

American Lorain CORP
Form 10-K
April 14, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2015**

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: **001-34449**

AMERICAN LORAIN CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

*(State or other jurisdiction of
incorporation or organization)*

87-0430320

(I.R.S. Employer Identification Number)

BeihuanZhong Road

Junan County

Shandong, People's Republic of China, 276600

(Address of principal executive office and zip code)

(86) 539-7317959

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, par value \$0.001 per share

NYSE MKT

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Act.

Yes No

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 issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 the 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

(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

The number of shares and aggregate market value of common stock held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter were 19,259,570 and \$35,822,800, respectively.

There were 38,259,490 shares of common stock outstanding as of March 30, 2016.

Documents Incorporated by Reference: Portions of the registrant's Proxy Statement related to its 2016 Annual Stockholders' Meeting to be filed subsequently are incorporated by reference into Part III of this Annual Report on Form 10-K. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be part of the report.

FORM 10-K INDEX

ITEM 1.	BUSINESS	3
ITEM 1A.	RISK FACTORS	15
ITEM 1B.	UNRESOLVED STAFF COMMENTS	22
ITEM 2.	PROPERTIES	22
ITEM 3.	LEGAL PROCEEDINGS	22
ITEM 4.	MINE SAFETY DISCLOSURES	23
PART II		
ITEM 5.	MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	24
ITEM 6.	SELECTED FINANCIAL DATA	24
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	25
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	32
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	32
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	32
ITEM 9A.	CONTROLS AND PROCEDURES.	32
ITEM 9B.	OTHER INFORMATION	33
PART II		
ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	34
ITEM 11.	EXECUTIVE COMPENSATION	34
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	34
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE	35
ITEM 14.	PRINCIPAL ACCOUNTANT FEES AND SERVICES	35
PART IV		
ITEM 15.	EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	36

PART I

Use of Certain Defined Terms

In this annual report on Form 10-K:

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.

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

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

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

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

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

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

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

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

Shandong Greenpia refers to Shandong Greenpia Foodstuff Co., Ltd.

RMB refers to Renminbi, the legal currency of China.

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

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

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words expect, anticipate, intend, believe or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our business and financial performance are subject to substantial risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information set forth under the heading Risk Factors. Readers are cautioned not to place undue reliance on these forward-looking statements.

ITEM 1. BUSINESS

Overview of Our Business

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 and through our majority-owned subsidiary in France and Portugal. 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, France, 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 developing new products and developing new sales channels. We currently have limited sales and marketing activity in the United States, although our long-term plan is to significantly expand our activities there.

Organizational Structure

ALN is a Nevada corporation that was incorporated on February 4, 1986 and was formerly known as Millennium Quest, Inc. Effective November 12, 2009, ALN reincorporated in Nevada from Delaware.

ALN owns 100% of ILH. ILH wholly owns two Chinese operating subsidiaries, Luotian Lorain and Junan Hongrun, directly. Junan Hongrun, in turn, owns 100% and 51% of Dongguan Lorain and Athena respectively. In addition, together with Junan Hongrun, ILH wholly owns Beijing Lorain, Shandong Greenpia, and owns approximately 80% of Shandong Lorain (Shandong Economic Development Investment Co. Ltd. owns approximately 20%). We sometimes refer to our six Chinese operating subsidiaries and the Athena Group throughout this annual report on Form 10-K as the Lorain Group Companies. Below is an organizational chart of ALN, ILH and the Lorain Group Companies:

* Athena is a holding company which holds all of the capital and the voting shares of Conserverie Minerve, a company organized under French law. Conserverie Minerve specializes in the processing and sale of chestnut and prepared foods products in Europe. Conserverie Minerve operates its businesses through the following, direct and indirect, wholly owned subsidiaries:

Sojafrais, a company organized under French law;
SCI SIAM, a real estate company organized under French law;
SCI GIU LONG, a real estate company organized under French law; and
CACOVIN, a company organized under Portuguese law.

On June 6, 2015, Athena approved the merger of its wholly owned subsidiary Conserverie Minerve into Athena. Athena assumed all contracts, rights, assets and liabilities of Conserverie Minerve after the merger. Athena was a holding company with no operations and its only asset was the equity of Conserverie Minerve. On August 8, 2015, the merger was completed. The business and operation of Conserverie Minerve remain unchanged after the merger

Products

Our products are categorized into the following three segments:

Chestnut products,
Convenience food products, and

Frozen food products.

We produced 238 products in 2015, including 6 new products in the chestnut, convenience and frozen foods segment. We also discontinued 5 products in 2015 in the chestnut, convenience and frozen foods segment.

Chestnut Products

We believe that we are the largest chestnut processor and manufacturer in China. In addition, we have been giving increasing emphasis in recent years to building a stronger international sales network. As a result of our acquisition of control in Athena in 2014, we now have chestnut processing and manufacturing capabilities in France and Portugal which will enable us to achieve a strategic position in the chestnut industry in Europe.

We have developed brand equity for our chestnut products in China, Japan and South Korea over the past 17 years. We produced 59 high value-added processed chestnut products in 2015. In 2015 and 2014, this segment contributed 53.6% and 56.6% of our total revenues, respectively.

Our best selling products in 2015 included our frozen chestnuts. The majority of our chestnut products are natural and do not contain chemical additives.

The chestnut, in contrast to many other tree nuts, contains small quantities of oil and is very high in complex carbohydrates. This makes them useful for a wider food range than other common nuts. Chestnuts are commonly steamed, boiled, sugar stir-fried, roasted or added into dishes or desserts as an ingredient.

China is the largest grower of chestnuts in the world, followed by South Korea and Japan. The total annual output of chestnut in China reaches 1.95 million metric tons, which accounts for 84% of global output. In recent years, the chestnut production in South Korea and Japan has declined. This has been attributed to the increasing labor costs and operational costs incurred in growing chestnuts. Because of the declining domestic production, South Korean and Japanese customers have grown to rely more on imported chestnut products. Our strategy is to take advantage of these trends.

We position our chestnut products as middle to high end products. We differentiate our chestnut products based on production process, high quality raw materials inputs, flavor, size and method of packaging. For instance, some of our chestnut products that are sold in Japan are packaged in plastic bags or tin cans, each considered a different product. Similarly, some of our chestnut products are processed with hot water or cold water, each considered a different product.

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.

Convenience Foods

Our convenience food products are characterized as follows:

- Ready-to-cook, or RTC, food products,
- Ready-to-eat, or RTE, food products, and
- Meals ready-to-eat, or MRE, food products.

These products are intended to meet the current demands of our customers for safe, wholesome and tasty foods that are easily prepared.

RTCs can be served after a few easy cooking procedures. Typically, when preparing a RTC, customers need only to heat the food in a microwave or boil it for several minutes before eating. Our best-selling RTCs in 2015 were French fries.

RTEs can be served without any cooking. Our best-selling RTEs in 2015 were various bean products.

MREs are meal kits with self-heating devices or microwavable kits, such as microwavable rice boxes. Our self-heating MREs are primarily for military use where no cooking device or other means are needed other than water. We also introduced microwavable MREs for civilian uses such as camping, traveling and other occasions where only simple preparation using a cooking device such as a microwave oven is required.

We produce various MREs based on Chinese cuisine, the best sellers of which were our beef with curry sauce over rice and kungpao chicken with rice in 2015. Many of our convenience products are natural and do not contain chemical additives.

We produced 117 convenience food products in 2015, including 2 new products. In 2015 and 2014, this segment contributed 25.3% and 27.1%, respectively, of our total revenues.

Frozen Food Products

We produce a variety of frozen foods, mostly frozen vegetables and frozen fruits. We produced 62 frozen food products in 2015. Our best-selling frozen food products in 2015 was sweet corn products.

Our frozen food business allows us to mitigate the significant production seasonality of chestnut products and to increase the utilization rate of our production capacity. Through our sales network, we are seeking to further penetrate into domestic and overseas market for our frozen food segment as it may not only raise our spare production capacity without additional heavy capital investment, but also boost our brand equity as we are selected to be the provider for international fast food giants. The frozen foods accounted for in our total revenue increased from 16.4% in 2014 to 21.0% in 2015. Gross margins in this segment are lower than the margins for chestnut products and convenience foods.

Our Manufacturing Facilities

General

We currently manufacture our products in six facilities in China, three of which are located in Junan County, Shandong Province, one in Luotian County, Hubei Province, one in Miyun County, Beijing and one leased facility in Dongguan, Guangdong Province. In addition, as a result of our acquisition of control in Athena in 2014, we now have chestnut and convenience foods manufacturing capabilities in France and Portugal.

The following table indicates the year that operations commenced at each of the facilities and the size of the facilities.

Facility	Year Operations Facility Size	
	Commenced	(square meters)
Junan Hongrun	2002	38,865
Shandong Lorain	1995	15,392
Beijing Lorain	2003	21,000
Luotian Lorain	2003	9,558
Dongguan	2008	9,250
Shandong Greenpia	2010	9,179
Athena	1968	15,142

Production Lines

We currently manufacture our products using 35 production lines. Except Chinese doughnuts production lines, each production line is used to produce between 10 and 50 products. We currently run four types of product lines:

Deep-freezing lines, which are used to freeze raw materials for year-round production and to produce frozen food;

Canning lines, which are used to produce canned products, including chestnut products;

Convenience food lines, which are used for producing RTCs, RTEs and MREs, all of which have nitrogen preservation capacity; and

Chinese doughnuts lines, which are used to produce Chinese doughnut products.

The production process for our chestnut products initially involves sorting and cleaning the raw chestnuts purchased during the chestnut season. We then store the raw chestnuts in our refrigerated storage facilities throughout the year. Once we obtain a purchase order, we remove the chestnuts from storage and process them by steaming, decladding and deep-freezing the chestnuts, depending on the particular product. We then package and ship the processed

chestnuts within one day of production.

The production process of our convenience products generally involves various steps, including soaking, boiling, coating, drying, deep freezing, packing, sealing and sterilizing.

Edgar Filing: American Lorain CORP - Form 10-K

The following table shows the number and types of production lines, the types of products produced and the production capacity at each facility:

Facilities	Production Lines	Product Portfolio	2015 Capacity
Junan Hongrun	3 Deep-freezing line 3 Convenience food lines 4 Canning lines 4 Chinese doughnut lines	Chestnut products, frozen foods, beans, bean paste	Multi-purpose production lines with 54,000 tons of production capacity and Chinese doughnut lines with 2000 tons production capacity 24,900 tons of cold and frozen storage
Shandong Lorain	1 Deep-freezing line 1 Convenience food line	Chestnut products, convenience frozen foods	Multi-purpose production lines with 20,000 tons of production capacity and 3,500 tons of cold and frozen storage
Beijing Lorain	6 Convenience food lines 1 Deep-freezing line	Chestnut products, frozen foods	Multi-purpose production lines with 34,000 tons of production capacity and 4,650 tons of cold and frozen storage
Luotian Lorain	3 Convenience food lines 2 Deep-freezing lines	Chestnut products, convenience foods, frozen foods	Multi-purpose production lines with 24,000 tons of production capacity and 6,500 tons of cold and frozen storage
Dongguan factory	2 Convenience food lines	Convenience food	Multi-purpose production lines with 3,000 tons of production capacity and 2,250 tons of cold and frozen storage
Shandong Greenpia	2 Convenience food lines	Chestnut products, convenience foods	Multi-purpose production lines with 9,000 tons of production capacity and 1,500 tons of cold and frozen storage
Athena	2 Convenience food lines 1 Deep-freezing line	Chestnut products, convenience foods	Multi-purpose production lines with 8,900 tons of production capacity and 11,920 tons of cold and frozen storage

We allocate our production lines based upon the location of our facilities to take advantage of efficiencies in the transportation of required raw materials. For example, Junan Hongrun and Shandong Lorain, which manufacture primarily chestnut and frozen products, are located in Shandong Province, which is China's largest supplier of fresh products by volume. Shandong Province is also a major chestnut producing region.

Our production lines and facilities have all been designed to meet the standards and requirements of our largest customers in Europe and Japan, with France and Japan being our two top overseas markets in value term.

We employ advanced methods of quality control and have obtained various certifications for many of our products, packages and processes, including ISO 9000 or ISO 9001 certification for certain of our chestnut and frozen vegetable products, BRC certification for certain of our frozen fruit and vegetable products and HACCP certification for certain of our frozen vegetable, fruit and chestnut products and our bottom-open chestnuts. We believe that our quality controls and standards of products distinguish us from other manufacturers in both domestic and international

markets.

With limited exception, we operate our production lines year round. In the past, when our production was focused almost exclusively on chestnuts, we experienced seasonal underutilization of our product lines. However, our current facilities have multiple-function designs allowing us to use our production lines for our convenience and frozen products when we are not producing chestnuts at full capacity. Consequently, as we have increased our processed and convenience food offerings over the last several years, we have generally been able to run our production lines at increasing efficiency.

Previously, most of our convenience foods were produced at our Beijing Lorain plant. With the introduction of bean products in 2009, we expanded our facility in Junan Hongrun with the addition of three convenience food production lines designed specifically for bean products with current annual capacity of 13,500 metric tons.

We believe our facilities are adequate for our current levels of production. We anticipate, however, that we may require additional facilities and/or product lines as our business grows. We are exploring the possibility of alliances with one or more OEM partners for the production, in the short-term, of some of our convenience food products and frozen products should our facilities be inadequate to meet increasing demand. We are also exploring the possibility of leasing additional production lines to expand our production capacity. We did not lease any production facility during 2015. We may decide to lease additional facilities in 2016, should circumstances require and subject to acceptable costing. In the long-term, we plan to increase our own production capacity by acquiring or building new facilities, subject to the availability of adequate sources of funding.

Storage Capacity

Storage of our raw materials and inventory is a critical element of our business. Our raw materials and partially finished products need to be preserved in frozen storages (-18°C to -20°C) or constant temperature storages (-5°C to 5°C). Storage is particularly critical for our chestnut products because chestnuts are a seasonal fruit.

The following table illustrates on a facility by facility basis the type and capacity of our storage resources:

Facility	Storage Type	Number of Storage Units	Capacity (metric tons)
Junan Hongrun	Frozen Storage	19	20,100
	Constant Temperature	8	4,800
Shandong Lorain	Frozen Storage	5	2,000
	Constant Temperature	3	1,500
Beijing Lorain	Frozen Storage	6	2,850
	Constant Temperature	3	1,800
Luotian Lorain	Frozen Storage	8	4,500
	Constant Temperature	4	2,000
Dongguan	Frozen Storage	2	800
	Constant Temperature	2	1,450
Shandong Greenpia	Constant Temperature	4	1,500
Athena	Frozen Storage	7	420
	Constant Temperature	3	11,500
TOTAL		74	55,220

As we have expanded our production capacity, we have also expanded our storage capacity. All of the listed storage facilities are owned by us. In 2009, we expanded our storage capacity in Junan Hongrun by an additional 3,600 metric tons. In 2010, we also expanded our storage facility in Dongguan by 1,000 metric tons and, through our acquisition of Shandong Greenpia, we have added four additional storage units with an aggregate capacity of 1,500 metric tons. We also added 13,500 metric tons of cold storage at the Junan Hongrun facility during 2011. We did not add to our storage capacity during 2015. In 2016, we may build or lease additional storage facilities from time to time should circumstance require.

