Ltd.		
Interest rate at 9.5% per annum due 11/8/2015	-	16,290,624
	$ 9,607,779	$ 32,581,249

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16. CAPITALIZATION

Dating back to May 3, 2007, the Company underwent a reverse-merger and a concurrent financing transaction that resulted in 24,923,178 shares of outstanding common stock that remained unchanged through December 31, 2007. In connection with the financing, the Company also issued 1,037,858 and 489,330 warrants to the PIPE investors and placement agent, respectively. During 2008, several holders of warrants issued in connection with the financing transaction exercised their rights to purchase shares at the prescribed exercise price. The holders of the warrants exercised the right to purchase a total of 360,207 shares; however, because the holders did not pay in cash for the warrants, 110,752 of those shares were cancelled as consideration in lieu of the warrant holders paying in cash. Ultimately, 249,455 of new shares were issued to those who exercised their warrant. The Company also made an adjustment to its outstanding share count for rounding errors as result of the split and reverse splits made at the time of the reverse merger. The number of shares in the adjustment was an addition of seven shares. The Company believes the adjustment of seven shares is immaterial to both prior and current earnings per share calculation.

During the year 2009, the Company issued 56,393 shares of stock to its employees and vendors and 5,011,169 shares to investors. The Company issued 1,334,573 stock options to employees on July 28, 2009; 1,753,909 shares of Series A warrants and 501,115 shares of Series B warrants were issued to investors on October 28, 2009. As of December 31, 2015, 1,753,909 shares of Series A warrants have expired; concurrently, 501,115 shares of Series B warrants and all stock options to employees from the 2009 stock incentive program have expired.

During the year 2010, the Company issued 2,000 shares to a service provider on February 10, 2010 and 81,155 warrants to various service providers on January 5, 2010. The Company issued to investors 3,440,800 shares at an agreed price of $2.80 per share for a PIPE financing on September 10, 2010. This financing brought $8,955,730 net proceeds to the Company. The Company issued 5,000 shares to its employee on September 23, 2010. 731,707 shares of restricted stock were issued to the owner of Shandong Greenpia, Mr. Ji Zhenwei on September 24, 2010 as part of acquisition cost. As of December 31, 2015, 81,155 warrant shares issued to various service providers has expired.

For the years ended December 31, 2015 and 2014, the Company transferred $1,621,749 and $4,642,404 from retained earnings to statutory reserve. These transfers are to be used for future company development, recovery of losses and increase of capital, as approved, to expand production or operations.

For the year ended December 31, 2014, the Company issued 300,000 shares to a consulting company as its financial advisor for management consulting and advisory services.

For the year ended December 31, 2015, the Company issued 987,500 shares as stock compensation to employees and 2,355,276 shares upon conversion of the convertible promissory note to Jade Lane.

As detailed in the table below, the total number of outstanding shares at March 31, 2016 was 38,259,490.

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American Lorain Corporation
Capitalization Reconciliation Table

	Par value authorized	Issuance date	Shares outstanding
Common stock at 1/1/2009	200,000,000		25,172,640
New shares issued to employees and vendors during 2009		Various dates	56,393
New shares issued to PIPE investors		10/28/2009	5,011,169
New shares issued to service provider during 2010		2/10/2010	2,000
New shares issued to PIPE investors		9/10/2010	3,440,800
New shares issued to employee		9/23/2010	5,000
New shares issued as acquisition consideration		9/24/2010	731,707
New shares issued to service provider during 2011		5/5/2011	25,000
New shares issued to employees per stock incentive plan		7/20/2011	27,092
New shares issued to employees per stock incentive plan		11/21/2011	36,073
New shares issued to employees per stock incentive plan		10/5/2012	108,840
New shares issued to service provider during 2014		8/22/2014	300,000
New shares issued upon conversion of convertible debenture		4/20/2015	2,355,276
New shares issued to employees per stock incentive plan		6/12/2015	987,500
Common stock at 3/31/2016			38,259,490

17. NON-CONTROLLING INTERESTS

The non-controlling interest represents the following:

(1)

19.8% equity of Shandong Lorain held by the Shandong Economic Development Investment Corporation, which is a state-owned interest.

18. SALES BY PRODUCT TYPE

Sales by categories of product consisted of the following as of March 31, 2016 and 2015:

Category		*3/31/2016*		*3/31/2015*
Chestnut	$	17,151,199	$	16,062,304
Convenience food		8,506,936		14,181,755
Frozen food		6,061,284		7,313,252
Total	$	**31,719,419**	$	**37,557,311**

Revenue by geography consisted of the following as of March 31, 2016 and 2015:

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Country		*3/31/2016*		*3/31/2015*
Australia	$	-	$	11,985
Belgium		30,636		470,336
Brazil		33,133		
China		27,820,336		28,318,425
France		-		3,935,083
Germany		41,017		148,594
Hong Kong		-		62,888
Italy		-		130,722
Japan		1,598,538		2,354,750
Malaysia		-		174,152
Netherlands		-		2,709
Portugal		338,450		125,951
Reunion		-		14,647
Singapore		8,078		313,547
South Korea		1,350,350		524,425
Spain		-		109,585
Taiwan		150,901		91,898
Thailand		176,827		406,470
United Kingdom		-		278,626
United States		171,153		79,290
Others		-		3,228
Total	**$**	**31,719,419**	**$**	**37,557,311**

19. INCOME TAXES

All of the Company s operations are in the PRC, and in accordance with the relevant tax laws and regulations. The corporate income tax rate for each country is as follows:

PRC tax rate is 25%.

