American Lorain CORP
Form 10-Q
November 14, 2013

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 30, 2013

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

For the transition period from ____________to _____________

Commission File No. 001-34449

AMERICAN LORAIN CORPORATION
(Exact name of registrant as specified in its charter)

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

Beihuan Zhong Road
Junan County
Shandong, China 276600
(Address, including zip code, of principal executive offices)

(86) 539-7318818
(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X] No [_]

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

Large accelerated filer [_] Accelerated filer [_] Non-accelerated filer [_] Smaller reporting company [X]

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

The numbers of shares outstanding of the issuer s class of common stock as of September 30, 2013 was 34,616,714.

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UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND DECEMBER 31, 2012
(Stated in US Dollars)

AMERICAN LORAIN CORPORATION

REPORT OF REGISTERED INDEPENDENT PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying interim consolidated balance sheets of American Lorain Corporation (the Company) as of September 30, 2013 and December 31, 2012, and the related statements of income, stockholders equity, and cash flows for the three and nine months period ended September 30, 2013 and 2012. These interim consolidated financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with auditing standards of the Public Company Accounting Oversight Board (United States), the balance sheets of American Lorain Corporation as of December 31, 2012, and the related statements of income, comprehensive income, retained earnings, and cash flows for the year then ended (not presented herein); and in our report dated March 14, 2013, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of December 31, 2012, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

San Mateo, California	WWC, P.C.
November 1, 2013	Certified Public Accountants

AMERICAN LORAIN CORPORATION
CONSOLIDATED BALANCE SHEETS
AT SEPTEMBER 30, 2013 AND DECEMBER 31, 2012
(Stated in US Dollars)

	Note		At September 30, 2013		(Audited) At December 31, 2012
ASSETS					
Current assets					
Cash and cash equivalents	2(d)	$	33,160,895	$	32,345,603
Restricted cash	3		1,454,114		3,998,956
Trade accounts receivable	4		45,472,432		48,734,017
Other receivables	5		5,856,617		4,861,280
Inventory	6		53,865,827		38,072,704
Advance to suppliers			29,110,443		22,295,529
Prepaid expenses and taxes			3,392,192		381,905
Deferred tax asset			179,914		175,211
Security deposits and other assets			3,228,522		9,293,615
Total current assets		$	175,720,956	$	160,158,820
Non-current assets					
Investment			-		270,019
Property, plant and equipment, *net*	7		87,570,560		84,639,726
Construction in Progress, net	7		42,062		-
Land use rights, *net*	8		16,431,734		5,296,668
TOTAL ASSETS		$	279,765,312	$	250,365,233
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities					
Short-term bank loans	9	$	33,032,397	$	28,725,143
Long-term debt current portion	12		5,053,696		4,226,107
Accounts payable			2,652,901		3,646,560
Taxes payable	10		2,754,403		5,005,346
Accrued liabilities and other payables	11		2,671,402		979,797
Customers deposits			90,820		1,428
Total current liabilities		$	46,255,619	$	42,584,381
Long-term liabilities					
Long-term bank loans	12		9,047,202		14,382,306
Notes payable and debenture	12		29,333,160		12,696,196
TOTAL LIABILITIES		$	84,635,981	$	69,662,883

AMERICAN LORAIN CORPORATION
CONSOLIDATED BALANCE SHEETS
AT SEPTEMBER 30, 2013 AND DECEMBER 31, 2012
(Stated in US Dollars)

	Note		At September 30, 2013		(Audited) At December 31, 2012
STOCKHOLDERS EQUITY					
Preferred Stock, $.001 par value, 5,000,000 shares authorized; 0 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively			-		-
Common Stock, $0.001 par value, 200,000,000 shares authorized; 34,616,714 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	13		34,617		34,617
Additional paid-in capital			53,487,389		53,487,389
Statutory reserves	2(r)		16,922,494		16,922,494
Retained earnings			93,372,932		84,097,961
Accumulated other comprehensive income			20,959,885		16,210,661
Non-controlling interests	14		10,352,014		9,949,228
TOTAL STOCKHOLDER S EQUITY		$	195,129,331	$	180,702,350
TOTAL LIABILITIES AND STOCKHOLDER S EQUITY		$	279,765,312	$	250,365,233

See Accompanying Notes to the Financial Statements and Accountant s Report

AMERICAN LORAIN CORPORATION
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2013 AND 2012
(Stated in US Dollars)

	Note	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Net revenues	2(t),15	$ 53,103,910	$ 57,972,627	$ 121,978,566	$ 135,930,419
Cost of revenues		(42,786,893)	(45,583,295)	(97,233,792)	(107,582,656)
Gross profit		$ 10,317,017	$ 12,389,332	$ 24,744,774	$ 28,347,763
Operating expenses					
Selling and marketing expenses		2,174,055	2,310,863	5,561,435	5,098,669
General and administrative expenses		1,418,386	1,627,095	4,293,756	4,387,609
		3,592,441	3,937,958	9,855,191	9,486,278
Operating income		$ 6,724,576	$ 8,451,374	$ 14,889,583	$ 18,861,485
Government subsidy income		344,447	281,374	1,447,789	1,135,730
Interest income		37,880	2,886	57,730	192,076
Other income		1,107,944	44,472	1,318,999	98,779
Other expenses		(50,329)	(6,434)	(134,547)	(24,098)
Interest expense		(2,444,169)	(1,128,368)	(4,612,763)	(2,703,251)
Earnings before tax		$ 5,720,349	$ 7,645,304	$ 12,966,791	$ 17,560,721
Income tax	2(q),16	(1,233,718)	(2,037,590)	(3,289,034)	(4,631,730)
Net income		$ 4,486,631	$ 5,607,714	$ 9,677,757	$ 12,928,991
Other comprehensive income:					
Foreign currency translation gain		1,169,323	(317,396)	4,749,225	89,984
Comprehensive Income		5,655,955	5,290,318	14,426,982	13,018,975
Net income attributable to:					
-Common stockholders		$ 4,256,690	$ 5,252,569	$ 9,274,971	$ 12,165,013
-Non-controlling interest		229,941	355,145	402,786	763,978
		$ 4,486,631	$ 5,607,714	$ 9,677,757	$ 12,928,991