Agricultural Operations

We grow or set up agricultural co-ops with local farmers to supply ourselves with a small portion of chestnut, fruit and vegetable products. For the year ended December 31, 2015, the supplies coming from agricultural operations is still a low proportion of the total. We believe that we will continue to develop more agricultural facilities in the long-term. We anticipate that self-grown agricultural products and agricultural products grown in cooperation with local farmers

will enable us to assure adequacy of supply, promote quality and reduce cost, particularly for our high margin offerings. For example, by growing Korean cultivar chestnuts domestically, we expect to significantly reduce our supply costs for this premium product, while ensuring superior quality.

Lands in which we grow our agricultural products for such products are shown in the following table.

Harvest	Area (acres)	Location (PRC)
Chestnut (South Korean, Japanese, Australian cultivar)	329	Shandong
Chestnut (Japanese cultivar)	165	Beijing
Sticky Corn	342	Beijing
Sweet Corn	118	Beijing
Green Pea	217	Beijing
Sweet Pea	167	Beijing
Organic Chestnut	165	Beijing
Mixed Vegetables	417	Shandong
Mixed Vegetables	83	Beijing
		Inner
Japanese Pumpkin	197	Mongolia
Black Beans	500	Shandong
Strawberry	392	Shandong
Broccoli	165	Beijing
Green Asparagus	591	Beijing
White Asparagus	263	Shandong
Sweet Potato	500	Shandong
Peach	329	Beijing
Apricot	411	Beijing
Pear	329	Beijing
Blackberry	165	Beijing

We began growing chestnuts in Shandong Province in 2003. Unlike most vegetables and fruits, chestnut trees have a 3-5 year growing phase before they can be harvested. Our current chestnut planting base has been self-supplying limited quantities of chestnuts to our production since 2007.

We began growing strawberries in 2008 in Shandong and peaches, apricots, pears and blackberries in 2009 in Beijing. We use these fruits in some of our frozen fruit products. We plan to continue to expand our agricultural operations over the next a few years. Among other things, we plan to increase our self-production in China of Korean cultivar chestnuts. We expect to obtain funding for this expansion through a combination of commercial and government loans, including loans under Chinese government programs to promote agricultural industrialization. There is no assurance, however, that adequate funding for these purposes will be available to us.

Raw Materials

In 2015 and 2014, approximately 78% and 81% of our procured raw materials, respectively, consisted of agricultural products, including primarily chestnuts and vegetables, approximately 7% and 8%, respectively, consisted of packaging materials and approximately 15% and 11% consisted of condiments such as sugar, salt and flour.

Our Supply Sources

Our business depends on obtaining a reliable supply of various agricultural products, including chestnuts, vegetables, red meat, fish, eggs, rice and flour. Because of the diversity of available sources of these raw materials, we believe that our raw materials are currently in adequate supply and will continue to be so in the future.

We obtain our agricultural raw materials from three sources: domestic procurement (excluding self-supply), overseas markets, and self-supply. Domestic and overseas procurement accounted for 91.8% and 7.8% , respectively, of our total raw material costs in 2015, while self-supply accounted for less than 1%. We obtained substantially all of our

agricultural raw materials from domestic sources during 2015.

In 2015 and 2014, respectively, we procured approximately 44,383 and 40,801 metric tons of chestnuts and approximately 53,106 and 55,321 metric tons of vegetables and other raw materials from a number of third party suppliers, domestic and overseas, and produced approximately 568 and 637 metric tons of chestnuts and other products from our own agricultural operations.

We select suppliers based on price and product quality. We typically rely on numerous domestic and international suppliers, including some with whom we have a long-term relationship. Our top 10 suppliers accounted for 13.4% and 17.6% of the total procurement in 2015 and 2014 in value terms respectively. We purchase from suppliers and farmers pursuant to supply contracts and underlying purchase orders. We have not entered into any long-term contracts with any of our suppliers.

Our suppliers generally include wholesale agricultural product companies, agricultural associations and distributors. Some raw materials must be imported at higher costs, however. Occasionally, we also work directly with farmers. For instance, we operate an initiative which involves a series of cooperation and lease agreements between Shandong Lorain, Beijing Lorain and local farmers. This initiative involves approximately 1,000 acres of land which is used primarily to produce Japanese and Korean style chestnuts, sticky corn and pumpkins for our operations.

Procurement Cost and Quality Control

To control procurement costs, we have built our facilities near domestic sources of agricultural raw materials. For example, Junan Hongrun and Shandong Lorain are located in Shandong Province, which is China's largest supplier of fresh products by volume. Shandong Province is also a major chestnut producing region. Local procurement reduces our costs, especially transportation costs. It also gives us first-hand harvest and market information, which provides us with an advantage in price negotiations with suppliers.

Some raw materials must be imported at higher cost. As discussed, we have begun to develop our agricultural capabilities in order to control costs, particularly with respect to imported raw materials such as Korean-style chestnuts.

Pricing for agricultural products reflects several external factors, such as weather conditions and commodity market fluctuations, which are beyond our control. We obtain contemporaneous information on local harvests and collect daily reported price information on harvests in other markets from which we procure our products. We also attempt to predict harvest yields in advance based on our information gathering. We use this harvest information to negotiate best pricing with our suppliers.

We impose strict standards on our suppliers. During the harvest season, our internal procurement function personnel may visit our sources of supply to assure that the products we are purchasing comply with our standards.

Our Customers

Our products are sold in Chinese domestic markets as well as exported to foreign countries and regions such as Japan, South Korea and Europe. In 2015 and 2014, approximately 80.1% and 64.2%, respectively of our sales were made domestically in China and approximately 19.9% and 35.8% were to international customers, primarily France, Japan and South Korea. Our top ten customers contributed 12.3% and 12.2% of our total revenues in 2015 and 2014 respectively.

Domestic

In China, we sell our products through our own sales team and through third-party distributors. We have 38 sales offices in 31 provinces in China. In 2015 and 2014, we sold approximately 60.0% and 80.9%, respectively, of our products directly to our Chinese and overseas customers and approximately 40.0% and 19.1% through third-party

distributors. We increased the portion of sales to third party distributors in order to access new markets in China and overseas in a cost efficient manner and to improve our cash position. Such plans are subject to our ability to restructure the sales force and manage the increased number of distributors without compromising our profit margins. Generally, our direct sales customers are required to pay us on 30 to 60 day credit terms. Third-party distributors, however, generally less frequently pay on credit, allowing us to obtain quicker payment terms and thereby decrease our accounts receivables.

We sell our products in all first-tier cities in China, including Beijing, Shanghai, Tianjin and Guangzhou. Our sales team sells our products directly to supermarket chains, mass merchandisers, large wholesalers and others in these markets. In second-tier and third-tier cities, we currently sell our products to third-party distributors, such as food companies or trading companies with established distribution channels in such regions, rather than through our own sales team, in order to enable us to penetrate such markets more quickly without spending significant capital. We also sell to small customers through independent sales representatives.

The terms of a typical sales contract between us and our distributors provide that we are responsible for transportation costs and the distributors are responsible for storage costs. Furthermore, the distributors have the right to return products that fail to satisfy specified quality standards, at our cost. The majority of such contracts require the distributors to pay us in cash in full upon delivery, and the remaining contracts provide for short-term credit, usually two to three weeks. In addition, we typically offer distributors performance-based incentives, such as a cash bonus equal to 1% to 1.5% of total revenues generated by such distributor which exceed previously established sales targets.

International

Our export sales destinations include:

Asia pacific, primarily Japan, South Korea and Malaysia, but also Singapore, Philippines, and Australia;
Europe, primarily France and Portugal, but also Belgium, the United Kingdom, Italy, Germany and Spain;
the Middle East, primarily Israel;
North America, including the United States

Outside China, sales in Europe decreased by 60.0% in 2015 as a result of a question raised by the Centre Technique Conservation of Produits Agricoles (CTCPA), an industry trade association for canned, preserved and dehydrated food products in France, 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. Sales in Asia countries also decreased by 37.2% due to weak demand in Asia countries.

We sell our products to international markets primarily through export and trading agents and companies in China, as well as our own sales team located in China and Europe. Our sales team sells directly to wholesalers, food processors and mass merchandisers. Many of our customers are well known in their local food market. We have established long-term relationships with many international customers, especially in Japan and South Korea. Now that we have acquired the Athena Group, we may use its existing sales channels and further penetrate to Europe market. We also attend trade shows in Europe and other international markets in order to promote our products.

We have also been giving increasing emphasis in recent years to building a stronger international sales network. Our acquisition in France marks an important step for American Lorain along with our sustained marketing and operating efforts in Japan as well as domestic China. France is in a central position in Europe's food supply as well as logistics, and this acquisition will potentially enable American Lorain to achieve a strategic position in the chestnut industry in Europe, yielding significant synergy together with our China operations. We will provide strong support for raw material as well as procurement of Asian food supplies in China, and will also be able to take full advantage of Athena's existing sales channels in Europe to supply not only chestnuts but also other food products desired by the European market.

Our Sales and Marketing Efforts

We seek to expand our customer base by:

Direct sales communications with our large customers;
Sales through distributors to new customer bases;
Referrals from existing customers; and
Participation in domestic and international food exhibitions and trade conferences.

We have not spent a significant amount of capital on advertising in the past, and our advertising budget continues to be limited. In 2015 our marketing and branding efforts included supermarket advertising and internet advertising.

We intend to increase our advertising and branding efforts given the consumer nature for many of our products. For the near future, our marketing efforts will continue to focus primarily on the domestic Chinese and European markets for our chestnut and convenience food products.

Competition and Market Position

The overall food market is diverse, both globally and in China. We do not have a significant market share in any of our business segments.

Chestnut Products

We compete in the chestnut market primarily on the basis of the uniqueness of our products, quality, price and brand recognition. We also utilize our proprietary, patented and patent-pending technology in the production of our chestnut products to our competitive advantage.

The world market for chestnut products is highly fragmented. Our principal competitors in the chestnut product market are currently Hebei Liyuan, a Chinese company, and Foodwell Corporation, a South Korean company and Concept Fruit, a European company.

Convenience Food Products

The market competition for convenience food products is based mostly upon quality and product variety. We attempt to use our modern food processing technology, such as nitrogen preservation, to produce a wide variety of high quality convenience foods.

The convenience food market in China is highly fragmented and we do not face competitive pressure from any particular competitor or small group of competitors.

Frozen Food Products

In the frozen food product market, competition is based primarily upon quality, ability to provide a reliable product supply and customer relationships.

Our strongest competitors in the frozen food products market are currently Beijing Liliangzi Food Co. Ltd., Hangzhou Dadi Food Co. Ltd. and Tianjin Jinkaili Food Co. Ltd., all of which are located in China.

Competitive Advantages

We believe that we enjoy a number of competitive advantages, both domestically and internationally.

We have developed brand equity for our chestnut products in China, Japan and South Korea over the past 17 years. Our customers are willing to pay a premium for some of our chestnut products because of our brand equity. In addition, we believe that we have a strong distribution channel for our products in the markets in which we currently operate.

We believe that we are able to provide our customers with greater selection and a more reliable supply than many of our competitors, which is especially important for our supermarket chain and large wholesaler customers. We produced 59 chestnut products in 2015. We believe that we are the only provider of certain bottom-open chestnut and sweetheart chestnut products in China.

Labor is a large portion of total operating costs for food companies. We believe that we have a lower labor cost structure and a more abundant labor supply than many of our international competitors.

We are focused on managing our costs in other ways as well. We seek to locate our production facilities in close proximity to our main domestic sources of raw material supply to reduce transportation costs and give us first-hand

knowledge of market factors affecting our cost of raw material supply. Our agricultural self-supply program, while modest at present, is expected to grow and to become a significant element of our cost containment efforts.

We use modern food processing technology and innovation in our formulation and manufacturing processes to create high quality products. Nitrogen preservation in particular, used in the production of convenience foods, is an innovative technology which has not been widely applied in China.

We are dedicated to innovation of our products. From 2012 to 2015, we were successfully granted 4 new patents. We applied for three patents to State Intellectual Property Office of the PRC during 2015. In addition, as of December 31, 2015, we possessed 16 patents for utility models and 15 patents for appearance design. See Intellectual Property below.) We believe that our technology gives us an advantage over our Chinese and international competitors, allowing us to produce chestnut and convenience food products that are superior in quality and to offer more product varieties.

We believe that our reputation for quality contributes to our competitiveness. We maintain high food safety standards, in order to satisfy both domestic and international requirements. We also regularly conduct tests for quality of our products and compliance with standards.

Intellectual Property

Trademarks

We have registered in the PRC the trademark _____ which we use on all of our products sold in China.

Patents

We were granted two patents by the State Intellectual Property Office of the PRC during 2012, including the preparation of aerated snack beans and frozen bottom open chestnuts. One patent for preparation of liquor preserved fish and soup was approved in 2013. In 2014, our patent application during 2012 for the preservation, storage and processing procedures for chestnuts was approved. We made application for three patents to State Intellectual Property Office of the PRC during 2015.

In addition to the above-mentioned patents, we also possess 16 patents for utility models and 15 patents for appearance design.

We take reasonable steps to protect our proprietary information and trade secrets, such as limiting disclosure of proprietary plans, methods and other similar information on a need-to-know basis and requiring employees with access to our proprietary technology to enter into confidentiality arrangements. We believe that our proprietary technology and trade secrets are adequately protected.

Our Employees

As of December 31, 2015, we had a total of 3,150 employees. Approximately 1600 of our full-time employees are directly employed by our subsidiary companies and the remaining employees are employed by outsourcing agents that we use to meet our staffing needs. As required by Chinese law, all employees are party to a written employment contract. We compensate the employees outsourced from agents directly and pay agents a service fee. Agents are responsible for the pension and social insurance benefits of the leased employees, as described below.

The following table sets forth the allocation of employees, both direct and leased, by job function.

Department	Number of Employees
Production	2,280
Quality Control	55
Domestic Sales	360
Human Resources	40
Research and Development	50
International Sales	110
Finance	80
Procurement	45
Administration	110
Strategic planning	20
Total	3,150

We believe that the relationship between management and our employees is good. We have not experienced any significant problems or disruption to our operations due to labor disputes, nor have we experienced any difficulties in recruitment and retention of experienced staff.

Our Shandong Lorain subsidiary has an employee relations department for the purpose of advancing employee welfare, encouraging employee participation in decision making and enhancing relations among employees and between employees and our management team.

We compensate our production line employees by unit produced (piece work) and compensate other employees with a base salary and bonus based on performance. We also provide training for our staffs from time to time to enhance their technical and product knowledge, including knowledge of industry quality standards.

Our employees participate in state pension scheme and various types of social insurance organized by municipal and provincial governments. Outsourcing agents are responsible for contributions on behalf of the leased employees.

Our Research and Development Activities

Our research and development efforts are focused on three objectives:

- Superior product safety and quality; and
- Reduction of operating costs; and
- Driving growth through the development of new products.