The following tables provide the reconciliation of the differences between the statutory and effective tax expenses for the three months ended March 31, 2016 and 2015:

		3/31/2016		*3/31/2015*
Income attributed to PRC & Europe	$	(2,155,832)	$	(453,372)
Loss attributed to US		(20,000)		(137,684)
Income before tax		(2,175,832)		(591,056)
PRC Statutory Tax at 25% Rate		767,262		479,666
Effect of tax exemption granted				
Income tax	$	767,262	$	479,666

Per Share Effect of Tax Exemption

		3/31/2016		*3/31/2015*
Effect of tax exemption granted	$		$	-
Weighted-Average Shares Outstanding Basic		38,259,490		34,916,714

Per share effect	$ -	$ -

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The difference between the U.S. federal statutory income tax rate and the Company s effective tax rate was as follows for the three months ended March 31, 2016 and 2015:

	3/31/2016	*3/31/2015*
U.S. federal statutory income tax rate	35%	35%
Lower rates in PRC, net	-10%	-10%
Tax holiday for foreign investments	-60.26%	-25.00%
The Company s effective tax rate	35.26%	0.00%

Effective January 1, 2008, the PRC government implemented a new 25% tax rate across the board for all enterprises regardless of whether domestic or foreign enterprise without any tax holiday which is defined as two-year exemption followed by three-year half exemption hitherto enjoyed by tax payers. As a result of the new tax law of a standard 25% tax rate, tax holidays were terminated as of December 31, 2007. However, PRC government has established a set of transition rules to allow enterprises that were already participating in tax holidays before January 1, 2008, to continue enjoying the tax holidays until being fully utilized.

The Company has accrued a deferred tax asset as a result of its net operating loss in as of and before December 31, 2015 because the Company planned to setup operations in the United States. The company anticipates that the operations within the United States will generate income in the future so that it will be able to take full advantage of the accrued tax asset. Accordingly the Company has not provided a valuation allowance for the accrued tax asset.

The Company s detailed tax rates for its Chinese subsidiaries for 2016 and 2015 in the following table:

	China Income Tax Rate	
Subsidiary	*2016*	*2015*
Junan Hongran	25%	25%
Luotian Lorain	25%	25%
Beijing Lorain	25%	25%
Shandong Lorain	25%	25%
Shandong Greenpia	25%	25%
Dongguan Lorain	25%	25%

20. EARNINGS PER SHARE

Components of basic and diluted earnings per share were as follows:

	For the three months ended March 31,	
	2016	**2015**
Basic Earnings Per Share Numerator		
Net Income	$ (2,943,095)	$ (1,070,722)
Income Available to Common Stockholders	$ (3,074,969)	$ (497,106)
Diluted Earnings Per Share Numerator		
Income Available to Common Stockholders	$ (3,074,969)	$ (497,106)

Income Available to Common Stockholders on Converted Basis	$	(3,074,969)	$	(497,106)

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Original Shares:		38,259,490		34,916,714
Additions from Actual Events				
-Issuance of Common Stock				-
Basic Weighted Average Shares Outstanding		38,259,490		34,916,714
Dilutive Shares:				
Additions from Potential Events				
-Exercise of Investor Warrants & Placement Agent Warrants		-		-
- Exercise of Employee & Director Stock Options		-		-
Diluted Weighted Average Shares Outstanding:		38,259,490		34,916,714
Earnings Per Share				
- Basic	$	(0.07)	$	(0.03)
- Diluted	$	(0.07)	$	(0.03)
Weighted Average Shares Outstanding				
- Basic		38,259,490		34,916,714
- Diluted		38,259,490		34,916,714

21. SHARE BASED COMPENSATION

On July 27, 2009, the Company s Board of Directors adopted the American Lorain Corporation 2009 Incentive Stock Plan (the Plan). The Plan provides that the maximum number of shares of the Company s common stock that may be issued under the Plan is 2,500,000 shares. The Company s employees, directors, and service providers are eligible to participate in the Plan.

For the year ended December 31, 2009, the Company recorded a total of $166,346 of shared based compensation expense. The Company issued warrants that upon exercise would result in the issuance of 1,334,573 common shares. These stock options vest over three years, where 33.33% vest annually. The expense related to the stock options was $107,375. The Company also recorded expense of $58,971 for the issuance of 56,393 common shares to participants; these common shares vested immediately. Given the materiality and nature of share based compensation, the entire expense has been recorded as general and administrative expenses. For the year ended December 31, 2010, the Company recorded a total of $890,209 stock option and its related general and administrative expenses.

On February 19, 2014 the Company s board of directors approved the 2014 Equity Incentive Plan (2014 Plan), which was approved at the annual stockholders meeting on June 9, 2014. Subject to adjustment as provided in the 2014 Plan, the total number of shares of Common Stock reserved and available for delivery in connection with awards under the 2014 Plan is 3,000,000. As of December 31, 2015, 987,500 shares were issued to employees as stock awards. The 2014 Plan replaces the Company s 2009 Incentive Stock Plan (the Prior Plan) and no additional stock awards shall be granted under the Prior Plan. All outstanding stock awards granted under the Prior Plan shall remain subject to the terms of the Prior Plan with respect to which they were originally granted.

No tax benefit has yet been accrued or realized. For years ended December 31, 2015 and 2014, the Company has yet to repatriate its earnings. Accordingly it has not recognized any deferred tax assets or liability in regards to benefits derived from the issuance of stock options.

For the three months ended March 31, 2016 and 2015, the Company did not grant any stock options.

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22. LEASE COMMITMENTS

(a.) The Company entered into an operating lease agreement leasing a factory building located in Dongguan, China. The lease was signed by Shandong Lorain on behalf of Dongguan Lorain and expires on August 9, 2018.

The minimum future lease payments for this property at March 31, 2016 are shown in the following table:

Period		Lease payment
Year 1	$	92,685
Year 2		83,674
Year 3		42,481
	$	218,840

The minimum future lease payments for this property at December 31, 2015 are shown in the following table:

Period		Lease payment
Year 1	$	92,685
Year 2		92,685
Year 3		56,641
	$	242,011

The outstanding lease commitment as of March 31, 2016 and December 31, 2015 was $218,840 and $242,011.

(b.) During the year ended December 31, 2013, the Company entered into three operating lease agreements leasing three plots of land where greenhouses are maintained to grow seasonal crops. The leases were signed by Junan Hongrun Foodstuff Co., Ltd. and expires on April 25, 2033, May 19, 2033, and June 19, 2033, respectively.