Earnings per share	2(u), 17								
- Basic		$	0.12	$	0.15	$	0.27	$	0.35
- Diluted		$	0.12	$	0.15	$	0.27	$	0.35
Weighted average shares outstanding									
- Basic			34,616,714		34,507,874		34,616,714		34,507,874
- Diluted			34,616,714		34,507,874		34,616,714		34,507,874

See Accompanying Notes to the Financial Statements and Accountant s Report

AMERICAN LORAIN CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE NINE AND SEPTEMBER MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2012
(Stated in US Dollars)

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Cash flows from operating activities				
Net income	$ 4,486,631	$ 5,607,714	$ 9,677,757	$ 12,928,991
Stock and share based compensation	-	328,897	-	380,504
Depreciation of fixed assets	1,038,882	847,188	3,155,850	2,017,237
Amortization of intangible assets	103,369	32,464	201,840	127,284
Adjustment to statutory reserve		-	-	681,175
(Increase)/decrease in accounts & other receivables	(15,348,361)	(19,575,936)	(4,459,274)	(7,911,633)
(Increase)/decrease in inventories	(4,158,037)	(11,914,113)	(15,793,124)	(17,600,510)
Decrease/(increase) in prepayment	(175,611)	(1,453,208)	(3,010,288)	(2,182,781)
Decrease/(increase) in deferred tax asset	(1,073)	265	(4,703)	(866)
Increase/(decrease) in accounts and other payables	1,453,567	1,050,685	(1,552,997)	(1,563,843)
Net cash (used in)/provided by operating activities	(12,600,633)	(25,076,044)	(11,784,939)	(13,124,442)
Cash flows from investing activities				
Sale/(Proceeds) from short-term investment	-	-	270,019	-
Purchase of plant and equipment	(449,239)	(2,707,402)	(3,349,076)	(2,834,955)
Payment for the purchase of land use rights	(9,573,248)	15,741	(11,336,904)	(32,897)
(Increase)/decrease in restricted cash	1,410,693	746,976	2,544,842	(1,124,254)
(Increase)/decrease in deposit	9,448,858	(1,556)	6,065,094	(1,668)
Net cash used in investing activities	837,064	(1,946,241)	(5,806,025)	(3,993,774)
Cash flows from financing activities				
Repayment of bank borrowings	3,704,702	-	(3,536,275)	(7,405,267)
Proceeds from bank borrowings	8,185,100	19,753,932	23,748,796	19,066,286
Proceeds from long-term borrowings and notes payable	(1,884,630)	4,747,587	(3,775,819)	4,747,587

Net cash provided by/(used in) financing activities	$	10,005,172	$	24,501,519	$	16,436,702	$	16,408,606
Net Increase/(decrease) of Cash and Cash Equivalents		(1,758,397)		(2,520,766)		(1,154,262)		(709,610)
Effect of foreign currency translation on cash and cash equivalents		531,017		(316,636)		1,969,554		87,496
Cash and cash equivalents beginning of period		34,388,275		19,568,782		32,345,603		17,353,494
Cash and cash equivalents end of period	$	33,160,895	$	16,731,380	$	33,160,895	$	16,731,380
Supplementary cash flow information:								
Interest received	$	79	$	2,886	$	19,929	$	192,076
Interest paid	$	508,724	$	919,218	$	2,338,057	$	2,751,309
Income taxes paid	$	3,184,293	$	1,348,553	$	7,364,364	$	5,136,481

See Accompanying Notes to the Financial Statements and Accountant s Report

AMERICAN LORAIN CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2013 AND YEAR ENDED DECEMBER 31, 2012
(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, 2012	34,507,874	34,508	53,015,636	13,976,899	65,939,713	15,353,885	8,628,127	156,948,768
Issuance of share based compensation	108,840	109	503,493	-	-	-	-	503,602
Repayment of financing cost	-	-	(31,740)	-	-	-	-	(31,740)
Net income	-	-	-	-	21,743,769	-	-	21,743,769
Allocation to non-controlling interests	-	-	-	-	(1,321,101)	-	1,321,101	
Appropriations to statutory reserve	-	-		2,264,420	(2,264,420)	-	-	
Adjustment to statutory reserve	-	-	-	681,175	-	-	-	681,175
Foreign currency translation adjustment	-	-	-	-	-	856,776	-	856,776
Balance, December 31, 2012	34,616,714	34,617	53,487,389	16,922,494	84,097,961	16,210,661	9,949,228	180,702,350
Balance, January 1, 2013	34,616,714	34,617	53,487,389	16,922,494	84,097,961	16,210,661	9,949,228	180,702,350
Net income					9,677,757			9,677,757
Allocation to non-controlling interests					(402,786)		402,786	
Foreign currency translation adjustment						4,749,224		4,749,224
Balance, September 30, 2013	34,616,714	34,617	53,487,389	16,922,494	93,372,932	20,959,885	10,352,014	195,129,331

See Accompanying Notes to the Financial Statements and Accountant s Report

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND DECEMBER 31, 2012
(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. From inception through May 3, 2007, the Company did not engage in any active business operations other than in search and evaluation of potential business opportunity to become an acquiree of a reverse-merger deal. On May 3, 2007, the Company entered into a share exchange agreement as described under Reverse-Merger below. 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.