We have research and development staffs at each of our facilities. In total, 50 employees are dedicated to research and development.

We rely heavily on customer feedback to assist us in the modification and development of our products. We also utilize customer feedback to assist us in the development of new products. In 2015, we added 6 new products in our chestnuts, convenience foods and frozen foods segments.

The amount we spent on research and development activities during the years ended December 31, 2015 and 2014 was not a material portion of our total expenses for those years.

Government Regulation

As a manufacturer and distributor of food products, we are subject to regulations of China's Agricultural Ministry and Ministry of Health. This regulatory scheme governs the manufacture (including composition and ingredients), labeling, packaging and safety of food. It also regulates manufacturing practices, including quality assurance programs, for foods through its current manufacturing practice regulations, and specifies the standards of identity for certain foods.

We have obtained approvals from Chinese authorities for products that requires the approval under regulations, including chestnuts, frozen vegetables and fruits, fish, and canned products. Production of new products that do not fall into categories of products would require separate approval from the appropriate Chinese authorities. We have consistently obtained such approvals for our newly developed products in the past and do not anticipate any difficulties in obtaining new approvals in the future if needed.

In addition, we are required to obtain governmental approval, and to register with the State Administration for Industry and Commerce, in order to open a new facility in China. We have consistently obtained such approvals, and made such registrations, for our new facilities in the past and do not anticipate any difficulties in filing new registrations and obtaining new approvals in the future if needed.

Under the relevant PRC sanitation laws governing food export, unless an exporter's products are exempted from inspection, products must be inspected in accordance with the Law of the PRC on Import and Export Commodity Inspection. We have not been exempted from inspection. In the past, we were authorized by the relevant authorities to conduct self-inspection of certain of our export products. However, currently, the relevant authorities have imposed

tighter food safety control in China, and as a result, all of our exported food products must be inspected by relevant government agencies. We believe that all of our exported products are currently in compliance with such requirements and we do not anticipate any difficulties in complying with such rules in the future.

In addition, we are required to obtain a license from the local branch of the Entry-Exit Inspection and Quarantine Bureau of China for our exported products. We have consistently obtained such licenses in the past and we do not anticipate any difficulties in obtaining such licenses in the future.

ITEM 1A. RISK FACTORS

RISK FACTORS

Business Risks

We may not be able to obtain an adequate supply of high quality raw materials.

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 2015, the cost of our raw materials decreased from \$146,601,039 to \$143,226,607, a decrease of approximately 2.3% . 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.

The prices that we have paid for our raw materials recently have experienced significant fluctuation. If these price fluctuations continue, our profit margins may be materially adversely affected.

The average price that we paid for chestnuts in China in 2015 and 2014 was approximately \$1,600 per metric ton and \$1,536 per metric ton, respectively, excluding value added taxes. We do not currently hedge against changes in our raw material prices. Consequently, if the costs of our raw materials increase further, and we are unable to offset these increases by raising the prices of our products, our profit margins and financial condition could be adversely affected.

Price inflation in China could affect our results of operation if we are unable to pass along raw material price increases to our customers.

Inflation in China has been consistently increasing in recent years. Because we purchase raw materials from suppliers in China, price inflation directly causes an increase in the cost of our raw materials. Price inflation could affect our results of operation if we are unable to pass along raw material price increases to customers. In addition, if inflationary trends continue in China, China could lose its competitive advantage as a low-cost manufacturing venue, which could in turn lessen some of the competitive advantages of our being based in China. Accordingly, inflation in China may weaken our competitiveness domestically or in international markets.

Our sales and reputation may be affected by product liability claims, litigation or, product recalls in relation to our products.

The sale of products for human consumption involves an inherent risk of injury to consumers. We face risks associated with product liability claims, litigation, or product recalls, if our products cause injury or become adulterated or misbranded. Our products are subject to product tampering and contamination, such as mold, bacteria, insects, shell fragments and off-flavor contamination, during any of the procurement, production, transportation and storage processes. If any of our products were to be tampered with, or become tainted in any of these respects, and we

were unable to detect this, our products could be subject to product liability claims or product recalls. Our ability to sell products could be reduced if certain pesticides, herbicides or other chemicals used by growers have left harmful residues on portions of our raw materials or if our raw materials have been contaminated by other agents.

We have never had any major product recall in the past but we have experienced product liability claims that were made by our customers. The amounts of such claims were immaterial. However, claims of product defect or product liability for material amounts, individually or in the aggregate, may be made in the future.

We have not procured a product liability or general liability insurance policy for our business, as the insurance industry in China is still in an early stage of development. To the extent that we suffer a loss of a type which would normally be covered by product liability or general liability insurance in the United States, we would incur significant expenses in defending any action against us and in paying any claims that result from a settlement or judgment against us. Product liability claims and product recalls could have a material adverse effect on the demand for our products and on our business goodwill and reputation. Adverse publicity could result in a loss of consumer confidence in our products.

We may be unable to manage future rapid growth.

We have grown rapidly over the last few years. Our sales increased from \$27,735,833 in 2004 to \$215,315,437 in 2015. The number of product types we sold increased from approximately 100 in 2004 to approximately 238 in 2015. We intend to continue to expand the volume and variety of products we offer, as well as the geographical scope of our sales and production facilities. Our business growth could place a significant strain on our managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management information systems on a timely basis and to expand, train, motivate and manage our workforce. Our personnel, systems, procedures and controls may not be adequate to support our future growth. Failure to effectively manage our expansion may lead to increased costs, a decline in sales and reduced profitability.

Our expansion strategy may not prove successful and could adversely affect our existing business.

Our growth strategy includes the expansion of our manufacturing operations, including new production lines and agricultural operations. We plan to expand our sales in China and internationally. We will need to engage in various forms of promotional and marketing activities in order to further develop the branding of our products and to increase our market share in new and existing markets. The implementation of this strategy may involve large transactions and present financial, managerial and operational challenges. We could also experience financial or other setbacks if any of our growth strategies incur problems of which we are not presently aware. If we fail to generate sufficient sales in new markets or increase our sales in existing markets, we may not be able to recover the production, distribution, promotional and marketing expenses, as well as administrative costs we have incurred in developing such markets.

Our results of operations could be affected by natural events in the locations in which our customers operate.

Several of our customers have operations in locations that are subject to natural disasters, such as severe weather and geological events, which could disrupt the operations of those customers and suppliers as well as our operations. If our customers suffer from these events, their operations may be negatively impacted. As a result, some or all of those customers may reduce their orders for our products, which could adversely affect our revenue and results of operations.

The acquisition of other businesses could pose risks to our profitability.

We may try to grow through acquisitions in the future. Any proposed acquisition could result in accounting charges, potentially dilutive issuances of equity securities, and increased debt and contingent liabilities, any of which could have a material adverse effect on our existing business and the market price of our common stock. Acquisitions, in general, entail many risks, including risks relating to the failed integration of the acquired operations, diversion of management's attention, and the potential loss of key employees of the acquired organizations. We may be unable to successfully integrate businesses or the personnel of any business that might be acquired in the future, and our failure to do so could have a material adverse effect on our business and on the market price of our common stock.

We are subject to risks of doing business internationally. If the international market does not grow as we expect, our business and financial condition may be adversely affected.

We conduct a substantial amount of business internationally. Our export sales destinations include countries in Asia and Europe. Our international operations are subject to a number of inherent risks, including:

chestnut products may not be widely recognized internationally, especially in Western countries;
local economic and political conditions, including disruptions in trading markets;
restrictive foreign governmental actions, including restrictions on transfers of funds and trade;
protection measures, including export duties and quotas and customs tariffs;
currency exchange rate fluctuations;

earthquakes, tsunamis, floods or other major disasters may limit the imported food products; and unexpected incidents related to food safety.

Any of the foregoing risks could have a material and adverse effect on our operating results.

A significant amount of our revenues is dependent on a limited number of customers and the loss of any one of our major customers could materially and adversely affect our growth and our revenues.

A significant portion of our revenues has historically been derived from a limited number of customers, particularly in our chestnut products segment. Sales to our ten largest customers accounted for approximately 12.3% and 12.2% of our total revenues in 2015 and 2014, respectively. The loss of any one of these customers, or a material decrease in purchases by any one of these customers, could adversely impact our revenues.

We rely primarily on distributors to sell our products. Any delays in delivery or poor handling by our distributors or third-party transport operators may affect our sales and damage our reputation.

In 2015, we sold our products through over 200 distribution service providers. The services provided could be suspended and could cause interruption to the supply of our products to domestic or overseas customers. Delivery disruptions may occur for various reasons beyond our control, including poor handling by service providers or third party transport operators, transportation bottlenecks, natural disasters and labor strikes, and could lead to delayed, damaged or lost deliveries. If our products are not delivered in a timely manner, our reputation could be harmed. If our products are damaged in the process of being delivered, we may be liable to pay for such damages incurred.

Failure of the market to accept our new products, or failure to obtain regulatory approval for our new products, may cause us to lose our competitive position in the food industry.

We introduced 7 new products in 2012, 6 new products in 2013, 3 new products in 2014 and 6 new products in 2015. We plan to introduce approximately 10 new products in 2016. The success of the new products we introduce depends on our ability to anticipate the tastes and dietary habits of consumers and to offer products that appeal to their preferences. We intend to introduce new products as well as alternative flavors, sizes and packaging for our existing products. We may not be able to gain market acceptance for our new products. Consumer preferences change, and any new products that we introduce may fail to meet the particular tastes or requirements of consumers, or may be unable to replace their existing preferences. Our failure to anticipate, identify or react to these particular tastes or changes could result in reduced demand for our products, which could in turn cause us to be unable to recover our development, production and marketing costs.

We are dependent on certain key personnel and loss of these key personnel could have a material adverse effect on our research and development, operations and revenue.

The Lorain Group Companies were founded in 1994 by Si Chen, our chairman and chief executive officer. Mr. Chen, together with other senior management, has been a key driver of our strategy and has been fundamental to our achievements to date. The successful management of our business is, to a considerable extent, dependent on the services of Mr. Chen and other senior management. We compete for qualified personnel with other food processing companies, food retailers and research institutions. Consequently, we may either lose key employees to our competitors or we may need to significantly increase the compensation of such employees in order to retain them. The loss of the services of any key management employee or failure to recruit a suitable or comparable replacement could have a significant impact upon our ability to manage our business effectively, and our business and future growth may be adversely affected.

We face increasing competition from domestic and foreign companies.

The food industry in China is fragmented. Our ability to compete against other national and international enterprises is, to a significant extent, dependent on our ability to distinguish our products from those of our competitors by providing large volumes of high quality products that appeal to consumers' tastes and preferences at reasonable prices. Some of our competitors have been in business longer than we have and are more established. Our competitors may provide products comparable or superior to those we provide or adapt more quickly than we do to evolving industry trends or changing market requirements. Increased competition may result in price reductions, higher raw materials prices, reduced margins and loss of market share, any of which could materially adversely affect our profit margins.

An increase in the cost of energy could affect our profitability.

Although energy costs were stable in 2015, we might experience significant increases in energy costs in the future, which would result in higher distribution, freight and other operating costs. Our future operating expenses and margins will be dependent on our ability to manage the impact of cost increases.

Our products are subject to counterfeiting or imitation, which could impact our reputation.

To date, we have experienced limited counterfeiting and imitation of our products. However, counterfeiting or imitation of our products may occur in the future and we may not be able to detect it and deal with it effectively. Any occurrence of counterfeiting or imitation could impact negatively upon our reputation, particularly if the counterfeit or imitation products cause sickness, or injury to consumers. In addition, counterfeit or imitation products could result in our need to incur costs with respect to the detection or prosecution of such activities.

We may face challenges in expanding our cross-border operations

As we continue expanding our existing cross-border operations into existing and other markets, we will face risks associated with expanding into markets in which we have limited or no experience. The expansion of our cross-border business will also expose us to risks relating to staffing and managing cross-border operations, tariffs and other trade barriers, differing and potentially adverse tax consequences, increased and conflicting regulatory compliance requirements and policies, lack of acceptance of our products, challenges caused by distance, language and cultural differences, exchange rate risk and political instability. Accordingly, any efforts we make to expand our cross-border operations may not be successful, which could limit our ability to grow our revenue, net income and profitability.

Regulatory Risks

We are subject to extensive regulations by the Chinese government.

The food industry is subject to extensive regulations by Chinese government agencies. Among other things, these regulations govern the manufacturing, importation, processing, packaging, storage, exportation, distribution and labeling of our products. New or amended statutes and regulations, increased production at our existing facilities, and our expansion into new operations and jurisdictions may require us to obtain new licenses and permits and could require us to change our methods of operations at costs that could be substantial.

Our failure to comply with PRC environmental laws may require us to incur significant costs.

We carry on our business in an industry that is subject to PRC environmental protection laws and regulations. These laws and regulations require enterprises engaged in manufacturing and construction that may cause environmental waste to adopt effective measures to control such waste. In addition, such enterprises are required to pay fines, or to cease operations entirely under extreme circumstances, should they discharge waste substances. The Chinese government may also change the existing laws or regulations or impose additional or stricter laws or regulations, compliance with which may cause us to incur significant capital expenditures, which we may be unable to pass on to our customers through higher prices for our products.

Our failure to comply with PRC hygiene laws may require us to incur significant costs.

Manufacturers in the Chinese food industry are subject to compliance with PRC food hygiene laws and regulations. These food hygiene laws require all enterprises engaged in the production of chestnuts and various vegetables and fruits to obtain a hygiene license for each of their production facilities. Such laws also require manufacturers to comply with regulations with respect to food, food additives, packaging, and food production sites, facilities and equipment. Failure to comply with PRC food hygiene laws may result in fines, suspension of operations, loss of

hygiene licenses and, in more extreme cases, criminal proceedings against an enterprise and its management. The Chinese government may also change the existing laws or regulations or impose additional or stricter laws or regulations, compliance with which may cause us to incur significant capital expenditures, which we may be unable to pass on to our customers through higher prices for our products.

Financial Risks

Our operations are cash intensive, and our business could be adversely affected if we fail to maintain sufficient levels of working capital.

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, do not allow us to pay on credit. 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 also fund approximately 38.6% of our working capital requirements from the proceeds of short-term loans from Chinese and overseas banks. Our average loan balance from short-term bank loans in 2016 was approximately \$39.0 million. We expect to continue to do so in the future. Such loans are generally secured by our fixed assets, receivables and/or guarantees by third parties. The term of almost all such loans is one year or less. Historically, we have rolled over such loans on an annual basis. However, we may not be able to roll over such loans in the future or may not have 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.

Management anticipates 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 through 2016. However, if available liquidity is not sufficient to meet our operating and loan obligations as they come due, our plans include considering pursuing 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 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.

We are subject to credit risk in respect of accounts receivables.