The minimum future lease payments for these properties at March 31, 2016 are shown in the following tables:

Period		Greenhouse 1		Greenhouse 2		Greenhouse 3
Year 1	$	74,800	$	91,062	$	10,856
Year 2		74,800		91,062		10,856
Year 3		74,800		91,062		10,856
Year 4		74,800		91,062		10,856
Year 5		74,800		91,062		10,856
Year 5 and thereafter		1,008,010		1,205,731		145,682
	$	1,382,010	$	1,661,041	$	199,962

The minimum future lease payments for these properties at December 31, 2015 are shown in the following tables:

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Period	Greenhouse 1	Greenhouse 2	Greenhouse 3
Year 1	$ 74,306	$ 90,462	$ 10,785
Year 2	74,306	90,462	10,785
Year 3	74,306	90,462	10,785
Year 4	74,306	90,462	10,785
Year 5	74,306	90,462	10,785
Year 5 and thereafter	1,021,243	1,213,069	147,923
	$ 1,392,773	$ 1,665,379	$ 201,848

The outstanding lease commitments for the three greenhouses as of March 31, 2016 and December 31, 2015 was $32,432,013 and $3,260,000.

23. CAPITAL LEASE OBLIGATIONS

The Company leases certain machinery and equipment under leases classified as capital leases. For the three months ended March 31, 2016, the Company entered into the following capital leases:

(a.) On July 1, 2015, the Company entered into a capital lease agreement in the amount of RMB 1,057,571, which was approximately USD 166,447, with Lessor A leasing: five production machines, two packaging machine, one assembly line, and ten vending machines with an interest rate of 7% for a period of 36 months with an expiration date of June 30, 2018 with an option to buy the leased assets following the lease expiration for RMB 1.

(b.) On July 1, 2015, the Company entered into a capital lease agreement in the amount of RMB 2,805,493, which was approximately USD 441,546, with Lessor A leasing one hundred vending machines with an interest rate of 7% for a period of 36 months with an expiration date of June 30, 2018 with an option to buy the leased assets following the lease expiration for RMB 1.

(c.) On August 25, 2015, the Company entered into a capital lease agreement in the amount of RMB 2,163,845, which was approximately USD 340,539, with Lessor B leasing eight production machines with an interest rate of 7% for a period of 30 months with an expiration date of February 25, 2018 with an option to buy the leased assets following the lease expiration for RMB 100.

(d.) On August 25, 2015, the Company entered into a capital lease agreement in the amount of RMB 530,439, which was approximately USD 83,484, with Lessor B leasing four production machines with an interest rate of 7% for a period of 30 months with an expiration date of February 25, 2018 with an option to buy the leased assets following the lease expiration for RMB 100.

(e.) On August 25, 2015, the Company entered into a capital lease agreement in the amount of RMB 777,228, which was approximately USD 122,325, with Lessor B leasing one assembly line with an interest rate of 7% for a period of 30 months with an expiration date of February 25, 2018 with an option to buy the leased assets following the lease expiration for RMB 100.

(f.) On August 25, 2015, the Company entered into a capital lease agreement in the amount of RMB 1,647,563, which was approximately USD 259,304, with Lessor B leasing one freezing unit with an interest rate of 7% for a period of 30 months with an expiration date of February 25, 2018 with an option to buy the leased assets following the lease expiration for RMB 100.

The following is a schedule showing the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2016:

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Year 1	651,326
Year 2	651,755
Year 3	83,103
Total minimum lease payments	1,386,183
Less: Amount representing estimated executory costs (such as taxes, maintenance, and insurance), including profit thereon, included in total minimum lease payments	(101,902)
Net minimum lease payments	1,284,281
Less: Amount representing interest	(117,509)
Present value of net minimum lease payments	1,166,772

Reflected in the balance sheet as current and noncurrent obligations under capital leases of $475,365 and $691,407, respectively.

As of December 31, 2015, the present value of minimum lease payments due within one year is $1,159,079.

24. CONTINGENCIES AND LITIGATION

There is a lawsuit currently pending in at Linyi City Intermediate People's Court of Shandong Province, which was initially filed by Shandong Lorain, a subsidiary of the Company, against Junan Hengji Real Estate Development Co., Ltd. ("Junan Hengji") in November 2013 at Linyi City Intermediate People's Court of Shandong Province (the "Linyi Court"). Shandong Lorain added Jiangsu Hengan Industrial Investment Group Co., Ltd. ("Heng An Investment") as a co-defendant after the case was first filed at Linyi Court.

In September 2010, Shandong Lorain and Junan Hengji entered into a cooperative development agreement (the "Agreement") and in March 2011, Heng An Investment, an affiliated company of Junan Hengji also entered into the Agreement with Shandong Lorain to jointly develop the project with Junan Hengji. Pursuant to the Agreement. Junan Henji and Heng An Investment are required to pay Shandong Lorain a total RMB 20 million (approximately $3,225,806) fixed return according to the development status of the project developed by Junan Hengji and Heng An Investment. The payment was due and unpaid to Shandong Lorain. Shandong Lorain and the Company evaluated the potential claims against Junan Hengji and Heng An Investment, disputes between the parties with respect to out of pocket expenses paid by Junan Hengji as well as the litigation fee that is required to be paid to the court based upon the amount claimed. Ultimately, Shandong Lorain decided to file the lawsuit with Linyi Court to claim a fixed return of RMB 10 million (approximately $1,540,666) first.

In January 2014, the Linyi Court had its first trial session. During the trial, Heng An Investment filed a counterclaim against Shandong Lorain for repayment of out of pocket expenses which would off-set the entire fixed return plus additional unpaid expenses of RMB 4,746,927 (approximately $765,633). Shandong Lorain responded that Heng An Investment does not have standing to file the counter-claim because the out of pocket payments were made by Junan Hengji. In November 2014, the court had a second trial session and completed its discovery process. On March 21, 2015, Shandong Lorain received Linyi Court's decision that rejected Shandong Lorain's claim for RMB 10,000,000 against Junan Hengji and Heng An Investment. On April 3, 2015, Shandong

Lorain appealed the decision to the Supreme Court of Shandong Province.