(c) Reverse-Merger

On May 3, 2007, the Company entered into a share exchange agreement with ILH whereby the Company consummated its acquisition of ILH by issuance of 697,663 Series B voting convertible preferred shares to the shareholders of ILH in exchange of 5,099,503 ILH shares. Concurrently on May 3, 2007, the Company also entered into a securities purchase agreement with certain investors and Mr. Hisashi Akazawa and Mr. Si Chen (each a beneficial owner) whereby the Company issued 319,913 (after reverse-split at 32.84 from 10,508,643) common shares to its shareholders as consideration of the

Company s reverse-merger with Lorain.

The share exchange transaction is sometimes referred to hereafter as the reverse-merger transaction. The share exchange transaction has been accounted for as a recapitalization of ALN where the Company (the legal acquirer) is considered the accounting acquiree and ILH (the acquiree) is considered the accounting acquirer. As a result of this transaction, the Company is deemed to be a continuation of the business of ILH.

Accordingly, the accompanying consolidated financial statements are those of the accounting acquirer, ILH. The historical stockholders equity of the accounting acquirer prior to the share exchange has been retroactively restated as if the share exchange transaction occurred as of the beginning of the first period presented. See also Note 13 Capitalization.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(d) 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 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.

The Company regrouped certain accounts in its presentation of changes in assets and liabilities in the statement of cash flows for the period ended September 30, 2013 in order to be consistent with the presentation provided for the year ended December 31, 2012. There was no impact in 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 minority investors are recorded as minority interests.

As of September 30, 2013, the detailed identities of the consolidating subsidiaries are as follows:

Name of Company	*Place of incorporation*	*Attributable equity interest %*	*Registered capital*
Shandong Lorain Co., Ltd	PRC	80.2	$ 13,181,950
Luotian Lorain Co., Ltd	PRC	100	4,019,743
Junan Hongrun Foodstuff Co., Ltd	PRC	100	48,758,230
Beijing Lorain Co., Ltd	PRC	100	1,629,620
Shandong Greenpia Foodstuff Co.,Ltd	PRC	100	2,503,096
Dongguan Lorain Co,,Ltd	PRC	100	162,962
International Lorain Holding Inc.	Cayman Islands	100	50,711,737

(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.

AMERICAN LORAIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND DECEMBER 31, 2012
(Stated in US Dollars)

(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.

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 etc. 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 category 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.

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

(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	40 years
Landscaping, plant and tree	30 years
Machinery and equipment	10 years
Motor vehicles	10 years
Office equipment	5 years

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

(j) *Construction in progress*

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

(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 2013 and 2012.

(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.

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

(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 and People s Republic of China (PRC) tax laws are provided for the tax effects of transactions reported in the financial statements and consists 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.

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 already started tax holidays before January 1, 2008, to continue enjoying the tax holidays until being fully utilized.

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

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

(r) Statutory reserves

Statutory reserves are referring to the amount appropriated from the net income in accordance with laws or regulations, which can be used to recover losses and increase capital, as approved, and are to be used to expand production or operations. The Company transferred $0 and $2,264,420 from retained earnings to statutory reserves for the period ended September 30, 2013 and year ended December 31, 2012. 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.

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(s) *Foreign currency translation*

The accompanying financial statements are presented in United States dollars. The functional currency of the Company is the Renminbi (RMB). The financial statements are translated into United States dollars from RMB 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.

	9/30/2013	630/2013	12/31/2012	9/30/2012	6/30/2012
Year end RMB : US$ exchange rate	6.1364	6.1732	6.3011	6.3190	6.3089
Average yearly RMB : US$ exchange rate	6.2132	6.2395	6.3034	6.3085	6.3027

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.

The Company gradually switched its sales model from direct sales to third party distributor model and issues 1% sales incentive to distributors. The Company modified its accounting policy for the recognition of revenue accordingly. Given the circumstances of how the Company conducts its incentive program, the Company books the payments settled in cash as a contra account to Gross Revenue, and includes the amount in its reported net revenue . The Company has considered the guidance in FASB ASC 605-50 (EITF 01-9) and will account for its sales incentive program accordingly.

(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. During the period ended September 30, 2013, no warrants were issued nor options were 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. 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 Statement of Financial Accounting Standards No. 128, Earnings per share (SFAS No. 128), 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.

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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, the carrying amounts 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 September 30, 2013 and December 31, 2012, the Company did not identify any assets and liabilities that were required to be presented on the balance sheet at fair value.