In 2008 and 2009, some of our customers, including some of our large supermarket customers, delayed their payments for up to 60 to 90 days beyond their term. Our cash flow suffered while waiting for such payments. Consequently, at times we had to delay payments to our suppliers and to postpone business expansion as a result of these delayed payments. Starting in 2008 and through 2015, we gradually shortened credit terms for many of our international and domestic customers from between 30 and 180 days to between 30 and 60 days. Our large customers may fail to meet these shortened credit terms, in which case we may not have sufficient cash flow to fund our operating costs and our business could be adversely affected.

We may enter into additional financing agreements which may have a dilutive effect to our earnings per share and the rights of certain stockholders.

Additional financings could result in significant dilution to our earnings per share or the issuance of securities with rights superior to our current outstanding securities. We may also grant registration rights to investors purchasing our equity or debt securities in the future.

We may be unable to raise additional capital.

If we are unable to raise additional financing when needed, we may be unable to implement our long-term business plan, develop or enhance our products and services, take advantage of future opportunities or respond to competitive pressures on a timely basis, if at all. In addition, a lack of additional financing could force us to substantially curtail or cease operations.

We may be exposed to potential risks relating to our internal control over financial reporting and our ability to have such controls attested to by our independent auditors.

The SEC, under Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring public companies to provide in their annual reports on Form 10-K a report by management with respect to the company's disclosure controls and procedures and internal control over financial reporting. We are currently required to comply with this requirement. In addition, such rules require the independent registered public accounting firm auditing a company's financial statements to attest to the operating effectiveness of such company's internal controls. However, because we are a smaller reporting company, we are not required to receive an attestation report from a registered public accounting

firm. We can provide no assurance that we will comply with all of the requirements imposed thereby. Further, we cannot assure that we will receive a positive attestation from our independent auditors. Investors and others may lose confidence in the reliability of our financial statements in the event we identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner or if we are unable to receive a positive attestation from our independent auditors with respect to our internal controls.

Risks Related To Doing Business In China

Changes in China's political or economic situation could harm us and our operating results.

Economic reforms adopted by the Chinese government have had a positive effect on the economic development of the country. However, the Chinese government could change these economic reforms at any time. Such changes could negatively impact our operations and profitability.

The structure of the Chinese economy may inhibit our ability to expand our business.

The Chinese economy differs from the economies of most countries belonging to the Organization for Economic Cooperation and Development, or OECD, in several ways. For example, state-owned enterprises constitute a large portion of the Chinese economy. In addition, weak corporate governance practices and the lack of flexible currency exchange policies continue to persist. As a result of these differences, we may not develop in the same way or at the same rate as might be expected if the Chinese economy were similar to those of the OECD member countries.

Our business is largely subject to the uncertain legal environment in China.

The Chinese legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which precedents set in earlier legal cases are not generally used. Laws, regulations and legal requirements relating to foreign investments in China are still evolving, and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to foreign investors, such as the right of foreign enterprises to hold required business licenses and permits.

It may be difficult for our stockholders to effect service of process against our subsidiaries or our officers and directors.

Our operating subsidiaries were organized under the laws of China and France and substantially all of their assets are located outside the U.S. In addition, our executive officers and directors are residents of China and substantially all of their assets are located outside the U.S. As a result, it could be difficult for our stockholders to effect service of process in the U.S., or to enforce a judgment obtained in the U.S., against our officers and directors in China.

Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.

The majority of our revenues are settled in Renminbi and U.S. dollars, and any future restrictions on currency exchanges may limit our ability to use revenue generated in Renminbi to fund any future business activities outside China or to make dividends or other payments in U.S. dollars. Although the Chinese government introduced regulations in 1996 to allow greater convertibility of the Renminbi for current account transactions, significant restrictions still remain. For instance, foreign enterprises may only buy, sell or remit foreign currencies after providing valid commercial documents at banks in China authorized to conduct foreign exchange business. In addition, conversion of Renminbi for capital account items, including direct investment and loans, is subject to governmental approval in China, and companies are required to open and maintain separate foreign exchange accounts for capital account items. The Chinese regulatory authorities may impose more stringent restrictions on the convertibility of the Renminbi in the future.

Failure to comply with PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may have negative effects on our company.

In October 2005, the PRC State Administration of Foreign Exchange, or SAFE, issued the Notice on Relevant Issues in the Foreign Exchange Control over Financing and Return Investment Through Special Purpose Companies by Residents Inside China, generally referred to as Circular 75, which required PRC residents to register with the local

SAFE branch before establishing or acquiring control over an offshore special purpose vehicle, or SPV, for the purpose of engaging in an equity financing outside of China on the strength of domestic PRC assets originally held by those residents. Internal implementing guidelines issued by SAFE, which became public in June 2007 (known as Notice 106), further expanded the reach of Circular 75.

ILH acquired certain interests in the Lorain Group Companies controlled by Si Chen, our Chairman and Chief Executive Officer. Pursuant to Circular 75 and Notice 106, if a PRC resident has completed a round-trip investment through its established SPV but has not yet completed the required procedures of SAFE registration for offshore investment of the SPV, he must retroactively register the SPV with SAFE.

In order to avoid such SAFE registration requirements, a Japanese individual, Hisashi Akazawa, was designated as a nominee holder of ILH when ILH was established. Mr. Akazawa granted an option to our Chairman and Chief Executive Officer, Mr. Chen, allowing Mr. Chen to buy 90% of Mr. Akazawa's interest in the Company at a fixed price at a future time in accordance with the terms of an option agreement between the two parties. On December 22, 2008, Mr. Chen exercised this option. In addition, on that date, Mr. Chen acquired all of the remaining shares of our company held by Mr. Akazawa. As a result, Mr. Chen is the beneficiary of ILH and may be required to register with and obtain approvals from SAFE or its agency with respect to the direct offshore investment activities related to the acquisition of the Lorain Group Companies.

If the failure to identify and characterize Mr. Chen as a beneficial owner of ILH is determined by the PRC authorities to be a serious violation of the requirements of the PRC Company Law and the PRC Regulation of Registration of Companies, the Lorain Group Companies may be ordered by the company registration authority in the PRC to make corrections on its filed registration, to be fined an amount no less than RMB 5,000 and no more than RMB 50,000 or, in the worse scenario, to have its company registration certificate revoked or its business licenses canceled.

On July 14, 2014, the SAFE issued the Circular Relating to Foreign Exchange Administration of Offshore Investment, Financing and Roundtrip Investment by Domestic Residents Through Special Purpose Vehicles, or Circular 37. Circular 37 repeals and replaces the Notice Concerning Foreign Exchange Controls on Domestic Residents Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles, or Circular 75. Under Circular 37, PRC residents are required to register with the SAFE or its local branches prior to establishing, or acquiring control of, an offshore company for the purpose of investment or financing that offshore company with equity interests in, or assets of, a PRC enterprise or with offshore equity interest or assets legally held by such PRC resident. In addition, PRC residents are required to amend their registrations with the SAFE and its local branches to reflect any material changes with respect to such PRC resident's investment in such offshore company, including changes to basic information of such PRC resident, increase or decrease in capital, share transfer or share swap, merger or division. In the event that a PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be prohibited from contributing additional capital into its PRC subsidiaries. Furthermore, failure to comply with the various foreign exchange registration requirements described above could result in liability under the PRC laws for evasion of applicable foreign exchange restrictions.

We have requested our relevant shareholders who are subject to the SAFE regulations to make the necessary registrations under the SAFE regulations. However, we may not be fully informed of the identities of the beneficial owners of our company. We do not have control over our beneficial owners and cannot assure you that all of our PRC resident beneficial owners will comply with SAFE regulations. The failure of our beneficial owners who are PRC residents to comply with these SAFE registrations may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Furthermore, since Circular 37 was recently promulgated and it is unclear how this regulation, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant PRC government authorities, we cannot predict how these regulations will affect our business operations or future strategy. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations.

If the failure to identify, characterize and register Mr. Chen as a beneficial owner of ILH is determined by the PRC authorities to be a violation of the requirements of registration and disclosure under new Circular 37, the Lorain Group Companies may be ordered by the authority in the PRC to make corrections on its filed registration, to be fined an amount up to RMB 50,000 for Mr. Chen and up to RMB 300,000 for the Lorain Group Companies.

Furthermore, since Circular 37 was recently promulgated and it is unclear how this regulation, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant PRC government authorities, we cannot predict how these regulations will affect our business operations or future strategy. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations.

Our financial condition is affected by the foreign exchange rate between the U.S. dollar and the Renminbi.

Our financial condition is affected by the foreign exchange rates, primarily the rate between the U.S. dollar and the Renminbi, as well as Euro and Renminbi. In the event that the Renminbi appreciates against the U.S. dollar and Euro, our costs will increase.

Risks Related To the Market For Our Stock

Certain of our stockholders have the ability to delay or prevent adoption of important business decisions based on their ownership of a significant percentage of our outstanding voting securities.

Mr. Chen is the record owner of approximately 38.6% of our outstanding voting securities. As a result, he possesses significant influence over our business. For instance, Mr. Chen may have significant power in the election of our board of directors, authorize significant corporate transactions or prevent a future change in control of our company.

Certain provisions of our Articles of Incorporation may make it more difficult for a third party to effect a change-in-control.

Our Articles of Incorporation authorize our board of directors to issue up to 5,000,000 shares of preferred stock without stockholder approval. The preferred stock may be issued in one or more series, the terms of which may be determined at the time of issuance by the board of directors without further action by the stockholders. These terms may contain voting rights, including the right to vote as a series on particular matters, preferences as to dividends and liquidation, conversion rights and redemption rights provisions. The issuance of any preferred stock could diminish the rights of holders of our common stock, and therefore could reduce the value of such common stock. In addition, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with, or sell assets to, a third party. The ability of our board of directors to issue preferred stock could make it more difficult to acquire our company and could negatively affect the market price of our common stock.

We do not expect to pay dividends in the future, and any return on your investment may be limited to the value of the shares you acquire.

Other than a special cash dividend which we paid to holders of our common stock as of April 16, 2007, we have never declared or paid cash dividends. We do not anticipate paying any cash dividends on our common stock in the foreseeable future and any return on your investment may be limited to the value of the shares of our common stock that you acquire. We currently intend to retain and use any future earnings for the development and expansion of our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our primary facilities, which are owned except where otherwise indicated, are as follows:

<u>Facility</u>	<u>Location</u>	<u>Approximate Size</u> <u>(Square Meters)</u>	<u>Owned or Leased</u>
Junan Hongrun	Junan County, Shandong Province, PRC	197,637	Owned
Shandong Lorain	Junan County, Shandong Province, PRC	31,459	Owned
Beijing Lorain	Miyun County, Beijing Province, PRC	22,677	Owned
Luotian Lorain	Luotian County, Hubei Province, PRC	54,251	Owned
Dongguan Lorain	Dongguan County, Guangdong Province, PRC	5,472	Leased
Shandong Greenpia	Junan County, Shandong Province, PRC	33,332	Owned
Athena*	France and Portugal	35,645	Owned

We may also own or lease space for additional facilities, including refrigerated storage facilities, and smaller offices, including sales offices, located in China.

In the aggregate, we currently have land use rights to, or lease, 79 properties with approximately 380,473 square meters, consisting of manufacturing facilities, office buildings and land reserved for future expansion. We believe our current facilities provide adequate capacity for our current and projected needs.

All land in China is owned by the State. Individuals and companies are permitted to acquire land use rights for specific purposes. In the case of land used for industrial purposes, the land use rights are granted for a period of up to 50 years. This period may be renewed at the expiration of the initial and any subsequent terms. Granted land use rights are transferable and may be used as security for borrowings and other obligations.

ITEM 3. LEGAL PROCEEDINGS

There is a lawsuit currently pending in the Supreme 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 Hengji 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 \$1,636,902) 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 retrial is scheduled at the end of April, 2016.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**Market for our Common Stock**

Our common stock is quoted on the NYSE MKT under the symbol ALN. As of April 12, 2016 the closing price for our common stock was \$1.08 per share.

The following table sets forth, for the periods indicated, the high and low sales prices of our common stock. These prices reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

	Common Stock Market Prices			
	High		Low	
Fiscal Year Ended December 31, 2015				
First Quarter	\$	1.37	\$	0.91
Second Quarter	\$	1.88	\$	1.20
Third Quarter	\$	1.88	\$	0.89
Fourth Quarter	\$	1.24	\$	0.92
Fiscal Year Ended December 31, 2014				
First Quarter	\$	1.37	\$	0.72
Second Quarter	\$	1.20	\$	1.01
Third Quarter	\$	1.27	\$	1.08
Fourth Quarter	\$	1.34	\$	0.89

Approximate Number of Holders of Our Common Stock

As of March 30, 2016, there were 311 stockholders of record of our common stock. This does not include the holders whose shares are held in a depository trust in street name.

Dividend Policy

We have not declared or paid cash dividends other than the payment of a dividend in April 2007 in connection with our reverse merger. Any future decisions regarding dividends will be made by our board of directors. We currently intend to retain and use any future earnings for the development and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future.

Issuances of Unregistered Securities

We issued \$3.5 million Convertible Promissory Note to Jade Lane Group Limited in March 2014. Under the terms of the Note, interest on the outstanding Principal Amount accrues at a rate of 4.5% per annum, and all accrued but unpaid interest is due and payable on June 30, 2014 and on the last day of each quarter thereafter. If the Note is not converted pursuant to the terms of the Note, additional interest on the outstanding Principal Amount shall accrue at a rate of 4.5% per annum and payable at the maturity of the Note. Unless the Note is otherwise accelerated or converted, the unpaid Principal Amount of the Note, together with all accrued but unpaid interest, is due and payable, at the election of the Holder, on September 13, 2014 or March 13, 2015 (Maturity Date), provided, however, if Holder fails to notify the Company in writing by August 13, 2014 that it elects the maturity date of September 13, 2014, then the Maturity Date will be extended to March 13, 2015.

In addition, under the terms of the Note, at any time commencing on or after September 13, 2014 and before March 13, 2015, the Holder, at Holder's option and upon five (5) days prior written notice to the Company, may convert in whole or in part the outstanding Principal Amount into a number of shares of Common Stock of the Company (Common Stock) on a per share conversion price of \$1.15 per share, as may be adjusted from time to time pursuant to the terms and conditions of the Note (Conversion Price); provided, however, the Company will not effect any conversion of the Note, and the Holder will not have the right to convert any portion of the Note, to the extent (but only to the extent) that the Holder would beneficially own in excess of the Beneficial Ownership Limitation (as defined below), which beneficial ownership will be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended. The Beneficial Ownership Limitation is 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of the Note.

The Note was secured by the personal guarantee of Si Chen, the Company's chief executive officer and chairman.

On March 12, 2015, the Company and Jade Lane Group Limited entered into an agreement to repayment terms of the promissory note in the amount of \$3,500,000 issued to the Company on March 13, 2014. On April 20, 2015, the Company repaid the promissory note in form of both cash payment of \$791,433 and conversion of 2,355,276 shares of common stock at a conversion price of \$1.15 per share.

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. In 2015, 987,500 shares were issued to employees as stock awards under the 2014 plan.