In November 2015, the Supreme Court of Shandong Province vacated the decision of the Linyi Court and remanded the case back to the Linyi Court for a retrial. The retrial took place on April 25, 2016 and Shandong Lorain is waiting for the Linyi City Intermediate People's Court's decision at this time.

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25. SUBSEQUENT EVENTS

In March 2015, Centre Technique Conservation of Produits Agricoles ("CTCPA"), an industry trade association for canned, preserved and dehydrated food products in France raised issue with respect to the origin of canned chestnuts sold by Conserverie Minerve ("Minerve", a former subsidiary of Athena) and Minerve chestnuts come from a Chinese cultivar, while CTCPA stated that only chestnuts based on the European or Japanese cultivars can be used in canned chestnut products sold in France according to CTCPA policies and that canned chestnut products must also have received certification from the International Featured Standards ("IFS"), a qualified third party certification agency in Europe that certifies food products, especially for retail industry. The Company has since shipped chestnuts based on the Japanese cultivar grown in China to Minerve and Minerve has addressed the IFS certification issue and regained IFS certification on November 5, 2015. We are also still in negotiation with CTCPA with respect to chestnuts based on the Chinese cultivar. The Company initiated a reorganization proceeding with the local court in September 2015 in order to have time to obtain IFS certification and to address the CTCPA cultivar issue. The proceeding provides Minerve (now Athena) protection from creditors initiating any actions against Athena. The initial protection period expired in March 2016 and Athena has applied for an extension of the protection period until September 2016. The local court has requested Athena to provide proof and guarantee of cash flow before it can extend the protection period. The Company proposed to acquire the shares of 49% shareholder of Athena or both shareholders of Athena to make cash contribution to Athena proportionally so Athena will have enough cash flow to meet the court requirement. However, the minority shareholder has rejected to sell its shares to the Company or to contribute any cash to Athena. As a result of lack of cash flow, the local court has ordered the Athena into the liquidation process on April 19, 2016.

26. RISKS

A. *Credit risk*

Since the Company s inception, the age of account receivables have been less than one year indicating that the Company is subject to minimal risk borne from credit extended to customers.

B. *Interest risk*

The company is subject to interest rate risk when short term loans become due and require refinancing.

C. *Economic and political risks*

The Company s operations are conducted in the PRC. Accordingly, the Company s business, financial condition, and results of operations may be influenced by changes in the political, economic, and legal environments in the PRC.

The Company s operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. The Company s results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation, among other things.

D. *Environmental risks*

The Company has procured environmental licenses required by the PRC government. The Company has both a water treatment facility for water used in its production process and secure transportation to remove waste off site. In the event of an accident, the Company has purchased insurance to cover potential damage to employees, equipment, and local environment.

E. *Inflation Risk*

Management monitors changes in prices levels. Historically inflation has not materially impacted the company s financial statements; however, significant increases in the price of raw materials and labor that cannot be passed on the Company s customers could adversely impact the Company s results of operations.

ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Overview

We are an integrated food manufacturing company headquartered in Shandong Province, China. We develop, manufacture and sell the following types of food products:

- Chestnut products;
- Convenience foods (including ready-to-cook, or RTC, foods, ready-to-eat, or RTE, foods and meals ready-to-eat, or MRE); and
- Frozen food products.

We conduct our production activities in China. Our products are sold in Chinese domestic markets as well as exported to foreign countries and regions such as Japan, South Korea and Europe. We derive most of our revenues from sales in China, Japan and South Korea. In 2016, our primary strategy is to continue building our brand recognition in China through consistent marketing efforts towards supermarkets, wholesalers, and significant customers, enhancing the cooperation with other manufacturers and factories, and enhancing the turnover for our existing chestnut, convenience and frozen food products. In addition, we are working to expand our marketing efforts in Asia and Europe. We currently have limited sales and marketing activity in the United States, although our long-term plan is to significantly expand our activities there. In addition, we are working to developing new products and developing new sales channels.

Domestic sales in the first quarter of 2016 and 2015 was $28.0 million and $28.5 million, accounted for 88.2% of our sales in this reporting period as compared to 75.8% over the same period of last year.

Outside China, sales decreased by $5.3 million. The decrease is mainly due to a decrease in our revenue from Europe as a result of a question raised by CTCPA, with respect to the origin of canned chestnuts sold by Conserverie Minerve ("Minerve") and Minerve chestnuts come from a Chinese cultivar, while CTCPA stated that only chestnuts based on the European or Japanese cultivars can be used in canned chestnut products sold in France according to CTCPA policies

In the coming quarters, American Lorain anticipates higher demand for its traditional chestnut product line along with its fast growing convenience business line, including the bean products, lunch boxes, and pickle vegetables. Frozen foods are sold primarily to selected export markets in Europe and supermarkets and wholesale customers in China. Those sales contributed approximately 19.1% in revenues for the quarter compared to 19.5% in the first quarter of 2015.

Production Factors that Affect our Financial and Operational Condition

Our business depends on obtaining a reliable supply of various agricultural products, including chestnuts, vegetables, fruits, red meat, fish, eggs, rice, flour and packaging products. During the first quarter of 2016, the cost of our raw materials and purchased finished goods decreased from $25.2 million to $20.7 million, as compared to the first quarter of 2015, for a decrease of approximately 17.9% . We may have to increase the number of our suppliers of raw materials and expand our own agricultural operations in the future to meet growing production demands. Despite our efforts to control our supply of raw materials and maintain good relationships with our suppliers, we could lose one or more of our suppliers at any time. The loss of several suppliers may be difficult to replace and could increase our reliance on higher cost or lower quality suppliers, which could negatively affect our profitability. In addition, if we have to increase the number of our suppliers of raw materials in the future to meet growing production demands, we may not be able to locate new suppliers who could provide us with sufficient materials to meet our needs. Any interruptions to, or decline in, the amount or quality of our raw materials supply could materially disrupt our production and adversely affect our business and financial condition and financial prospects.