The following tables present the Company s financial assets and liabilities at fair value in accordance to ASC 820-10:

At September 30, 2013:	Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets:				
Cash	$ 33,160,895	$ -	$ -	$ 33,160,895
Restricted Cash	1,454,114	-	-	1,454,114
Total financial assets	$ 34,615,009	$ -	$ -	$ 34,615,009
Financial liabilities:				
Notes payable	$ -	$ -	$ -	$ -
Total financial liabilities	$ -	$ -	$ -	$ -

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At December 31, 2012:	Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets:				
Cash	$ 32,345,603	$ -	$ -	$ 32,345,603
Restricted Cash	3,998,956	-	-	3,998,956
Total financial assets	$ 36,344,559	$ -	$ -	$ 36,344,559
Financial liabilities:				
Notes payable	$ -	$ -	$ -	$ -
Total financial liabilities	$ -	$ -	$ -	$ -

(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 periods ended September 30, 2013 and 2012 included net income and foreign currency translation adjustments.

(y) *Recent accounting pronouncements*

In January 2013, the FASB issued ASU No. 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* (*ASU 2013-01*). The Update clarifies that ordinary trade receivables and receivables are not in the scope of Accounting Standards Update No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. Specifically, Update 2011-11 applies only to derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria contained in *FASB Accounting Standards Codification®* or subject to a master netting arrangement or similar agreement. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. Management does not expect the adoption of this standard has a significant effect on the Company s consolidated financial position or results of operations.

For public entities, the amendments that are subject to the transition guidance is effective for fiscal periods beginning after December 15, 2012. Management does not expect the adoption of this standard has a significant effect on the Company s consolidated financial position or results of operations.

In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02). The amendments require an organization to:

a. Present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period.

b. Cross-reference to other disclosures currently required under U.S. GAAP for other reclassification items (that are not required under U.S. GAAP) to be reclassified directly to net income in their entirety in the same reporting period. This would be the case when a portion of the amount reclassified out of accumulated other comprehensive income is initially transferred to a balance sheet account (e.g., inventory for pension-related amounts) instead of directly to income or expense.

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The amendments are effective for reporting periods beginning after December 15, 2012, for public companies. Management does not expect the adoption of this standard has a significant effect on the Company s consolidated financial position or results of operations.

In February 2013, the FASB issued ASU No. 2013-03, Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities (ASU 2013-03). The amendment clarifies that the requirement to disclose the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (as Level 1, Level 2, or Level 3) does not apply to private companies and nonpublic not-for-profits for items that are not measured at fair value in the statement of financial position, but for which fair value is disclosed. The amendments are effective upon issuance. Management does not expect the adoption of this standard has a significant effect on the Company s consolidated financial position or results of operations.

In March 2013, the FASB issued ASU No. 2013-04, Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (ASU 2013-04). The update provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this ASU is fixed at the reporting date, except for obligations addressed within existing guidance in US GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this ASU also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Management does not expect the adoption of this standard will have a significant effect on the Company s consolidated financial position or results of operations.

In March 2013, the FASB issued ASU No. 2013-05, Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (ASU 2013-05). The ASU clarifies that when a parent entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity, the parent is required to apply the guidance in Accounting Standards Codification 830-30 to release any related cumulative translation adjustment into net income. The ASU provides that the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The amendments take effect prospectively for public companies for fiscal years beginning after December 15, 2013, and interim reporting periods within those years. Management does not expect the adoption of this standard will have a significant effect on the Company s consolidated financial position or results of operations.

In March 2013, the FASB issued ASU No. 2013-07, Liquidation Basis of Accounting (ASU 2013-07). The ASU requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. Liquidation would be considered imminent when the likelihood is remote that the reporting entity would return from liquidation and either: (a) a plan for liquidation has been approved by the person or persons with the authority to make such a plan effective and the likelihood is remote that the execution of the plan will be blocked by other parties or the entity will return from liquidation, or (b) a plan for liquidation is imposed by other forces, and the likelihood is remote that the entity will return from liquidation. If a plan for liquidation was specified in an entity's governing documents at its inception (for example, limited-life entities), then liquidation would be imminent only if the approved plan for liquidation differs from the plan specified at the entity s inception. The amendments take effect for all entities reporting under U.S. GAAP, except investment companies that are regulated under the Investment

Company Act of 1940. The standard is effective for annual reporting periods beginning after December 31, 2013, and interim reporting periods therein. Early adoption is permitted. Management does not expect the adoption of this standard will have a significant effect on the Company s consolidated financial position or results of operations.

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As of September 30, 2013, there are no other recently issued accounting standards not yet adopted that would 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 savings account that pay interest at the prescribed national daily savings account rate. For funds that underline notes payable, the cash is deposited in six month time deposits that pay interest at the national time deposit rate.

4. TRADE ACCOUNTS RECEIVABLE

		9/30/2013		12/31/2012
Trade accounts receivable	$	45,928,595	$	49,177,915
Less: Allowance for doubtful accounts		(456,163)		(443,898)
	$	45,472,432	$	48,734,017

Allowance for bad debt:		9/30/2013		12/31/2012
Beginning balance	$	(443,898)	$	(379,693)
Additions to allowance		(12,265)		(64,205)
Bad debt written-off				-
Ending balance	$	(456,163)	$	(443,898)

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 September 30, 2013 and December 31, 2012:

		9/30/2013		12/31/2012
Advances to employees for job/travel disbursements		877,053		79,367
Amount due by a non-related enterprise		335,027		326,270
Other non-related receivables		100,073		76,168
Other related receivables		149,371		99,263
Short-term investment sale receivable		4,395,093		4,280,212
	$	5,856,617	$	4,861,280

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 every available employee 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.

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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 September 30, 2013.