Securities Authorized for Issuance under Equity Compensation Plans

The information in Item 12 of this report is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. 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 the Chinese domestic markets as well as exported to foreign countries and regions such as Japan, South Korea and Europe. We believe that we are the largest chestnut processor and manufacturer in China. We have developed brand equity for our chestnut products in China, Japan and South Korea over the past 17 years. We produced 238 products in 2015. We derive most of our revenues from sales in China, France and Japan. 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.

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 2015, the cost of our raw materials decreased from \$146,601,039 to \$143,226,607 for a decrease of approximately 2.3% . 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.

The average price that we paid for chestnuts in the China domestic market in 2015 and 2014 was approximately \$1,600 metric ton and \$1,536 per metric ton, respectively, excluding value added taxes. In the past few years, increasing inflation pressures weighed on the Chinese economy which reflected on agricultural product prices. We do not have effective means and do not currently hedge against changes in our raw material prices. Consequently, if the costs of our raw materials increase further and we are unable to offset these increases by raising the prices of our products, our profit margins and financial condition could be adversely affected.

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 pay for their supplies in cash 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 also funded approximately 38.6% and 37.7% of our working capital requirements in 2015 and 2014, respectively, from the proceeds of short-term loans from Chinese and foreign banks. We expect to continue to do so in the future. Such loans are generally secured by our fixed assets, receivables and/or guarantees by third parties. Our average loan balance from short-term bank loans in 2015 and 2014 were approximately \$39.0 million and \$39.9 million, respectively. The term of almost all such loans is one year or less. Historically, we have rolled over such loans on an annual basis. However, in recent years, the Chinese government has implemented 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, including cash flows from operations, current and expected short-term bank loans will be adequate to satisfy our liquidity requirements through 2016. However, if available liquidity is not sufficient to meet our operating and loan obligations as they come due, our plans include considering pursuing 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 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.

In 2008 and 2009, some of our customers, including some of our large supermarket customers, delayed their payments for up to 60 to 90 days beyond their term. Our cash flow suffered while waiting for such payments. Consequently, at times we had to delay payments to our suppliers and to postpone business expansion as a result of these delayed payments. Starting in 2008 and through 2015 we gradually shortened credit terms for many of our international and domestic customers from between 30 and 180 days to between 30 and 60 days. Our large customers may fail to meet these shortened credit terms, in which case we may not have sufficient cash flow to fund our operating costs and our business could be adversely affected.

Results of Operations

The following tables set forth key components of our results of operations for the periods indicated, and the differences between the two periods expressed in dollars and percentages.

(In thousands of U.S. dollars)	Year Ended December 31,		Increase/(Decrease)	Increase/(Decrease)
	2015 (\$)	2014 (\$)	(\$)	(%)
Revenue	215,315	217,554	(2,239)	(1.0%)
Cost of Revenue	(179,197)	(179,591)	(394)	(0.2%)
Gross profit	36,118	37,963	(1,845)	(4.9%)
Operating Expenses:				
Selling and Marketing	(10,241)	(11,642)	(1,401)	(12.0%)
General and administrative	(11,824)	(10,655)	1,169	11.0%
Income from continuing operations	14,053	15,666	(1,613)	(10.3%)
Non-operating Income (Expenses):				
Government grant	2,468	2,378	90	3.8%
Interest income	433	230	203	88.3%
Other income	627	899	(272)	(30.3%)
Other expense	(376)	(567)	(191)	(33.7%)
Interest Expense	(7,093)	(8,347)	(1,254)	(15.0%)
Loss from write down of other receivable	-	(2,762)	(2,762)	-
Impairment of Goodwill	(6,787)	-	6,787	-
Income before taxes	3,325	7,497	(4,172)	(55.6%)
Income Taxes	(4,516)	(3,090)	1,426	46.1%
Net Income	(1,191)	4,407	(5,598)	(127.0%)
Non-Controlling Interest	(5,181)	654	(5,835)	(892.2%)
Income of common stockholders	3,990	3,753	237	6.3%

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014Revenue

Net Revenues. Net revenues decreased by \$2.2 million, or approximately 1.0%, to \$215.3 million in 2015 from \$217.5 million in 2014. This decrease was attributable to the decreased revenues from sales of our chestnut food products and convenience food products, which was partially offset by increased revenues from frozen food product segments as reflected in the following table:

	Year Ended December 31,		Increase / (Decrease)	Increase / (Decrease)
	2015	2014		
(In thousands of U.S. dollars)	Revenues (\$)	Revenues (\$)	(\$)	(%)
Chestnut	115,472,940	123,037,895	(7,564,955)	(6.1%)
Convenience food	54,526,645	58,874,609	(4,347,964)	(7.4%)
Frozen food	45,315,852	35,641,156	9,674,696	27.1%
Total	215,315,437	217,553,660	(2,238,223)	(1.0%)

Revenues from sales in the China domestic market increased by approximately \$32.8 million, or approximately 23.5% in 2015. As a percentage of total revenues, revenues from the domestic PRC market increased to approximately 80.1% from approximately 64.2% in 2014. Revenue from sales in international markets decreased by approximately \$35.0 million, or approximately 45.0%. 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, 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. The Company has since shipped chestnuts based on the Japanese cultivar grown in China to Minerve. 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.

Cost of Revenues. Our cost of revenues decreased \$0.4 million, or approximately 0.2%, to \$179.2 million in 2015 from \$179.6 million in 2014, as a result of decrease of net revenue.

Gross Profit. Our gross profit decreased \$1.9 million, or 4.9%, to \$36.1 million in 2015 from \$38.0 million in 2014, mainly attributed to the fact that net revenues decreased by \$2.2 million. The gross profit ratio decreased from 17.4% to 16.8% in 2015, it is mainly attributes to the reason that proportion of revenue from frozen foods in total sales increased from 16.4% to 21.0%, frozen foods products generates lower gross profit than chestnuts products and convenience foods products.

Operating Expenses

Selling and Marketing Expenses. Our selling and marketing expenses decreased approximately \$1.4 million, or 12.0%, to \$10.2 million in 2015 from \$11.6 million in 2014. The decrease is attributable to decreases of transportation expense by 0.8 million in 2015. The Selling and Marketing Expense to Revenue ratio was 4.8% in 2015 compared to 5.4% in 2014, management believes the expense incurred is reasonable.

General and Administrative Expenses. Our general and administrative expenses increased approximately \$1.2 million, or 11.0%, to \$11.8 million in 2015 from \$10.6 million in 2014. The increase is mainly due to the fact that the Company issued 987,500 shares as stock compensation to certain management and employees and directors in 2015, in the current period, for which we recorded expense amounting to \$1.3 million.

Government Subsidy Income

Government subsidy income increased from approximately \$2.4 million in 2014 to \$2.5 million in 2015, representing grants received mostly from the Junan County, Beijing and Luotian government to assist us in our research and business development.

Income Before Taxation and Non-Controlling Interest

Income before taxation and non-controlling interest decreased \$4.2 million, or 55.6%, to \$3.3 million in 2015 from \$7.5 million in 2014, mainly due to provision for \$6.8 million impairment loss of goodwill in 2015. The provision was made on the basis that Athena merged its subsidiary Conserverie Minerve, which suffered loss in past years. The Company treated goodwill recorded for that as fully impaired. In addition, decrease of gross profit and increase of general and administrative expense also leads to the decrease of income before taxation and non-controlling interest.

Income Taxes

Income taxes increased approximately \$1.4 million, or 46.1%, to \$4.5 million in 2015, as compared to \$3.1 million in 2014. This increase was attributable to the higher income (excluding impairment) earned in 2015 as compared to 2014.

Non-Controlling Interest

Shandong Economic Development Investment holds 19.8% of the equity of our subsidiary Shandong Lorain, and Biobranco II, Alcides Branco, and Nuno Branco hold 49% of the equity of the Athena Group, which is reflected in the non-controlling interest of \$5.2million in 2015 and \$0.7 million in 2014.

Income available to common stockholders

Income available to common stockholders increased \$0.2 million, or 6.3%, to \$4.0 million in 2015 from \$3.8 million in 2014. As our 51% controlled overseas subsidiaries suffered loss in 2015, its minority shareholders bore their proportion of loss.

Liquidity and Capital Resources General

Our primary capital needs have been to fund the working capital requirements necessitated by our sales growth, adding new products and expanding our facilities. In the past, our primary sources of financing have been cash generated from operations and short-term loans from banks in China. In addition, We obtained long term loans, private placement financing and convertible promissory note during the period 2011 to 2014. Proceeds from cash drawn down from the long term loan, the private placement transactions and convertible promissory note, together with cash generated from operations and short-term bank loans, have been primarily used to fund our working capital needs, as well as addition to our construction in progress and purchase of fixed assets.

At December 31, 2015 and 2014, cash and cash equivalents (including restricted cash) were \$32.5 million and \$34.5 million, respectively. The debt to assets ratio was 34.8% and 37.7% as of December 31, 2015 and 2014, respectively. We expect to continue to finance our operations and working capital needs in 2016 from cash generated from operations and short-term bank loans. We expect that anticipated cash flows from operations and financial institutions will be sufficient to fund our operations through at least the next twelve months.

Based upon our present plans, we believe that cash on hand, cash flows from operations and funds available under our bank facilities will be sufficient to fund our capital needs for the next twelve (12) months. However, if available liquidity is not sufficient to meet our operating and loan obligations as they come due, our plans include pursuing alternative financing arrangements or reducing expenditures as necessary to meet our cash requirements. However, there is no assurance that we will be able to raise additional capital or reduce discretionary spending to provide liquidity, if needed. Currently, the capital markets for small capitalization companies are difficult. Accordingly, we cannot be sure of the availability or terms of any alternative financing arrangements.

The following table provides detailed information about our net cash flow for all financial statement periods presented in this report.

Cash Flows Data: (In thousands of U.S. dollars)	For year ended December 31,	
	2015	2014
Net cash flows provided by operating activities	34,453	11,386
Net cash flows (used in) investing activities	(7,021)	(11,162)
Net cash flows (used in) financing activities	(31,612)	(3,652)

Operating Activities

Net cash provided by operating activities for 2015 and 2014 was \$34.5 million and \$11.4 million respectively. The increase of approximately \$23.1 million in net cash flows provided by operating activities resulted primarily from the decrease of inventory by \$15.8 million and increase of accounts and other payables by \$14.7 million in 2015, compared to an increase of inventory by \$2.6 million and decrease of accounts and other payables by \$6.4 million in 2014.

Investing Activities

Net cash used in investing activities for 2015 and 2014 were \$7.0 million and \$11.2 million, respectively, with the decrease of approximately \$4.2 million cash used in investing activities primarily from \$5.4 million payment for the acquisition of Athena and investment in 2014.

Financing Activities

Net cash used in financing activities for 2015 and 2014 were \$31.6 million and \$3.7 million, respectively. The increase of approximately \$27.9 million in net cash outflow in financing activities resulted primarily from \$23.0 million repayment of long term borrowing and notes payable in 2015.

Loan Facilities

As of December 31, 2015 and 2014, we carried \$36.3 million and \$41.6 million short term bank loans from foreign and Chinese domestic banks. Please refer to Note 10 of the consolidated financial statements for details.

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 the 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 the more significant judgments and estimates in the preparation of financial statements, including the following:

Method of Accounting -- We 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.

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.

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 -- The consolidated financial statements are presented in US Dollars and include the accounts of the Company and its commonly controlled entity. All significant inter-company balances and transactions are eliminated in combination.

As of December 31, 2015, the particulars of the commonly controlled entities are as follows:

<i>Name of Company</i>	<i>Place of incorporation</i>	<i>Attributable equity interest</i> %	<i>Registered capital</i> \$
	Cayman		
International Lorain Holding Inc.	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
Athena	France	51	13,907
Sojafrais	France	51	5,563
SCI Siam	France	51	848

SCI Giu Long	France	51	5,563
Cacovin	Portugal	51	305,955

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. The Company believes no impairment has occurred to its assets during 2015 and 2014.

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.

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.
- 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 December 31, 2015 and 2014, 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.

Recent accounting pronouncements

In January 2015, The FASB issued ASU No. 2015-01, Income Statement Extraordinary and Unusual Items (Subtopic 225-20). This Update eliminates from GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement Extraordinary and Unusual Items, required that an entity separately classify, present, and disclose extraordinary events and transactions. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. Paragraph 225-20-45-2 contains the following criteria that must both be met for extraordinary classification:

1. Unusual nature. The underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity, taking into account the environment in which the entity operates.

2. Infrequency of occurrence. The underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the entity operates.

If an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax after income from continuing operations. The entity also is required to disclose applicable income taxes and either present or disclose earnings-per-share data applicable to the extraordinary item.

The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The effective date is the same for both public business entities and all other entities.

The Company adopted ASU No. 2015-01 prospectively and has applied it to the presentation of the financial statements.

In September 2015, the FASB issued ASU 2015-16, the guidance eliminates the requirement to restate prior period financial statements for measurement period adjustments following a business combination. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The prior period impact of the adjustment should be either presented separately on the face of the income statement or disclosed in the notes. The Company is currently evaluating the impact the pronouncement will have on the Company's consolidated financial statements.

As of December 31, 2015, 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL DATA

The full text of our audited consolidated financial statements as of December 31, 2015 begins on page F-1 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934 (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 our disclosure controls and procedures as of December 31, 2015. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2015, our disclosure controls and procedures were not effective due to the material weakness in our internal control over financial reporting described below.

Internal Controls Over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management concluded that, as of December 31, 2015, our internal controls over financial reporting are not effective.

The material weakness and significant deficiency identified by our management as of December 31, 2015 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 are inadequate.

Remediation Initiative

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.

Changes in Internal Controls over Financial Reporting.

Other than as described above, during the fiscal year ended December 31, 2015, there were no material changes in our internal control over financial reporting identified in connection with the evaluation performed during the fiscal year covered by this Annual 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 U.S. 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 U.S. 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 misstatements. 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 such 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 misstatements, if any, have been detected or prevented. Also, projections of 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 conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item will be contained in our Proxy Statement related to our 2016 Annual Stockholders' Meeting and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be contained in our Proxy Statement related to our 2016 Annual Stockholders' Meeting and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be contained in our Proxy Statement related to our 2016 Annual Stockholders' Meeting and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item will be contained in our Proxy Statement related to our 2016 Annual Stockholders' Meeting and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item will be contained in our Proxy Statement related to our 2016 Annual Stockholders' Meeting and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1 and 2) **Financial Statement and Schedules**

The financial statements contained in the Audited Financial Statements beginning on page F-1 of this Annual Report on Form 10-K.