Seasonality

Chestnut season in China lasts from September to January. We purchase and produce raw chestnuts during these months and store them in our refrigerated storage facilities throughout the year. Once we obtain a purchase order during the rest of the year, we remove the chestnuts from storage, process them and ship them within one day of production. Since most chestnuts are produced and sold in the fourth quarter, the Company generally performs best in the fourth quarter.

Uncertainties that Affect our Financial Condition

We spend a significant amount of cash on our operations, principally to procure raw materials for our products. Many of our suppliers, including chestnut, vegetable and fruit farmers, and suppliers of packaging materials, require us to prepay for their supplies in cash or pay on the same day that such supplies are delivered to us. However, some of the suppliers with whom we have a long-standing business relationship allow us to pay on credit. We fund the majority of our working capital requirements out of cash flow generated from operations. If we fail to generate sufficient sales, or if our suppliers stop offering us credit terms, we may not have sufficient liquidity to fund our operating costs and our business could be adversely affected.

We funded approximately 25.9% of our working capital from the proceeds of short-term loans from Chinese and overseas banks in the first quarter of 2016, as compared to 39.9% over the same period last year. We expect to continue to fund our working capital requirements with such loans in the future. Such loans are generally secured by our fixed assets, receivables and/or guarantees by third parties. Our balance of short-term bank loans as of March 31, 2016 was approximately $29.1 million. The term of almost all such loans is one year or less. Historically, we have rolled over such loans on an annual basis. However, commencing 2010, the Chinese government is implementing more stringent credit policies to curb inflation and soaring property prices, which could negatively impact our ability to obtain or roll over these short term loans, and hence not having sufficient funds available to pay all of our borrowings upon maturity. Failure to roll over our short-term borrowings at maturity or to service our debt could result in the imposition of penalties, including increases in rates of interest, legal actions against us by our creditors, or even insolvency. We obtained long term loans, private placement financing and a convertible promissory note during the period 2011 to 2014. We can provide no assurances that we will be able to enter into any future financing or refinancing agreements on terms favorable to us, especially considering the current instability of the capital markets.

We anticipate that our existing capital resources and cash flows from operations and current and expected short-term bank loans will be adequate to satisfy our liquidity requirements for 2016. However, if available liquidity is not sufficient to meet our operating and loan obligations as they come due, our plans include obtaining alternative financing arrangements or further reducing expenditures as necessary to meet our cash requirements. However, there is no assurance that, if required, we will be able to raise additional capital or reduce discretionary spending to provide the required liquidity. Currently, the capital markets for small capitalization companies are extremely difficult and banking institutions have become stringent in their lending requirements. Accordingly, we cannot be sure of the availability or terms of any third party financing.

Our business, operating results or financial condition will be adversely affected in the event of unfavorable economic conditions, including the ongoing global economy and capital markets disruptions. For example, we may experience declines in revenues, profitability and cash flows as a result of reduced orders, delays in receiving orders, delays or defaults in payment or other factors caused by the economic problems of our customers and prospective customers. We may experience supply chain delays, disruptions or other problems associated with financial constraints faced by our suppliers and subcontractors. In addition, changes and volatility in the equity, credit and foreign exchange markets and in the competitive landscape make it increasingly difficult for us to predict our revenues and earnings into the future.

Results of Operations

Three Months Ended March 31, 2016 Compared to Three Months Ended March 31, 2015

The following table summarizes the results of our operations during the three-month periods ended March 31, 2016 and March 31, 2015, respectively and provides information regarding the dollar and percentage increase or (decrease) from the three-month period ended March 31, 2016 compared to the three-month period ended March 31, 2015.

(All amounts, other than percentages, stated in thousands of U.S. dollars)

	Three months ended March 31,		**Increase / Decrease**	**Increase / Decrease**
(In Thousands of USD)	**2016**	**2015**	**($)**	**(%)**
Net revenues	31,719	37,558	-5,839	-15.5%
Cost of revenues	-25,828	-31,940	-6,112	-19.1%
Gross profit	5,891	5,618	273	4.9%
Operating expenses				
Selling and marketing expenses	-2,079	-2,119	-40	-1.9%
General and administrative expenses	-1,132	-2,616	-1,484	-56.7%
Operating Income	2,680	883	1,797	203.5%
Government subsidy income	529	257	272	105.8%
Interest and other income	397	366	31	8.5%
Other expenses	-1	-381	-380	-99.7%
Interest expense	-1,174	-1,716	-542	-31.6%
Loss on investment	-4,608	-	-	-
Loss before tax	-2,177	-591	-1,586	-268.4%
Income tax	-767	-480	287	59.8%
Net loss	-2,944	-1,071	-1,873	-174.9%
Non-controlling interests	131	-574	705	122.8%
Net income of common stockholders	-3,075	-497	-2,578	-518.7%

Revenue

Net Revenues. Our net revenue for the three months ended March 31, 2016 amounted to $31.7 million, which represents a decrease of approximately $5.9 million, or 15.5%, from the three-month period ended on March 31, 2015, in which our net revenue was $37.6 million. The overall decrease was attributable to the increase/decease in sales of each of our product segments, as reflected in the following table:

	Three months ended			
(In thousands of U.S. dollars)	3/31/2016	3/31/2015		
Category	($)	($)	($)	(%)
Chestnut	17,151,199	16,062,304	1,088,895	6.8%
Convenience food	8,506,936	14,181,755	-5,674,819	-40.0%
Frozen food	6,061,284	7,313,252	-1,251,968	-17.1%
Total	31,719,419	37,557,311	-5,837,892	-15.5%

Cost of Revenues. During the three months ended March 31, 2016, we experienced a decrease in cost of revenue of $6.1 million, in comparison to the three months ended March 31, 2015, from approximately $31.9 million to $25.8 million, reflecting a decrease of 19.1% . Approximately a decrease of $4.5 million was attributable to decreasing costs of raw material and external purchased finished products, which decreased from $25.2 million during the three months ended March 31, 2015 to $20.7 million, or approximately 17.9%, during the three months ended March 31, 2016.