Related party receivable consisted of the following as of September 30, 2013 and December 31, 2012:

	9/30/2013	12/31/2012
Chen, Si	$ 67,890	$ 67,523
You, Huadong	81,481	31,740
	$ 149,371	$ 99,263

Related party receivable represented advances issued by management for job or travel disbursement in the normal course of business. The receivable 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 12, Junan Hongrun lent money to Mr. You, Huadong to purchase life insurance.

Related party receivable amounts are disclosed as other related receivables in other receivables.

On March 13, 2011, the Company entered into an agreement with Jiangsu Heng An Industrial Investment Group Co., Ltd. to sell the Company s short-term investment in the amount of $ 7,764,577 (RMB 49,604,000) of a parcel of land located in Junan Town, Shandong Province, to construct residential buildings. The land was sold to Jiangsu Heng An at a total sale price of RMB 69,604,000 and a guaranteed gross profit of RMB 20,000,000 without consideration of profit/(loss) of the residential building project. The gain on the sale of the short-term investment excluding taxes payable was recorded as other income on the statements of income and comprehensive income. Title of the land transferred from the Company to Jiangsu Heng An with receipt of an initial deposit of RMB 15,000,000. As of September 30, 2013, a total of RMB 42,029,955 has been received and RMB 26,970,045 (USD 4,368,892) is classified as Other Receivable. According to the contract, the Company will be entitled to receive RMB 9,000,000 within 5 days after the title transfer and construction approval is complete, and RMB 27,000,000 within 5 days after the residential building main frame is completed

6. INVENTORIES

Inventories consisted of the following as of September 30, 2013 and December 31, 2012:

	9/30/2013	12/31/2012
Raw materials	$ 22,961,563	$ 18,700,879
Finished goods	30,904,264	19,371,825
	$ 53,865,827	$ 38,072,704

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment consisted of the following as of September 30, 2013 and December 31, 2012:

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	9/30/2013	12/31/2012
At Cost:		
Buildings	$ 80,980,849	$ 78,730,172
Landscaping, plant and tree	10,927,506	7,943,605
Machinery and equipment	12,187,904	11,374,635
Office equipment	661,916	363,306
Motor vehicles	580,101	839,874
	$ 105,338,276	$ 99,251,592
Less: Accumulated depreciation		
Buildings	(7,435,742)	(5,911,972)
Landscaping, plant and tree	(2,829,759)	(2,108,661)
Machinery and equipment	(6,666,672)	(5,842,946)
Office equipment	(508,715)	(221,800)
Motor vehicles	(326,828)	(526,487)
	(17,767,716)	(14,611,866)
	$ 87,570,560	$ 84,639,726

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. During the period ended September 30, 2013, the Company purchased three greenhouses to grow seasonal crops in order to lower cost.

8. LAND USE RIGHTS, NET

Land use rights consisted of the following as of September 30, 2013 and December 31, 2012:

	9/30/2013	12/31/2012
Land use rights, *at cost*	$ 17,526,369	$ 6,192,379
Utilities rights, *at cost*	50,693	49,368
Software, *at cost*	59,244	57,695
Patent, *at cost*	1,537	1,497
	17,637,843	6,300,939
Less: Accumulated amortization	(1,206,109)	(1,004,271)
	$ 16,431,734	$ 5,296,668

All lands are 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. The land use rights are then amortized over the period of usage. Amortization expense for the three month periods ended September 30, 2013 and 2012 were $103,369 and $32,464, respectively. Amortization expense for the nine month periods ended September 30, 2013 and 2012 were $201,837 and $127,284, respectively.

9. SHORT-TERM BANK LOANS

Short-term bank loans consisted of the following as of September 30, 2013 and December 31, 2012:

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	Remark	9/30/2013	12/31/2012
Loan from Junan County Industrial and Commercial Bank of China,			
Interest rate at 6.44% per annum; due 1/8/2013		-	1,031,567
Interest rate at 5.88% per annum; due 4/10/2013		-	1,142,658
Interest rate at 5.88% per annum; due 4/19/2013		-	999,825
Interest rate at 5.88% per annum; due 4/24/2013	A	-	634,810
Interest rate at 5.88% per annum; due 5/17/2013		-	1,348,971
Interest rate at 5.88% per annum; due 2/21/2014		4,074,050	-
Interest rate at 5.88% per annum; due 10/16/2013		1,108,142	-
Interest rate at 6.16% per annum; due 10/21/2013		1,075,549	-
Interest rate at 5.88% per annum; due 12/18/2013		1,466,658	-
Interest rate at 5.88% per annum; due 1/8/2014		1,140,734	-
Interest rate at 5.88% per annum; due 10/29/2014		684,440	-
Loan from Linyi Commercial Bank,			
Interest rate at 12.136% per annum due 1/10/2013		-	714,161
Interest rate at 1.512% per annum due 1/9/2014		1,629,620	-
Interest rate at 1.26% per annum due 1/10/2014		1,466,658	-
Loan from China Minsheng Bank Corporation, Linyi Branch			
Interest rate at 7.8% per annum due 8/29/2013		-	2,380,537
Interest rate at 7.8% per annum due 2/26/2014		2,444,430	
Loan from China Agricultural Bank, Luotian Branch			
Interest rate at 6.372% per annum due 9/12/2012		-	-
Interest rate at 8.4% per annum due 3/3/2013		-	158,702
Interest rate at 8.4% per annum due 6/3/2013		-	317,405
Interest rate at 8.4% per annum due 9/3/2013		-	1,110,917
Interest rate at 8.4% per annum due 9/3/2013		1,629,620	-
Interest rate at 8.4% per annum due 9/3/2013		1,629,620	-
China Agricultural Development Bank			
Interest rate at 8.4% per annum due 1/3/2014		651,848	-
Interest rate at 8.4% per annum due 8/19/2014		814,810	-
Bank of Beijing,			
Variable Interest rate, due 6/29/2013		-	1,269,620
Interest rate at 7.2% per annum due 6/19/2014		1,303,696	-