(b) **Exhibits**

Exhibit Description

No.	
3.1	Articles of Incorporation of the registrant, as filed with the Nevada Secretary of State on June 15, 2009, Incorporated by reference to Exhibit 3.1 to the registrant's registration statement on Form S-3 filed on January 29, 2010.
3.2	Bylaws of the registrant, Incorporated by reference to Exhibit 3.2 to the registrant's registration statement on Form S-3 filed on January 29, 2010.
4.1	Certificate of Designation of Series A Voting Convertible Preferred Stock of the registrant as filed with the Secretary of State of Delaware on April 9, 2007. Incorporated by reference to Exhibit 4.1 to the registrant's current report on Form 8-K filed on May 9, 2007 in commission file number 0-31619.
4.2	Certificate of Designation of Series B Voting Convertible Preferred Stock of registrant as filed with the Secretary of State of Delaware on April 30, 2007. Incorporated by reference to Exhibit 4.2 to the registrant's current report on Form 8-K filed on May 9, 2007.
4.3	Form of Series A Warrant. Incorporated by reference to Exhibit 4.1 to the registrant's current report on Form 8-K filed on October 29, 2009.
4.4	Form of Series B Warrant. Incorporated by reference to Exhibit 4.2 to the registrant's current report on Form 8-K filed on October 29, 2009.
4.5	Registration Rights Agreement, dated as of October 28, 2009. Incorporated by reference to Exhibit 4.3 to the registrant's current report on Form 8-K filed on October 29, 2009.
4.6	Registration Rights Agreement, dated as of September 9, 2010, by and among American Lorain Corporation and the purchasers named therein. Incorporated by reference to Exhibit 99.3 to the registrant's current report on Form 8-K filed on September 13, 2010.
4.7	Stockholder Agreement, dated as of September 9, 2010, by and among American Lorain Corporation, the purchasers named therein and Si Chen. Incorporated by reference to Exhibit 99.4 to the registrant's current report on Form 8-K filed on September 13, 2010.
10.1	Securities Purchase Agreement dated as of October 28, 2009, by and between American Loan Corporation and the purchasers named therein. Incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed on October 29, 2009.
10.2	

Edgar Filing: American Lorain CORP - Form 10-K

- Securities Purchase Agreement dated as of September 9, 2010, by and among American Loan Corporation, Si Chen and the purchasers named therein. Incorporated by reference to Exhibit 99.1 to the registrant's current report on Form 8-K filed on September 13, 2010.
- 10.3 Make Good and Escrow Agreement, dated as of September 9, 2010, by and among American Lorain Corporation, the purchasers named therein, Si Chen and the collateral agent named therein. Incorporated by reference to Exhibit 99.2 to the registrant's current report on Form 8-K filed on September 13, 2010.
- 10.4 Loan Agreement, dated May 31, 2010, between Junan Hongrun Foodstuff Co. Ltd. and DEG-Deutsche Investitions- Und Entwicklungsgesellschaft MBH. Incorporated by reference to Exhibit 10.12 to the registrant's quarterly report on Form 10-Q filed on August 11, 2010.
- 10.5 Share Purchase Agreement dated February 7, 2014 by and between Junan Hongrun Foodstuff Co., Ltd. and Intiraimi. Incorporated by reference to Exhibit 10.5 to the registrant's current report on Form 8-K filed on February 13, 2014.
- 10.6 Reiterative Share Purchase Agreement dated February 7, 2014 by and between Junan Hongrun Foodstuff Co., Ltd. and Biobranco II. Incorporated by reference to Exhibit 10.6 to the registrant's current report on Form 8-K filed on February 13, 2014.
- 10.7 Shareholders' Agreement dated February 7, 2014 by and among Junan Hongrun Foodstuff Co., Ltd., Athena, and the other shareholders of Athena. Incorporated by reference to Exhibit 10.7 to the registrant's current report on Form 8-K filed on February 13, 2014.
- 10.8 American Lorain Corporation 2014 Equity Incentive Plan (Incorporated by reference from Appendix A to the Company's Definitive Schedule 14A filed on April 30, 2014)
- 10.9 Small and Medium Size Enterprise Private Placement Notes Subscription Agreement of 2013 between Beijing Lorain Co., Ltd. and Haitong Securities, Inc. dated August 28, 2013 Incorporated by reference to Exhibit 10.8 to the registrant's Form 10-K/A filed on February 23, 2015
- 10.10 Small and Medium Size Enterprise Private Placement Notes Subscription Agreement of 2013 between Beijing Lorain Co., Ltd. and Everbright Securities Assets Management Co., Ltd. dated August 28, 2013 Incorporated by reference to Exhibit 10.9 to the registrant's Form 10-K/A filed on February 23, 2015
- 10.11 Small and Medium Size Enterprise Private Placement Notes Subscription Agreement of 2013 between Beijing Lorain Co., Ltd. and SWS MU Fund Management Co., Ltd. dated August 28, 2013 Incorporated by reference to Exhibit 10.10 to the registrant's Form 10-K/A filed on February 23, 2015
- 10.12 Small and Medium Size Enterprise Private Placement Notes Subscription Agreement of 2013 between Beijing Lorain Co., Ltd. and Essence Securities, Inc. dated August 28, 2013 Incorporated by reference to Exhibit 10.11 to the registrant's Form 10-K/A filed on February 23, 2015
- 10.13 Small and Medium Size Enterprise Private Placement Notes Subscription Agreement of 2013 between Beijing Lorain Co., Ltd. and Guoyuan Securities, Inc. dated August 28, 2013 Incorporated by reference to Exhibit 10.12 to the registrant's Form 10-K/A filed on February 23, 2015
- 10.14 Small and Medium Size Enterprise Private Placement Notes Subscription Agreement of 2013 between Junan Hongrun Foodstuff Co., Ltd. and Harfor Fund Management Co., Ltd. dated October 18, 2013 Incorporated by reference to Exhibit 10.13 to the registrant's Form 10-K/A filed on February 23, 2015

- 10.15 Small and Medium Size Enterprise Private Placement Notes Subscription Agreement of 2013 between Junan Hongrun Foodstuff Co., Ltd. and Opplle Lighting Corporation. dated November 6, 2013
Incorporated by reference to Exhibit 10.14 to the registrant's Form 10-K/A filed on February 23, 2015
- 14.1 Business Ethics Policy and Code of Conduct, adopted on April 30, 2007. Incorporated by reference to Exhibit 14 to the registrant's current report on Form 8-K filed on May 9, 2007.
- 21.1 List of subsidiaries of the registrant *
- 23.1 Consent of Independent Registered Public Accounting Firm *
- 31.1 Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
- 31.2 Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
- 32.1 Certification of Chief 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 Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *

* Filed herewith

Management contract, compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

AMERICAN LORAIN
CORPORATION

Date: April 14, 2016

By: /s/ Si Chen

Si Chen, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Si Chen Si Chen	President , Director and Chief Executive Officer (Principal Executive Officer)	April 14, 2016
/s/ Xiang Zhou Xiang Zhou	Interim Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 14, 2016
/s/ Yundong Lu Yundong Lu	Chief Operating Officer and Director	April 14, 2016
/s/ Dekai Yin Dekai Yin	Director	April 14, 2016
/s/ Maoquan Wei Maoquan Wei	Director	April 14, 2016
/s/ Jianxiao Wu Jianxiao Wu	Director	April 14, 2016

Edgar Filing: American Lorain CORP - Form 10-K
AMERICAN LORAIN CORPORATION
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

AMERICAN LORAIN CORPORATION

<u>CONTENTS</u>	<u>PAGES</u>
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	1
CONSOLIDATED BALANCE SHEETS	2 3
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME	4
CONSOLIDATED STATEMENTS OF CASH FLOWS	5
CONSOLIDATED STATEMENTS OF STOCKHOLDER S EQUITY	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7 33

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of American Lorain Corporation as of December 31, 2015 and 2014 and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 9 to the consolidated financial statements, the Company provided an impairment for its goodwill since the Company identified that its subsidiary had incurred losses and was not able to determine whether the subsidiary would be able to generate future profit and positive operating cash flows to justify the carrying value of goodwill in the amount. Our opinion is not modified with respect to this matter.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Lorain Corporation as of December 31, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

San Mateo, California
April 14, 2016

/s/ WWC, P.C.
WWC, P.C.
Certified Public Accountants

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

ASSETS	At December 31,	At December 31,
	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 20,664,487	\$ 30,279,988
Restricted cash	11,792,596	4,195,114
Trade accounts receivable	62,532,017	58,806,466
Other receivables	12,107,256	8,183,485
Inventories	43,712,048	51,648,160
Advance to suppliers	34,631,432	42,479,437
Prepaid expenses and taxes	1,868,744	2,758,334
Security deposits and other assets	3,741,346	3,578,514
Total current assets	\$ 191,049,926	\$ 201,929,498
Non-current assets		
Investment	3,081,332	3,258,125
Property, plant and equipment, <i>net</i>	82,110,315	89,148,530
Construction in progress, net	13,890,270	14,340,145
Intangible assets, <i>net</i>	16,186,515	17,537,868
Goodwill	3,219,172	10,327,553
TOTAL ASSETS	\$ 309,537,530	\$ 336,541,719
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Short-term bank loans	\$ 36,310,826	\$ 41,645,100
Notes payable	2,965,747	6,005,430
Convertible promissory note	-	3,500,000
Long-term debt - current portion	22,197,027	19,226,094
Accounts payable	22,463,974	10,071,009
Taxes payable	5,863,261	4,320,470
Accrued liabilities and other payables	4,740,898	4,153,054
Related party payable	1,755,216	2,433,300
Deferred tax liabilities	5,076	70,545
Customers deposits	237,311	61,428
Capital lease - current portion	464,090	-
Total current liabilities	\$ 97,003,426	\$ 91,486,430

See Accompanying Notes to the Financial Statements and Accountant's Report

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

	At December 31, <u>2015</u>	At December 31, <u>2014</u>
Long-term liabilities		
Long-term bank loans	\$ 326,591	\$ 2,707,587
Notes payable and debenture	9,544,425	32,581,249
Capital lease current portion	694,989	-
TOTAL LIABILITIES	\$ 107,569,431	\$ 126,775,266
STOCKHOLDERS EQUITY		
Preferred Stock, \$0.001 par value, 5,000,000 shares authorized; 0 shares issued and outstanding at December 31, 2015 and 2014, respectively	\$ -	\$ -
Common Stock, \$0.001 par value, 200,000,000 shares authorized; 38,259,490 shares and 34,916,714 shares issued and outstanding as of December 31, 2015 and 2014, respectively	38,260	34,917
Additional paid-in capital	57,842,064	53,853,089
Statutory reserves	24,660,666	23,038,917
Retained earnings	101,389,920	99,021,555
Accumulated other comprehensive income	10,196,987	20,796,420
Non-controlling interests	7,840,202	13,021,555
TOTAL STOCKHOLDER S EQUITY	\$ 201,968,099	\$ 209,766,453
TOTAL LIABILITIES AND STOCKHOLDER S EQUITY	\$ 309,537,530	\$ 336,541,719

See Accompanying Notes to the Financial Statements and Accountant s Report

AMERICAN LORAIN CORPORATION
AUDITED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

	For the years ended December 31,	
	<u>2015</u>	<u>2014</u>
Net revenues	\$ 215,315,437	\$ 217,553,660
Cost of revenues	179,197,430	179,591,460
Gross profit	\$ 36,118,007	\$ 37,962,200
Operating expenses		
Selling and marketing expenses	10,240,890	11,642,381
General and administrative expenses	11,824,196	10,654,514
	22,065,086	22,296,895
Operating income	\$ 14,052,921	\$ 15,665,305
Government subsidy income	2,467,556	2,378,323
Interest income	432,728	229,580
Other income	626,986	899,240
Other expenses	(375,722)	(567,117)
Interest expense	(7,092,845)	(8,347,086)
Impairment of goodwill	(6,786,928)	-
Loss from write down of other receivable	-	(2,762,411)
Earnings before tax	\$ 3,324,696	\$ 7,495,834
Income tax	4,515,935	3,089,712
Net income	\$ (1,191,239)	\$ 4,406,122
Other comprehensive income:		
Foreign currency translation gain	(10,599,433)	(131,824)
Comprehensive Income	(11,790,672)	4,274,298
Net income attributable to:		
-Common stockholders	\$ 3,990,114	\$ 3,752,524
-Non-controlling interest	(5,181,353)	653,598
	\$ (1,191,239)	\$ 4,406,122
Earnings per share		
- Basic	\$ 0.11	\$ 0.11
- Diluted	\$ 0.11	\$ 0.11
Weighted average shares outstanding		
- Basic	37,108,688	34,724,385
- Diluted	37,108,688	34,724,385

See Accompanying Notes to the Financial Statements and Accountant's Report

AMERICAN LORAIN CORPORATION
AUDITED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

	For the years ended December 31,	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Net income	\$ (1,191,239)	\$ 4,406,122
Stock based compensation	1,283,750	366,000
Impairment of goodwill	6,786,928	-
Depreciation of fixed assets	4,085,891	4,907,651
Amortization of intangible assets	507,614	603,682
(Increase)/decrease in accounts and other receivables	(7,649,322)	7,843,901
(Increase)/decrease in inventories	15,784,117	(2,559,509)
Decrease/(increase) in prepayment	889,589	(269,736)
(Increase) in deferred tax asset	(65,469)	(66,674)
Increase/(decrease) in accounts and other payables	14,699,482	(6,420,371)
Increase/(decrease) in related party payable	(678,084)	2,574,388
Net cash (used in)/provided by operating activities	34,453,257	11,385,454
Cash flows from investing activities		
Decrease in restricted cash	(7,597,482)	(2,358,756)
Payment for acquisition of Athena Group	-	(2,100,000)
Purchase of long-term investment	-	(3,258,312)
Sale of investment	1,354,349	-
Purchase of plant and equipment	(1,936,538)	(3,009,450)
Increase in capital lease	1,159,078	-
Increase in deposit	-	(435,900)
Net cash used in investing activities	(7,020,593)	(11,162,418)
Cash flows from financing activities		
Repayment of bank borrowings	(10,475,623)	(13,671,142)
Proceeds from bank borrowings and debentures	1,900,173	23,041,946
Repayment of long-term borrowings and notes payable	(23,036,824)	(13,022,529)
Net cash provided by/(used in) financing activities	\$ (31,612,274)	\$ (3,651,725)
Net Increase/(decrease) of Cash and Cash Equivalents	(4,179,610)	(3,428,689)
Effect of foreign currency translation on cash and cash equivalents	(5,435,891)	(148,516)
Cash and cash equivalents beginning of year	30,279,988	33,857,193
Cash and cash equivalents end of year	\$ 20,664,487	\$ 30,279,988
<u>Supplementary cash flow information:</u>		
Interest received	\$ 432,728	\$ 228,748
Interest paid	\$ 4,141,009	\$ 7,318,618
Income taxes paid	\$ 2,968,688	\$ 4,672,630

See Accompanying Notes to the Financial Statements and Accountant's Report

AMERICAN LORAIN CORPORATION
AUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(STATED IN US DOLLARS)

	Number Of Shares	Common Stock	Additional Paid-in Capital	Statutory Reserves	Retained Earnings	Accumulated Other Comprehensive Income	Non- Controlling Interests	Total
Balance, January 1, 2014	34,616,714	34,617	53,487,389	18,396,513	98,604,239	20,928,244	11,003,908	202,454,9
Net income	-	-	-	-	4,406,122	-	-	4,406,1
Increase in non-controlling interests from acquisition of Athena Group	-	-	-	-	-	-	2,671,245	2,671,2
Issuance of share based compensation	300,000	300	365,700	-	-	-	-	366,0
Appropriations to statutory reserve	-	-	-	4,642,404	(4,642,404)	-	-	-
Allocation to non-controlling interests	-	-	-	-	653,598	-	(653,598)	-
Foreign currency translation adjustment	-	-	-	-	-	(131,824)	-	(131,8
Balance, December 31, 2014	34,916,714	34,917	53,853,089	23,038,917	99,021,555	20,796,420	13,021,555	209,766,4
Balance, January 1, 2015	34,916,714	34,917	53,853,089	23,038,917	99,021,555	20,796,420	13,021,555	209,766,4
Net income	-	-	-	-	(1,191,239)	-	-	(1,191,2
Conversion of loan debenture to common stock	2,355,276	2,355	2,706,213	-	-	-	-	2,708,5
Issuance of share based compensation	987,500	988	1,282,762	-	-	-	-	1,283,7
Appropriations to statutory reserve	-	-	-	1,621,749	(1,621,749)	-	-	-
Allocation to non-controlling	-	-	-	-	5,181,353	-	(5,181,353)	-

interests									
Foreign									
currency									
translation									
adjustment	-	-	-	-	-	(10,599,433)	-	(10,599,433)	
Balance,									
December 31,									
2015	38,259,490	38,260	57,842,064	24,660,666	101,389,920	10,196,987	7,840,202	201,968,000	
	See Accompanying Notes to the Financial Statements and Accountant's Report								

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(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 \$2,100,000 to 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.