Gross Profit. Our gross profit increased $0.3 million, or 4.9%, to $5.9 million for the three months ended March 31, 2016 from $5.6 million for the same period in 2015, as a result of proportion of revenue from chestnut products, which were of higher gross profit margin, increased from 42.8% to 54.1% in total net revenue in current reporting period compared to the same period in 2015. Our gross margins increased from 15.0% to 18.6% accordingly.

<u>*Operating Expenses*</u>

Selling and Marketing Expenses. Our selling and marketing expenses remained stable during the first quarter of 2016, as compared to the same period over last year. The following table reflects the main expense items:

Selling and Marketing Expense in the Three Months Ended March 31, 2016

(In U.S. dollars)	
Transportation expense	1,053,593
Salaries and wages	724,550

The selling and marketing expense to net revenue ratio for the three months ended March 31, 2016 and 2015 was 6.6% and 5.6%, respectively. Management believes that the expense was reasonably incurred.

General and Administrative Expenses. We experienced a decrease in general and administrative expense of $1.5 million from $2.6 million to approximately $1.1 million for the three months ended March 31, 2016, compared to the same period in 2015. It was noted that the general and administrative expenses incurred by PRC subsidiaries was remain stable as compared to the same period of 2015, while that incurred by our French subsidiaries decreased due to CTCPA policies that negatively influenced on our sales and we strictly controlled relevant expense.

Government Subsidy Income

Government subsidy income increased from approximately $0.3 million for the three months ended March 31, 2015 to $0.5 million for the three months ended March 31, 2016. It represents grants received mostly from the Junan County, Beijing and Luotian government to assist us in our research and business development.

Loss Before Taxation

Loss before taxation increased $1.6 million to $2.2 million for the three months ended March 31, 2016 from $0.6 million for the same period of 2015. The increase was mainly attributable to the fact that we provided loss for our investment in French and Portugal subsidiaries due to loss in control of Athena Group which is going bankrupt after failing to legally reorganize and reach a consensus with non-controlling shareholders for a reorganization plan.

Income Taxes

Income taxes decreased $0.3 million, or 60.0%, to $0.8 million in the first quarter of 2016, as compared to $0.5 million in the first quarter of 2015. This increase was attributable to the higher income (excluding loss from investment) earned in current reporting period as compared to the same period of 2015.

Net Loss

Net loss increased $1.8 million to $2.9 million for the three months ended March 31, 2016 from $1.1 million for the same period of 2015. The main reason for the increase of loss was mainly due to $4.6 million loss for the investment in French and Portugal subsidiaries due to loss in control of Athena Group which is going bankrupt after failing to legally reorganize and reach a consensus with non-controlling shareholders for a reorganization plan.

Liquidity and Capital Resources

As of March 31, 2016, we had cash and cash equivalents (including restricted cash) of $42.1 million. Our cash and cash equivalents increased by approximately $9.6 million from December 31, 2015. The following table provides detailed information about our net cash flow for all financial statements periods presented in this report.

Cash Flow (In thousands)

	Three Months Ended March 31,	
	2016	**2015**
Net cash (used in)/provided by operating activities	(12,333)	16,283
Net cash provided by/ (used in) investing activities	3,194	(4,326)
Net cash provided by/ (used in) financing activities	5,923	(5,629)
Net cash flow	(3,216)	6,328

Operating Activities

Net cash used in and provided by operating activities was $12.3 million and $16.3 million for the three month periods ended March 31, 2016 and 2015, respectively. The decrease of approximately $28.6 million in net cash flows used in operating activities in the first three months of 2016 was primarily due to a decrease of $19.4 million in accounts and other payable during the current reporting period.

Investing Activities

Net cash provided by investing activities for the three months period ended March 31, 2016 was $3.2 million, representing an increase of $7.5 million in net cash provided by investing activities from $4.3 million net cash used in investing activities for the same period of 2015. The difference was primarily a result of higher increase in restricted cash of $3.7 million and deposit of $3.6 million.

Financing Activities

Net cash provided by financing activities for the three months period ended March 31, 2016 was $5.9 million, representing an increase of $11.5 million from $5.6 million net cash used in financing activities during the same period in 2015. The increase of the net cash provided by financing activities was primarily a result of less bank borrowing repayment in current reporting period.

Loan Facilities

As of March 31, 2016, the amounts and maturity dates for our short-term bank loans are as set forth in the Notes to the Financial Statements. The total amounts outstanding were $29.1 million as of March 31, 2016, compared with $36.3 million as of December 31, 2015. We believe that our currently available working capital, after receiving the aggregate proceeds of the credit facilities, should be adequate to sustain our operations at our current levels for 2016.

Critical Accounting Policies

The preparation of financial statements in conformity with United States generally accepted accounting principles requires our management to make assumptions, estimates and judgments that affect the amounts reported in our financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. We consider our critical accounting policies to be those that require significant judgments and estimates in the preparation of financial statements, including the following: *Method of Accounting* -- We maintain our general ledger and journals with the accrual method accounting for financial reporting purposes. Accounting policies adopted by us conform to generally accepted accounting principles in the United States and have been consistently applied in the presentation of our financial statements, which are compiled on the accrual basis of accounting.

Use of estimates -- The preparation of the financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Management makes these estimates using the best information available at the time the estimates are made; however, actual results could differ materially from those estimates.

The use of estimates is critical to the carrying value of asset accounts such as accounts receivable, inventory, fixed assets, and intangible assets. We use estimates to account for the related bad debt allowance, inventory impairment charges, depreciation and amortization of our assets. In the food processing industry these accounts have a significant impact on the valuation of our balance sheet and the results of our operations.