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Shenzhen Development Bank,			
Interest rate at 6.16% per annum due 1/30/2013		-	1,110,917
Interest rate at 6.04% per annum due 9/6/2013		-	793,512
Interest rate at 6.71% per annum due 10/23/2013		-	634,810
Luotian Sanliqiao Credit Union,			
Interest rate at 9.360% per annum due 1/6/2013		-	952,215
Interest rate at 7.80% per annum due 1/6/2014		977,772	-
Beijing International Trust Co., Ltd.,			
Variable interest rate, due 9/16/2013		-	1,587,024
Interest rate at 6.00% per annum due 9/23/2014		1,629,620	-
Weihai City Commercial Bank,			
Interest rate at 6.90% per annum due 3/7/2013		-	3,174,049
Bank of Ningbo ,			
Interest rate at 6.71% per annum due 9/27/2013		-	1,587,024
Interest rate at 7.20% per annum due 9/25/2014		1,629,620	-
Hankou Bank, Guanshan Branch,			
Interest rate at 6.00% per annum due 9/6/2013		-	793,512
Interest rate at 6.60% per annum due 9/14/2013		-	1,587,024
Interest rate at 6.60% per annum due 9/12/2014		1,629,620	-
China Agricultural Bank, Shandong Branch			
Interest rate at 10.2% per annum due 7/16/2013	C	-	3,174,049
Interest rate at 7.2% per annum due 8/29/2013	B	-	1,587,024
Interest rate at 7.2% per annum due 8/22/2014		1,629,620	-
Ping An Bank, Jinan Branch			
Interest rate at 6.72% per annum due 1/3/2014		1,140,734	-
Interest rate at 6.72% per annum due 5/2/2014		814,810	-
Luzhen Credit Union,			
Interest rate at 10.40% per annum due 2/27/2014		488,886	-
Postal Savings Bank of China			
Interest rate at 6.60% per annum due 11/26/2013		651,848	634,810
China Construction Bank			
Variable Interest rate, due 3/31/2014		798,514	-
Variable Interest rate, due 4/30/2014		521,478	-
		$ 33,032,397	$ 28,725,143

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The short-term loans, which are denominated in the functional currency Renminbi (RMB), 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.

Remark:
A: Accounts receivable in the amount of was used as collateral for this loan.
B: Junan Hongrun Foodstuff Co., Ltd. s factory was used as collateral for this loan
C: Personal guarantee from Mr. Si Chen was used as collateral for this loan

10. TAXES PAYABLES

Taxes payable consisted of the following as of September 30, 2013 and December 31, 2012:

	9/30/2013	12/31/2012
Value added tax payable	$ 19,685	$ 428,889
Corporate income tax payable	1,500,760	3,370,655
Employee payroll tax withholding	5,595	4,936
Property tax payable	70,824	55,877
Stamp tax payable	1,479	1,440
Business tax payable	166,492	154,112
Land use tax payable	41,190	65,525
Import tariffs	135	454
Capital gain tax payable	948,243	923,458
	$ 2,754,403	$ 5,005,346

11. ACCRUED EXPENSES AND OTHER PAYABLE

Accrued expenses and other payables consisted of the following as of September 30, 2013 and December 31, 2012:

	9/30/2013	12/31/2012
Accrued salaries and wages	$ -	$ 3,174
Accrued utility expenses	42,486	55,639
Accrued interest expenses	907,603	219,630
Accrued transportation expenses	268,576	290,228
Other accruals	29,962	103,827
Business and other taxes	151,297	182,378
Disbursement payable	939,573	87,078
Accrued staff welfare	331,905	37,843
	$ 2,671,402	$ 979,797

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12. LONG-TERM DEBT

Current portions of long-term debt consisted of the following as of September 30, 2013 and December 31, 2012:

	9/30/2013	12/31/2012
Loans from China Development Bank		
Interest rate at 7.07% per annum due 5/20/2013	$ -	$ 158,702
Interest rate at 7.07% per annum due 11/20/2013	325,924	317,405
Interest rate at 7.07% per annum due 6/20/2014	977,772	-
Loans from Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG)		
Interest rate at 5.510% per annum due 3/15/2013	-	1,875,000
Interest rate at 5.510% per annum due 9/15/2013	-	1,875,000
Interest rate at 5.510% per annum due 3/15/2014	1,875,000	-
Interest rate at 5.510% per annum due 9/15/2014	1,875,000	-
	$ 5,053,696	$ 4,226,107

Non-current portions of long-term debt consisted of the following as of September 30, 2013 and December 31, 2012:

	9/30/2013	12/31/2012
Loans from Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG)		
Interest rate at 5.510% per annum due 9/16/2016	5,625,000	10,097,340
Loans from China Development Bank		
Interest rate at 7.07% per annum due 9/24/2015	3,422,202	4,284,966
	$ 9,047,202	$ 14,382,306

The Company s loan with DEG began repaying the loan in semi-annual installments on September 15, 2012. As of September 30, 2013, the Company has repaid $5,625,000 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 shares in the sponsor in the amount of about USD 12,000,000 and being the majority shareholder in the sponsor 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.