(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
DECEMBER 31, 2015 AND 2014
(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 year ended December 31, 2015 in order to be consistent with the presentation provided for the year ended December 31, 2014. 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 December 31, 2015, the detailed identities of the consolidating subsidiaries are as follows:

<i>Name of Company</i>	<i>Place of incorporation</i>	<i>Attributable equity interest %</i>	<i>Registered capital</i>
	Cayman		
International Lorain Holding Inc.	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
Athena	France	51	13,907
Sojafrais	France	51	5,563
SCI Siam	France	51	848
SCI Giu Long	France	51	5,563
Cacovin	Portugal	51	305,955

(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
DECEMBER 31, 2015 AND 2014
(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.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

(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.

(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 2015 and 2014.

(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. 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.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

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: -

<i>Rate</i>	Taxable Income		
	<i>Over</i>	<i>But Not Over</i>	<i>Of Amount Over</i>
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 transferred \$1,621,749 and \$4,642,404 from retained earnings to statutory reserves for the years ended December 31, 2015 and 2014. 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.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

	<u>12/31/2015</u>	<u>12/31/2014</u>
Year end RMB: US\$ exchange rate	6.4907	6.1385
Annual average RMB: US\$ exchange rate	6.2175	6.1432
Year-end EUR: US\$ exchange rate	0.9168	0.8826
Annual average EUR: US\$ exchange rate	0.9011	0.7773

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, 2015, no warrants were issued nor were options granted. For the year ended December 31, 2010, 81,155 warrants were issued to certain service providers. 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. As of December 31, 2015, 1,753,909 shares of Series A warrants are outstanding 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:

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

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.

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 December 31, 2015 and 2014, 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 years ended December 31, 2015 and 2014 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

In January 2015, The FASB issued ASU No. 2015-01, Income Statement - Extraordinary and Unusual Items (Subtopic 225-20). This Update eliminates from GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement - Extraordinary and Unusual Items, required that an entity separately classify, present, and disclose extraordinary events and transactions. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. Paragraph 225-20-45-2 contains the following criteria that must both be met for extraordinary classification:

1. Unusual nature. The underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical

activities of the entity, taking into account the environment in which the entity operates.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

2. Infrequency of occurrence. The underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the entity operates.

If an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax after income from continuing operations. The entity also is required to disclose applicable income taxes and either present or disclose earnings-per-share data applicable to the extraordinary item.

The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The effective date is the same for both public business entities and all other entities.

The Company adopted ASU No. 2015-01 prospectively and has applied it to the presentation of the financial statements.

In September 2015, the FASB issued ASU 2015-16, the guidance eliminates the requirement to restate prior period financial statements for measurement period adjustments following a business combination. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The prior period impact of the adjustment should be either presented separately on the face of the income statement or disclosed in the notes. The Company is currently evaluating the impact the pronouncement will have on the Company's consolidated financial statements.

As of December 31, 2015, 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 underlie notes payable, the cash is deposited in six month time deposits that pay interest at the national time deposit rate.

4. TRADE ACCOUNTS RECEIVABLE

	<u>12/31/2015</u>	<u>12/31/2014</u>
Trade accounts receivable	\$ 68,433,828	\$ 64,726,091
<u>Less:</u> Allowance for doubtful accounts	(5,901,811)	(5,919,625)
	\$ 62,532,017	\$ 58,806,466

Allowance for bad debt:	<u>12/31/2015</u>	<u>12/31/2014</u>
Beginning balance	\$ (5,919,625)	\$ (439,875)
Additions to allowance	-	(5,479,750)
Bad debt written-off	17,814	-
Ending balance	\$ (5,901,811)	\$ (5,919,625)

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

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 December 31, 2015 and 2014:

	<u>12/31/2015</u>	<u>12/31/2014</u>
Advances to employees for job/travel disbursements	2,160,303	2,623,067
Amount due by a non-related enterprise	154,067	162,907
Other non-related receivables	1,844,125	580,634
Other related party receivables	89,509	1,420,548
Short-term investment sale receivable	1,540,666	1,629,062
Vendor rebate receivable	6,318,586	1,767,267
	\$ 12,107,256	\$ 8,183,485

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 December 31, 2015.

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\$1,540,666).

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

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 and the case is still in the process. The balance of the claim was deemed to be uncollectable and was written off as a loss. As of December 31, 2015, RMB 10,000,000 (US\$ 1,540,666) is due and payable to the Company since the decision from the lower court does not become effective until the appeal procedure is completed or expired. 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 is scheduled at the end of April 2016.

6. INVENTORIES

Inventories consisted of the following as of December 31, 2015 and 2014:

	<u>12/31/2015</u>	<u>12/31/2014</u>
Raw materials	\$ 23,272,163	\$ 28,557,607
Finished goods	20,439,885	23,090,553
	\$ 43,712,048	\$ 51,648,160

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment consisted of the following as of December 31, 2015 and 2014:

	<u>12/31/2015</u>	<u>12/31/2014</u>
At Cost:		
Buildings	\$ 82,678,210	\$ 87,751,232
Land	209,010	232,946
Landscaping, plant and tree	10,331,020	10,923,768
Machinery and equipment	22,188,630	21,853,334
Office equipment	1,059,269	1,095,590
Motor vehicles	592,045	654,324
	\$ 117,058,184	\$ 122,511,194
<u>Less: Accumulated depreciation</u>		
Buildings	(15,445,517)	(14,479,949)
Landscaping, plant and tree	(4,705,085)	(4,021,153)
Machinery and equipment	(13,157,839)	(13,181,519)
Office equipment	(1,199,028)	(1,252,846)
Motor vehicles	(440,400)	(427,197)
	(34,947,869)	(33,362,664)
	\$ 82,110,315	\$ 89,148,530

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 years ended December 31, 2015 and 2014 was \$4,085,891 and \$4,907,651, respectively.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

8. INTANGIBLE ASSETS, NET

Intangible assets consisted of the following as of December 31, 2015 and 2014:

	<u>12/31/2015</u>	<u>12/31/2014</u>
Land use rights, <i>at cost</i>	\$ 16,569,679	\$ 17,520,374
Utilities rights, <i>at cost</i>	47,926	50,676
Software, <i>at cost</i>	463,246	451,863
Patent, <i>at cost</i>	1,419,428	,,1,581,891
	18,500,279	19,604,804
<u>Less: Accumulated amortization</u>	(2,313,764)	(2,066,936)
	\$ 16,186,515	\$ 17,537,868

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 years ended December 31, 2015 and 2014 was \$507,614 and \$603,682, 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 Conserveie 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 Conserveie 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. The Company's management is developing a strategic, operational, and financing plan designed to bring Conserverie Minerve back to profitability.

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 December 31, 2015 and 2014:

<u>Bank Overdrafts</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
<i>CIC Lorient Enterprises,</i>		
<i>Interest rate of EURIBOR+1.70% due within 3 months</i>	\$ 141,210	\$ 380,106
<i>Credit Agricole,</i>		
<i>Interest rate of EURIBOR+1.70% due within 3 months</i>	140,453	214,146
<i>LCL Banque et Assurance,</i>		
<i>Interest rate of EURIBOR+1.70% due within 3 months</i>	3,800	105,508
<i>Société Générale,</i>		
<i>Interest rate of EURIBOR+1.70% due within 3 months</i>	83,500	285,621
<i>Banque Tarneud,</i>		
<i>Interest rate of EURIBOR+1.70% due within 3 months</i>	407,917	548,537
	-	1,151,975

<i>BPI France,</i>		
<i>Interest rate of EURIBOR+1.70% due within 3 months</i>		
<i>BNP Paribas,</i>		
<i>Interest rate of EURIBOR+1.70% due within 3 months</i>	194,835	-
<i>HSBC,</i>		
<i>Interest rate of EURIBOR+1.70% due within 3 months</i>	3,459	22,963
<i>GE,</i>		
<i>Interest rate of EURIBOR+1.70% due within 3 months</i>	707	2,043
<i>BES,</i>		
<i>Interest rate of EURIBOR+1.70% due within 3 months</i>	236	263
<i>Banco Portugues de Negocios</i>	1,672	1,864
<i>Banco Espirito Santo</i>	3,545	3,951
	\$ 981,334	\$ 2,716,977

Bank overdrafts are collateralized by inventory.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

<u>Short-term Bank Loans</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
<i>Loan from Industrial and Commercial Bank of China,</i>		
Interest rate at 7.28% per annum; due 3/4/2015	-	1,466,156
Interest rate at 7.125% per annum; due 3/27/2015	-	4,072,656
Interest rate at 1.74% per annum; due 4/10/2015	-	387,652
Interest rate at 1.74% per annum; due 4/24/2015	-	895,884
Interest rate at 7.28% per annum; due 6/5/2015	-	1,010,019
Interest rate at 6.50% per annum; due 10/14/2015	-	977,437
Interest rate at 7.20% per annum; due 11/2/2015	-	1,629,062
Interest rate at 6.72% per annum; due 12/1/2015	1,509,061	1,629,062
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	3,851,665	-
<i>Loan from China Minsheng Bank Corporation, Linyi Branch</i>		
Interest rate at 7.8% per annum due 1/17/2015	-	1,629,062
Interest rate at 7.8% per annum due 2/26/2015	-	814,531
Interest rate at 5.98% per annum due 9/22/2016	1,540,666	-
<i>Loan from Agricultural Bank of China, Junan Branch</i>		
Interest rate at 7.8% per annum due 8/14/2015	-	1,629,062
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	3,081,332	-
<i>Loan from Agricultural Bank of China, Luotian Branch</i>		
Interest rate at 7.28% per annum due 3/24/2015	-	1,629,062
Interest rate at 7.8% per annum due 8/25/2015	-	2,117,781
<i>China Agricultural Development Bank,</i>		
Interest rate at 6.0% per annum due 1/7/2015	-	733,078
Interest rate at 6.0% per annum due 9/1/2015	-	814,531
Interest rate at 5.6% per annum due 1/6/2016	770,333	-
<i>Luotian Sanliqiao Credit Union,</i>		
Interest rate at 9.36% per annum due 1/21/2015	-	162,906
Interest rate at 9.72% per annum due 2/13/2016	2,002,866	-

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

<i>Bank of Ningbo,</i>		
Interest rate at 6.548% per annum due 10/26/2015	-	1,629,062
Interest rate at 7.80% per annum due 10/27/2016	1,232,533	-
<i>Hankou Bank, Guanggu Branch,</i>		
Interest rate at 6.95% per annum due 8/24/2015	-	1,629,062
Interest rate at 6.85% per annum due 10/24/2016	1,540,666	-
<i>Postal Savings Bank of China,</i>		
Interest rate at 9.72% per annum due 7/27/2016	400,573	-
<i>Bank of Rizhao,</i>		
Interest rate at 7.80% per annum due 1/17/2015	-	1,629,062
Interest rate at 7.28% per annum due 1/19/2016	1,540,666	-
<i>China Construction Bank,</i>		
Interest rate at 6.16% per annum due 2/25/2015	-	814,531
Interest rate at 6.60% per annum due 4/15/2015	-	798,241
Interest rate at 6.60% per annum due 5/11/2015	-	521,300
Interest rate at 6.60% per annum due 11/27/2015	-	814,531
Interest rate at 6.18% per annum due 11/29/2016	770,333	-
<i>Luotian County Ministry of Finance,</i>		
Interest rate at 6.18% per annum due 11/29/2016	616,266	-
<i>Huaxia Bank,</i>		
Interest rate at 7.8% per annum due 5/19/2015	-	1,629,062
Interest rate at 7.8% per annum due 5/19/2016	1,540,666	-
<i>City of Linyi Commercial Bank, Junan Branch,</i>		
Interest rate at 8.4% per annum due 2/16/2016	1,540,666	-
Interest rate at 7.83% per annum due 7/15/2016	3,081,332	-
<i>Bank of China, Paris Branch</i>		
Interest rate at 2.80% per annum due 11/18/2015	4,363,002	3,622,666

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

Interest rate at 2.80% per annum due 2/11/2016	2,726,875	2,992,000
<i>BNP Paribas,</i>		
Interest rate at 3.80% per annum due 3/14/2015	-	2,000,000
Interest rate at 3.00% per annum due 7/15/2015	-	1,000,000
Interest rate at 4.20% per annum due 12/20/2016	-	7,000,000
<i>CIC Lorient Enterprises,</i>		
Interest rate at 2.98% per annum due 12/20/2015	-	2,000,000
Interest rate at 4.20% per annum due 12/20/2016	-	10,000,000
<i>Credit Agricole,</i>		
Interest rate at 4.20% per annum due 12/20/2016	-	10,000,000
Interest rate at 1.85% per annum due 1/25/2017	-	4,000,000
<i>LCL Banque et Assurance,</i>		
Interest rate at 4.20% per annum due 12/20/2016	-	10,000,000
<i>Banque Paribas,</i>		
Interest rate at 3.28% per annum due 12/2016	-	13,000,000
Interest rate at 2.90% per annum due 12/2016	-	7,000,000
<i>BPI France,</i>		
Interest rate at 3.42% per annum due 12/20/2016	-	5,000,000
<i>Société Générale,</i>		
Interest rate at 2.90% per annum due 5/15/2016	-	2,000,000
	35,329,492	38,992,000
	\$ 36,310,826	\$ 41,644,000

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.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

11. CURRENT PORTION LONG TERM DEBT

Current portions of notes payable, debentures, and long-term debt consisted of the following as of December 31, 2015 and 2014:

	<u>12/31/2015</u>	<u>12/31/2014</u>
<i>Note payable issued by Shanghai Pudong Development Bank</i>		
Interest rate at 5.9% per annum due 12/28/2015	\$ -	\$ 13,032,500
<i>Debenture issued by 5 private placement holders underwritten by Guoyuan Securities Co., Ltd.</i>		
Interest rate at 10% per annum due 8/28/2016	7,703,329	-
<i>Debenture issued by 2 private placement holders underwritten by Daiwa SSC Securities Co. Ltd.</i>		
Interest rate at 9.5% per annum due 11/8/2015	7,703,329	-
<i>BNP Paribas,</i>		
Interest rate at 4.20% per annum due 12/20/2016	97,678	-
<i>CIO,</i>		
Interest rate at 4.20% per annum due 12/20/2016	137,733	-
<i>Credit Agricole,</i>		
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	-
<i>Banque Parneud,</i>		
Interest rate at 3.28% per annum due 12/2016	65,336	-
Interest rate at 2.90% per annum due 12/2016	121,689	-
<i>BPI France,</i>		
Interest rate at 3.42% per annum due 12/20/2016	409,031	-
<i>Société Générale,</i>		
Interest rate at 2.90% per annum due 5/15/2016	17,142	-
<i>LCL,</i>		
Interest rate at 4.20% per annum due 12/20/2016	137,185	-
<i>Loans from China Development Bank</i>		
Interest rate at 7.07% per annum due 5/20/2015	-	1,140,344
Interest rate at 7.07% per annum due 9/24/2015	-	1,303,250
<i>Loans from Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG)</i>		
Interest rate at 5.510% per annum due 3/15/2015	1,875,000	1,875,000

Edgar Filing: American Lorain CORP - Form 10-K

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	-
	22,197,027	19,226,094

The Company began repaying its loan with DEG in semi-annual installments on September 15, 2012. As of December 31, 2015 and 2014, the Company has repaid \$0 and \$9,375,000 in 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 the Shareholder in form and substance satisfactory to DEG.
- The Company is in the process of negotiation with DEG to reschedule the three installment repayments.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

12. NOTES PAYABLE AND CONVERTIBLE PROMISSORY NOTE

Notes payable consisted of the following as of December 31, 2015 and 2014:

	<u>12/31/2015</u>	<u>12/31/2014</u>
<i>Notes payable issued by Hankou Bank,</i>		
Interest rate at 5.55% per annum due 3/24/2015	\$ -	\$ 1,629,062
<i>Notes payable issued by BNP Paribas,</i>		
Interest rate at EURIBOR + 1.7% per annum due within 3 months	630,214	972,527
<i>Notes payable issued by CIC Lorient Enterprises,</i>		
Interest rate at EURIBOR + 1.7% per annum due within 3 months	929,562	1,434,476
<i>Notes payable issued by Credit Agricole,</i>		
Interest rate at EURIBOR + 1.7% per annum due within 3 months	443,203	705,081
<i>Notes payable issued by LCL Banque et Assurance,</i>		
Interest rate at EURIBOR + 1.7% per annum due within 1 months	516,773	705,081
<i>Notes payable issued by Société Générale,</i>		
Interest rate at EURIBOR + 1.7% per annum due within 1 months	445,995	559,203
	\$ 2,965,747	\$ 6,005,430

The notes payable are guaranteed by third party guarantors.

Convertible promissory note consisted of the following as of December 31, 2015 and 2014:

	<u>12/31/2015</u>	<u>12/31/2014</u>
<i>Note issued by Jade Lane Group Limited</i>		
Interest rate at 4.50% per annum due 3/13/2015	\$ -	\$ 3,500,000
	\$ -	\$ 3,500,000

Under the terms of the Note, interest on the outstanding Principal Amount accrues at a rate of 4.5% per annum, and all accrued but unpaid interest is due and payable on December 31, 2014 and on the last day of each quarter thereafter. If the Note is not converted pursuant to the terms of the Note, additional interest on the outstanding Principal Amount shall accrue at a rate of 4.5% per annum and is payable at the maturity of the Note. Unless the Note is otherwise accelerated or converted, the unpaid Principal Amount of the Note, together with all accrued but unpaid interest, is due and payable, at the election of the Holder, on September 13, 2014 or March 13, 2015 (Maturity Date), provided, however, if Holder fails to notify the Company in writing by August 13, 2014 that it elects the maturity date of September 13, 2014, then the Maturity Date will be extended to March 13, 2015. The Company did not receive the notification from the Holder to elect the maturity date of December 31, 2014; therefore, the maturity date will be March 13, 2015. On March 12, 2015, the Company and Jade Lane Group Limited entered into an agreement to repayment terms of the promissory note in the amount of \$3,500,000 issued to the Company on March 13, 2014. On April 20, 2015, the Company repaid the promissory note in form of both cash payment of \$791,433 and conversion of

2,355,276 shares of common stock at a conversion price of \$1.15 per share.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

13. TAXES PAYABLES

Taxes payable consisted of the following as of December 31, 2015 and 2014:

	<u>12/31/2015</u>	<u>12/31/2014</u>
Value added tax payable	\$ 2,187,542	\$ 1,664,596
Corporate income tax payable	2,370,952	996,629
Employee payroll tax withholding	9,561	442,382
Property tax payable	87,619	55,872
Stamp tax payable	1,571	1,478
Business tax payable	149,610	158,194
Land use tax payable	159,923	53,400
Capital gain tax payable	896,483	947,919
	\$ 5,863,261	\$ 4,320,470

14. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables consisted of the following as of December 31, 2015 and 2014:

	<u>12/31/2015</u>	<u>12/31/2014</u>
Accrued salaries and wages	\$ 278	\$ 303,751
Accrued utility expenses	331,692	25,631
Accrued interest expenses	1,700,353	1,359,472
Accrued transportation expenses	1,029,973	653,935
Other accruals	983,857	819,775
Business and other taxes	377,957	505,584
Disbursement payable	-	108,528
Accrued staff welfare	316,788	376,378
	\$ 4,740,898	\$ 4,153,054

15. LONG-TERM DEBT

Non-current portions of long-term debt consisted of the following as of December 31, 2015 and 2014:

	<u>12/31/2015</u>	<u>12/31/2014</u>
<i>Loans from Deutsche Investitions-und Entwicklungsgesellschaft mbH</i> (<i>DEG</i>)		
Interest rate at 5.510% per annum due 3/15/2016	\$ -	\$ 1,875,000
<i>BNP Paribas,</i>		
Interest rate at 4.20% per annum due 12/20/2016	-	105,863
<i>CIC Lorient Enterprises,</i>		
Interest rate at 4.20% per annum due 12/20/2016	-	104,394
<i>Credit Agricole,</i>		
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,

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

Interest rate at 4.20% per annum due 12/20/2016	-	104,394
<i>Société Générale,</i>		
Interest rate at 2.90% per annum due 5/15/2016	-	10,665
<i>Banco Portugue de Negocios,</i>		
Interest rate at EURIBOR 3M+spread 2% per annum due 06/2024	302,431	337,064
<i>Banco Espirito Santo</i>		
Interest rate at EURIBOR 3M+spread 2% per annum due 06/2024	24,160	26,926
	\$ 326,591	\$ 2,707,587

The Company began repaying its loan with DEG in semi-annual installments on September 15, 2012. As of December 31, 2015 and 2014, the Company has repaid \$0 and \$9,375,000 in 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 the Shareholder in form and substance satisfactory to DEG.

Non-current portions of notes payable and debentures consisted of the following as of December 31, 2015 and 2014:

	<u>12/31/2015</u>	<u>12/31/2014</u>
<i>Debenture issued by 5 private placement holders underwritten by Guoyuan Securities Co., Ltd.</i>		
Interest rate at 10% per annum due 8/28/2016	9,544,425	16,290,625
<i>Debenture issued by 2 private placement holders underwritten by Daiwa SSC Securities Co. Ltd.</i>		
Interest rate at 9.5% per annum due 11/8/2015	-	16,290,624
	\$ 9,544,425	\$ 32,581,249

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.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

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 are outstanding; 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 December 31, 2015 was 38,259,490.

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

Edgar Filing: American Lorain CORP - Form 10-K

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 12/31/2015			38,259,490

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

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.
- (2) 49% equity of the Athena Group held by Biobranco II, Alcides Branco, and Nuno Branco.

18. SALES BY PRODUCT TYPE

Sales by categories of product consisted of the following as of December 31, 2015 and 2014:

<u>Category</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Chestnut	\$ 115,472,940	\$ 123,037,895
Convenience food	54,526,645	58,874,609
Frozen food	45,315,852	35,641,156
Total	\$ 215,315,437	\$ 217,553,660

Revenue by geography consisted of the following as of December 31, 2015 and 2014:

<u>Country</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Australia	\$ 67,617	\$ 206,241
Austria	48,676	43,390
Azerbaijan	188,220	-
Belgium	1,382,768	1,624,771
China	169,628,584	138,834,016
France	11,271,383	25,665,791
Georgia	88,594	-
Germany	268,007	993,899
Hong Kong	2,224,978	329,163
Israel	885,753	88,845
Italy	182,323	1,059,609
Japan	12,811,506	22,131,837
Malaysia	1,997,244	2,797,391
Morocco	12,431	-
Netherlands	10,080	5,760
New Zealand	-	62,321
Philippines	1,494,160	811,391
Poland	-	-
Portugal	664,959	5,930,655
Reunion	56,267	66,181
Saudi Arabia	-	2,470,578
Singapore	1,717,102	2,359,656
South Korea	4,386,276	7,225,153
Spain	308,810	318,661
Taiwan	652,014	545,191
Thailand	1,731,754	948,165
United Kingdom	35,521	2,182,436

Edgar Filing: American Lorain CORP - Form 10-K

United States	3,200,410	835,231
Others	-	17,328
Total	\$ 215,315,437	\$ 217,553,660

26

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

19. INCOME TAXES

All of the Company's operations are in the PRC, France, and Portugal, 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%.

PRC tax rate is 25%.

France tax rate is 33.3%

Portugal tax rate is 23%.

The following tables provide the reconciliation of the differences between the statutory and effective tax expenses for the years ended December 31, 2015 and 2014:

	<u>12/31/2015</u>	<u>12/31/2014</u>
Income attributed to PRC & Europe	\$ 4,845,588	\$ 8,397,757
Loss attributed to US	(1,520,892)	(901,923)
Income before tax	3,324,696	7,495,834
PRC Statutory Tax at 25% Rate	4,515,935	3,089,712
Effect of tax exemption granted		-
Income tax	\$ 4,515,935	\$ 3,089,712

Per Share Effect of Tax Exemption

	<u>12/31/2015</u>	<u>12/31/2014</u>
Effect of tax exemption granted	\$ -	\$ -
Weighted-Average Shares Outstanding Basic	37,108,688	34,724,385
Per share effect	\$ -	\$ -

The difference between the U.S. federal statutory income tax rate and the Company's effective tax rate was as follows for the years ended December 31, 2015 and 2014:

	<u>12/31/2015</u>	<u>12/31/2014</u>
U.S. federal statutory income tax rate	35%	35%
Lower rates in PRC, net	-10%	-10%
Tax holiday for foreign investments	110%	16.22%
The Company's effective tax rate	135%	41.22%

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

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 2015 and 2014 in the following table:

<u>Subsidiary</u>	China Income Tax Rate	
	<u>2015</u>	<u>2014</u>
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 years ended December 31,	
	<u>2015</u>	<u>2014</u>
Basic Earnings Per Share Numerator		
Net Income	\$ (1,191,239)	\$ 4,406,122
Income Available to Common Stockholders	\$ 3,990,114	\$ 3,752,524
Diluted Earnings Per Share Numerator		
Income Available to Common Stockholders	\$ 3,990,114	\$ 3,752,524
Income Available to Common Stockholders on Converted Basis	\$ 3,990,114	\$ 3,752,524
Original Shares:	34,916,714	34,616,714
<i>Additions from Actual Events</i>		
-Issuance of Common Stock	2,191,974	107,671
Basic Weighted Average Shares Outstanding	37,108,688	34,724,385
Dilutive Shares:		

Edgar Filing: American Lorain CORP - Form 10-K

Additions from Potential Events

-Exercise of Investor Warrants & Placement Agent Warrants	-	-
- Exercise of Employee & Director Stock Options	-	-
Diluted Weighted Average Shares Outstanding:	37,108,688	34,724,385

Earnings Per Share

- Basic	\$ 0.11	\$ 0.11
- Diluted	\$ 0.11	\$ 0.11

Weighted Average Shares Outstanding

- Basic	37,108,688	34,724,385
- Diluted	37,108,688	34,724,385

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

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 years ended December 31, 2015 and 2014, the Company did not grant any stock options.

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 December 31, 2015 are shown in the following table:

<u>Period</u>	<u>Lease payment</u>
Year 1	\$ 92,685
Year 2	92,685
Year 3	56,641
	\$ 242,011

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

The outstanding lease commitment as of December 31, 2015 was \$242,011.

The minimum future lease payments for this property at December 31, 2014 are shown in the following table:

<u>Period</u>	<u>Lease payment</u>
Year 1	92,685
Year 2	92,685
Year 3	92,685
Year 4	56,641
	\$ 334,696

The outstanding lease commitment as of December 31, 2014 was \$334,696.

- (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 December 31, 2015 are shown in the following tables:

<u>Period</u>	<u>Greenhouse 1</u>	<u>Greenhouse 2</u>	<u>Greenhouse 3</u>
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 December 31, 2015 was \$3,260,000.

The minimum future lease payments for these properties at December 31, 2014 are shown in the following tables:

<u>Period</u>	<u>Greenhouse 1</u>	<u>Greenhouse 2</u>	<u>Greenhouse 3</u>
Year 1	\$ 78,128	\$ 95,114	\$ 11,339
Year 2	78,128	95,114	11,339
Year 3	78,128	95,114	11,339
Year 4	78,128	95,114	11,339
Year 5	78,128	95,114	11,339
Year 5 and thereafter	1,166,019	1,389,338	166,457
	\$ 1,556,659	\$ 1,864,908	\$ 223,152

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

The outstanding lease commitments for the three greenhouses as of December 31, 2014 was \$3,644,719.

23. CAPITAL LEASE OBLIGATIONS

The Company leases certain machinery and equipment under leases classified as capital leases. For the year ended December 31, 2015, 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 December 31, 2015:

Year 1	646,929
Year 2	647,348
Year 3	244,461
Total minimum lease payments	1,538,738
Less: Amount representing estimated executory costs (such as taxes, maintenance, and insurance), including profit thereon, included in total minimum lease payments	(237,391)
Net minimum lease payments	1,301,347

Edgar Filing: American Lorain CORP - Form 10-K

Less: Amount representing interest	(142,268)
Present value of net minimum lease payments	1,159,079

Reflected in the balance sheet as current and noncurrent obligations under capital leases of \$464,090 and \$694,989, respectively.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

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

24. CONTINGENCIES AND LITIGATIONS

There is a lawsuit currently pending in the Supreme 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 Hengji 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, 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 is scheduled at the end of April, 2016.

In November 2015, the Supreme Court of Shandong Province dismissed the decision of the Linyi Court and remanded the case back to the Linyi Court for a retrial. The retrial is scheduled at the end of April 2016.

25. 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.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Stated in US Dollars)

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 to the Company's customers could adversely impact the Company's results of operations.