Principles of consolidation -- Our consolidated financial statements, which include information about our company and our subsidiaries, are compiled in accordance with generally accepted accounting principles in the United States. All significant inter-company accounts and transactions have been eliminated. Our consolidated financial statements include 100% of assets, liabilities, and net income or loss of our wholly-owned subsidiaries. Ownership interests of non-controlling investors are recorded as non-controlling interests.

As of March 31, 2016, the details pertaining to our subsidiaries were as follows:

Name of Company	***Place of incorporation***	***Attributable equity interest %***	***Registered capital***
International Lorain Holding Inc.	Cayman Islands	100	$ 47,943,597
Junan Hongrun Foodstuff Co., Ltd.	PRC	100	46,096,723
Shandong Lorain Co., Ltd.	PRC	80.2	12,462,403
Beijing Lorain Co., Ltd.	PRC	100	1,540,666
Luotian Lorain Co., Ltd.	PRC	100	3,902,322
Shandong Greenpia Foodstuff Co., Ltd.	PRC	100	2,366,463
Dongguan Lorain Co., Ltd.	PRC	100	154,067

In March 2015, Centre Technique Conservation of Produits Agricoles ("CTCPA"), an industry trade association for canned, preserved and dehydrated food products in France raised issue with respect to the origin of canned chestnuts sold by Conserverie Minerve ("Minerve", a former subsidiary of Athena) and Minerve chestnuts come from a Chinese cultivar, while CTCPA stated that only chestnuts based on the European or Japanese cultivars can be used in canned chestnut products sold in France according to CTCPA policies and that canned chestnut products must also have received certification from the International Featured Standards ("IFS"), a qualified third party certification agency in Europe that certifies food products, especially for retail industry. The Company has since shipped chestnuts based on the Japanese cultivar grown in China to Minerve and Minerve has addressed the IFS certification issue and regained IFS certification on November 5, 2015. We are also still in negotiation with CTCPA with respect to chestnuts based on the Chinese cultivar. The Company initiated a reorganization proceeding with the local court in September 2015 in order to have time to obtain IFS certification and to address the CTCPA cultivar issue. The proceeding provides Minerve (now Athena) protection from creditors initiating any actions against Athena. The initial protection period expired in March 2016 and Athena has applied for an extension of the protection period until September 2016. The local court has requested Athena to provide proof and guarantee of cash flow before it can extend the protection period. The Company proposed to acquire the shares of 49% shareholder of Athena or both shareholders of Athena to make cash contribution to Athena proportionally so Athena will have enough cash flow to meet the court requirement. However, the minority shareholder has rejected to sell its shares to the Company or to contribute any cash to Athena. As a result of lack of cash flow, the local court has ordered the Athena into the liquidation process on April 19, 2016. Athena was deconsolidated from the Company for this quarterly report due to loss in control as a result of Athena group going bankrupt after failing to legally reorganize and meet a consensus with its non-controlling shareholders.

Accounting for the Impairment of Long-Lived Assets -- The long-lived assets held and used by us are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. It is reasonably possible that these assets could become impaired as a result of technology or other industry changes. Determination of recoverability of assets to be held and used is by comparing the carrying amount of an asset to future net undiscounted cash flows to be generated by the assets.

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

During the reporting period, there was no impairment loss.

Revenue recognition -- Our revenue recognition policies are in compliance with Staff Accounting Bulletin (SAB) 104. Sales revenue is recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, we have no other significant obligations and collectability is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as unearned revenue.

Our revenue consists of invoiced value of goods, net of a value-added tax. The Company allows its customers to return products if they are defective. However, this rarely happens and amounts returned have been de minimis.

Recent Accounting Pronouncements

On January 5, 2016, the FASB issued ASU 2016-01 Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities , which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Although the ASU retains many current requirements, it significantly revises an entity s accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017.

On February 25, 2016, the FASB issued ASU 2016-02 Leases (Topic 842) , its new standard on accounting for leases. ASU 2016-02 introduces a lessee model that brings most leases on the balance sheet. The new standard also aligns many of the underlying principles of the new lessor model with those in ASC 606, the FASB s new revenue recognition standard (e.g., those related to evaluating when profit can be recognized).

Furthermore, the ASU addresses other concerns related to the current leases model. For example, the ASU eliminates the requirement in current U.S. GAAP for an entity to use bright-line tests in determining lease classification. The standard also requires lessors to increase the transparency of their exposure to changes in value of their residual assets and how they manage that exposure. The new model represents a wholesale change to lease accounting. As a result, entities will face significant implementation challenges during the transition period and beyond, such as those related to:

- Applying judgment and estimating.
- Managing the complexities of data collection, storage, and maintenance.
- Enhancing information technology systems to ensure their ability to perform the calculations necessary for compliance with reporting requirements.
- Refining internal controls and other business processes related to leases.
- Determining whether debt covenants are likely to be affected and, if so, working with lenders to avoid violations.
- Addressing any income tax implications.

The new guidance will be effective for public business entities for annual periods beginning after December 15, 2018 (e.g., calendar periods beginning on January 1, 2019), and interim periods therein.

On March 15, 2016, the FASB issued ASU 2016-07 Investments Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting , which simplifies the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. Consequently, when an investment qualifies for the equity method (as a result of an increase in the level of ownership interest or degree of influence), the cost of acquiring the additional interest in the investee would be added to the current basis of the investor s previously held interest and the equity method would be applied subsequently from the date on which the investor obtains the ability to exercise significant influence over the investee. The ASU further requires that unrealized holding gains or losses in accumulated other comprehensive income related to an available-for-sale security that becomes eligible for the equity method be recognized in earnings as of the date on which the investment qualifies for the equity method.

The guidance in the ASU is effective for all entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years; early adoption is permitted for all entities. Entities are required to apply the guidance prospectively to increases in the level of ownership interest or degree of influence occurring after the ASU s effective date. Additional transition disclosures are not required upon adoption.