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Non-current portions of notes payable consisted of the following as of September 30, 2013 and December 31, 2012:

	9/30/2013	12/31/2012
Note payable issued by Shanghai Pudong Development Bank		
Interest rate at 5.9% per annum due 12/28/2015	13,036,960	12,696,196
Debenture issued by Guoyuan Securities Co., Ltd.		
Interest rate at 10% per annum due 8/28/2016	16,296,200	-
	$ 29,333,160	$ 12,696,196

13. 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 until 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. As detailed in the table below, the total number of outstanding shares at September 30, 2013 was 34,616,714.

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.

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.

For the year 2010, the Company transferred 5,161,176 from retained earnings to additional paid up capital and 2,445,262 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 2011, the Company transferred 2,636,160 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 2012, the Company issued 108,840 shares to its employees as employee stock compensation. The Company transferred 2,264,420 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.

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American Lorain Corporation
Capitalization Reconciliation Table

	Par value authorized	Issuance date	Shares outstanding
Common stock at 1/1/2009	200,000,000		25,172,640
New shares issued to employees and vendors during 2009		Various dates	56,393
New shares issued to PIPE investors		10/28/2009	5,011,169
New shares issued to service provider during 2010		2/10/2010	2,000
New shares issued to PIPE investors		9/10/2010	3,440,800
New shares issued to employee		9/23/2010	5,000
New shares issued as acquisition consideration		9/24/2010	731,707
New shares issued to service provider during 2011		5/5/2011	25,000
New shares issued to employees per stock incentive plan		7/20/2011	27,092
New shares issued to employees per stock incentive plan		11/21/2011	36,073
New shares issued to employees per stock incentive plan		10/5/2012	108,840
Common stock at 9/30/2013			34,616,714

Warrants and options	Number of warrants or options	Issuance date	Expiration date
Warrants issued to investors in 2007 PIPE	1,037,858	5/3/2007	5/2/2010
Warrants issued to placement agent in 2007 PIPE	489,330	5/3/2007	5/2/2010
Employee stock options	1,334,573	7/28/2009	7/27/2014
Warrants issued to investors in 2009 PIPE - Series A	1,753,909	10/28/2009	4/28/2015
Warrants issued to investors in 2009 PIPE - Series B	501,115	10/28/2009	10/28/2012
Issued to service provider A during 2010	50,722	1/5/2010	1/2/2014
Issued to service provider B during 2010	20,289	1/5/2010	1/2/2014
Issued to service provider C during 2010	10,144	1/5/2010	1/2/2014
Total warrants and options	5,197,940		

14. NON-CONTROLLING INTERESTS

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

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15. SALES BY PRODUCT TYPE

Sales by categories of product consisted of the following as of September 30, 2013 and 2012:

Category	*9/30/2013*	*9/30/2012*
Chestnut	$ 58,097,797	$ 62,947,404
Convenience food	40,662,258	50,913,992
Frozen food	23,218,511	22,069,023
Total	$ 121,978,566	$ 135,930,419

Revenue by geography consisted of the following as of September 30, 2013 and 2012:

Country	*9/30/2013*	*9/30/2012*
Australia	$ 20,154	$ 88,290
Belgium	4,048,525	3,521,931
Canada	-	-
China	91,475,565	102,058,747
Denmark	-	53,878
France	1,360,662	1,725,334
Germany	1,125,698	1,096,314
Hong Kong	64,640	92,710
Indonesia	-	-
Israel	429,245	153,294
Japan	10,883,074	15,262,559
Malaysia	1,082,030	1,390,051
Netherlands	805,551	175,015
Philippines	382,991	-
Poland	115,250	213,769
Portugal	1,113,839	710,427
Singapore	1,472,920	668,390
South Korea	6,298,196	6,756,501
Spain	-	194,521
Sweden	-	33,045
Taiwan	43,986	371,362
Thailand	105,964	116,272
United Kingdom	-	1,068,084
United States	1,135,706	179,925
Vietnam	14,570	-
Total	$ 121,978,566	$ 135,930,419

16. INCOME TAXES

All of the Company s operations are in the PRC, and in accordance with the relevant tax laws and regulations of PRC, the corporate income tax rate is 25%.

The following tables provide the reconciliation of the differences between the statutory and effective tax expenses for the periods ended September 30, 2013 and 2012:

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		9/30/2013		*9/30/2012*
Income attributed to PRC	$	13,132,057	$	18,078,289
Loss attributed to US		(165,266)		(517,568)
Income before tax		12,966,791		17,560,721
PRC Statutory Tax at 25% Rate		3,289,034		4,631,730
Effect of tax exemption granted		-		-
Income tax	$	3,289,034	$	4,631,730

Per Share Effect of Tax Exemption

		9/30/2013		*9/30/2012*
Effect of tax exemption granted	$		$	
Weighted-Average Shares Outstanding Basic		34,616,714		34,507,874
Per share effect	$	34,616,714	$	34,507,874

The difference between the U.S. federal statutory income tax rate and the Company s effective tax rate was as follows for the periods ended September 30, 2013 and 2012:

	2013	*2012*
U.S. federal statutory income tax rate	35%	35.00%
Lower rates in PRC, net	-10%	-10.00%
Tax holiday for foreign investments	0.37%	1.38%
The Company s effective tax rate	25.37%	26.38%

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 already started 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 and before September 30, 2013 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 asset. Accordingly the Company has not provided a valuation allowances for the accrued tax asset.