On March 17, 2016, the FASB issued ASU 2016-08 Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) , which amends the principal-versus-agent implementation guidance and illustrations in the Board s new revenue standard (ASU 2014-09). The FASB issued the ASU in response to concerns identified by stakeholders, including those related to (1) determining the appropriate unit of account under the revenue standard s principal-versus-agent guidance and (2) applying the indicators of whether an entity is a principal or an agent in accordance with the revenue standard s control principle. Among other things, the ASU clarifies that an entity should evaluate whether it is the principal or the agent for each specified good or service promised in a contract with a customer. As defined in the ASU, a specified good or service is a distinct good or service (or a distinct bundle of goods or services) to be provided to the customer. Therefore, for contracts involving more than one specified good or service, the entity may be the principal for one or more specified goods or services and the agent for others.

The ASU has the same effective date as the new revenue standard (as amended by the one-year deferral and the early adoption provisions in ASU 2015-14). In addition, entities are required to adopt the ASU by using the same transition method they used to adopt the new revenue standard.

On March 30, 2016, the FASB issued ASU 2016-09 Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting , which simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows.

The ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods.

As of March 31, 2016, there are no other recently issued accounting standards not yet adopted that would or could have a material effect on the Company s consolidated financial statements.

Off-Balance Sheet Arrangements

We do not have any off-balance arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a(15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including to our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15 under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2016. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2016, and as of the date that the evaluation of the effectiveness of our disclosure controls and procedures was completed, our disclosure controls and procedures were not effective due to the continuing material weakness in our internal control over financial reporting.

The material weakness and significant deficiency identified by our management as of March 31, 2016 relates to the ability of the Company to record transactions and provide disclosures in accordance with U.S. GAAP. We did not have sufficient and skilled accounting personnel with an appropriate level of experience in the application of U.S. GAAP commensurate with our financial reporting requirements. For example, our staff members do not hold licenses such as Certified Public Accountant or Certified Management Accountant in the U.S., have not attended U.S. institutions for training as accountants, and have not attended extended educational programs that would provide sufficient relevant education relating to U.S. GAAP. Our staff will require substantial training to meet the demands of a U.S. public company and our staff s understanding of the requirements of U.S. GAAP-based reporting is inadequate.

We plan to provide U.S. GAAP training sessions to our accounting team. The training sessions will be organized to help our corporate accounting team gain experience in U.S. GAAP reporting and to enhance their awareness of new and emerging pronouncements with potential impact over our financial reporting. We plan to continue to recruit experienced and professional accounting and financial personnel and participate in educational seminars, tutorials, and conferences and employ more qualified accounting staff in future.

C*hanges in Internal Controls over Financial Reporting.*

During the three months ended March 31, 2016, there were no changes in our internal control over financial reporting identified in connection with the evaluation performed during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations Over Internal Controls.

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There is a lawsuit currently pending in at Linyi City Intermediate People's Court of Shandong Province, which was initially filed by Shandong Lorain, a subsidiary of the Company, against Junan Hengji Real Estate Development Co., Ltd. ("Junan Hengji") in November 2013 at Linyi City Intermediate People's Court of Shandong Province (the "Linyi Court"). Shandong Lorain added Jiangsu Hengan Industrial Investment Group Co., Ltd. ("Hengan Investment") as a co-defendant after the case was first filed at Linyi Court.

In September 2010, Shandong Lorain and Junan Hengji entered into a cooperative development agreement (the "Agreement") and in March 2011, Heng An Investment, an affiliated company of Junan Hengji also entered into the Agreement with Shandong Lorain to jointly develop the project with Junan Hengji. Pursuant to the Agreement. Junan Henji and Heng An Investment are required to pay Shandong Lorain a total RMB 20 million (approximately $3,225,806) fixed return according to the development status of the project developed by Junan Hengji and Heng An Investment. The payment was due and unpaid to Shandong Lorain. Shandong Lorain and the Company evaluated the potential claims against Junan Hengji and Heng An Investment, disputes between the parties with respect to out of pocket expenses paid by Junan Hengji as well as the litigation fee that is required to be paid to the court based upon the amount claimed. Eventually, Shandong Lorain decided to file the lawsuit with Linyi City Intermediate People's Court to claim a fixed return of RMB 10 million (approximately $1,636,902) first.

In January 2014, the Linyi Court had its first trial session. During the trial, Heng An Investment filed a counterclaim against Shandong Lorain for repayment of out of pocket expenses which would off-set the entire fixed return plus additional unpaid expenses of RMB 4,746,927 (approximately $765,633). Shandong Lorain responded that Heng An Investment does not have standing to file the counter-claim because the out of pocket payments were made by Junan Hengji. In November 2014, the court had a second trial session and completed its discovery process. On March 21, 2015, Shandong Lorain received Linyi Court's decision that rejected Shandong Lorain's claim for RMB 10,000,000 against Junan Hengji and Heng An Investment. On April 3, 2015, Shandong Lorain appealed the decision to the Supreme Court of Shandong Province. In November, 2015, Supreme Court of Shandong Province vacated the decision of the Linyi Court and remanded the case back to the Linyi Court for a retrial. The Linyi Court had the retrial on April 25, 2016 and Shandong Lorain is waiting for the Linyi Court s decision at this time. The Company is confident that Shandong Lorain will prevail in this retrial.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

The following exhibits are filed as part of this Report

Exhibit No.	Description
31.1	Certification of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes(Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes(Oxley Act of 2002. *
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes(Oxley Act of 2002. *
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes(Oxley Act of 2002.*
101.INS	XBRL Instance Document (1)
101.SCH	XBRL Taxonomy Extension Schema (1)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (1)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (1)
101.LAB	XBRL Taxonomy Extension Label Linkbase (1)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (1)

* Filed herewith.

(1) XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 23, 2016

AMERICAN LORAIN CORPORATION

/s/ Si Chen
Si Chen
Chief Executive Officer
(Principal Executive Officer)

/s/ Xiang Zhou
Xiang Zhou
Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)