The Company s has detailed the tax rates for its subsidiaries for 2013 and 2012 in the following table.

	China Income Tax Rate	
Subsidiary	*2013*	*2012*
International Lorain	0%	0%
Junan Hongran	25%	25%
Luotian Lorain	25%	25%
Beijing Lorain	25%	25%

Shandong Lorain	25%	25%
Shandong Greenpia	25%	25%
Dongguan Lorain	25%	25%

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17. EARNINGS PER SHARE

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

	3 months ended September 30		9 months ended September 30	
	2013	**2012**	**2013**	**2012**
Basic Earnings Per Share Numerator				
Net Income	$ 4,256,690	$ 5,252,569	$ 9,274,971	$ 12,165,013
Income Available to Common Stockholders	$ 4,256,690	$ 5,252,569	$ 9,274,971	$ 12,165,013
Diluted Earnings Per Share Numerator				
Income Available to Common Stockholders	$ 4,256,690	$ 5,252,569	$ 9,274,971	$ 12,165,013
Income Available to Common Stockholders on Converted Basis	$ 4,256,690$	5,252,569	$ 9,274,971	$ 12,165,013
Original Shares:				
Additions from Actual Events				
-Issuance of Common Stock	34,616,714	34,507,874	34,616,714	34,507,874
Basic Weighted Average Shares Outstanding	34,616,714	34,507,874	34,616,714	34,507,874
Dilutive Shares:				
Additions from Potential Events				
-Exercise of Investor Warrants & Placement Agent Warrants	-	-	-	-
- Exercise of Employee & Director Stock Options	-	-	-	-
Diluted Weighted Average Shares Outstanding:	34,616,714	34,507,874	34,616,714	34,507,874
Earnings Per Share				
- Basic	$ 0.12	$ 0.15	$ 0.27	$ 0.35
- Diluted	$ 0.12	$ 0.15	$ 0.27	$ 0.35

Weighted Average Shares Outstanding				
- Basic	34,616,714	34,507,874	34,616,714	34,507,874
- Diluted	34,616,714	34,507,874	34,616,714	34,507,874

18. 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, respectively. The 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.

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During the period ended December 31, 2012 and 2011, the Company recorded a total of $503,493 and $644,243 stock option and its related general and administrative expenses.

During the period ended September 30, 2013, the Company did not grant any stock option.

The range of the exercise prices of the stock options granted since inception of the plan are shown in the following table:

Price Range	Number of Shares
$0 - $4.99	1,334,573 shares
$5.00 - $9.99	0 shares
$10.00 - $14.99	0 shares

No tax benefit has yet to be accrued or realized. For the period ended September 30, 2013, 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.

The Company used the Black-Scholes Model to value the warrants granted. The following shows the weighted average fair value of the grants and the assumptions that were employed in the model:

	2012	2011
Weighted-average fair value of grants:	$ 1.3629	$ 1.1909
Risk-free interest rate:	0.33%	0.96%
Expected volatility:	59.93%	4.58%
Expected life in months:	36.00	36.00

19. 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 September 30, 2013 are shown in the following table:

From	To	Lease payment
7/1/2013	12/31/2013	$ 21,884
1/1/2014	12/31/2014	92,685
1/1/2015	12/31/2015	92,685
1/1/2016	12/31/2016	92,685
1/1/2017	12/31/2017	92,685
1/1/2018	8/9/2018	56,641
		$ 449,265

The outstanding lease commitment as of September 30, 2013 was $449,265.

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The minimum future lease payments for this property at December 31, 2012 are shown in the following table:

From	To	Lease payment
1/1/2013	12/31/2013	$ 87,536
1/1/2014	12/31/2014	92,685
1/1/2015	12/31/2015	92,685
1/1/2016	12/31/2016	92,685
1/1/2017	12/31/2017	92,685
1/1/2018	8/9/2018	56,641
		$ 514,917

The outstanding lease commitment as of December 31, 2012 was $514,917.

(b.) During the period ended September 30, 2013, the Company entered into three operating lease agreement leasing three plots of land of which green houses are maintained to grow seasonal crops. The lease was 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 this property at September 30, 2013 are shown in the following table:

From	To	Greenhouse 1	From	To	Greenhouse 2	From	To	Greenhouse 3
9/1/2013	12/31/2013	$ 19,693	9/1/2013	12/31/2013	$ 23,974	9/1/2013	12/31/2013	$ 3,235
1/1/2014	12/31/2014	78,128	1/1/2014	12/31/2014	95,114	1/1/2014	12/31/2014	11,339
1/1/2015	12/31/2015	78,128	1/1/2015	12/31/2015	95,114	1/1/2015	12/31/2015	11,339
1/1/2016	12/31/2016	78,128	1/1/2016	12/31/2016	95,114	1/1/2016	12/31/2016	11,339
1/1/2017	12/31/2017	78,128	1/1/2017	12/31/2017	95,114	1/1/2017	12/31/2017	11,339
1/1/2018	12/31/2018	78,128	1/1/2018	12/31/2018	95,114	1/1/2018	12/31/2018	11,339
1/1/2019	12/31/2019	78,128	1/1/2019	12/31/2019	95,114	1/1/2019	12/31/2019	11,339
1/1/2020	12/31/2020	78,128	1/1/2020	12/31/2020	95,114	1/1/2020	12/31/2020	11,339
1/1/2021	12/31/2021	78,128	1/1/2021	12/31/2021	95,114	1/1/2021	12/31/2021	11,339
1/1/2022	12/31/2022	78,128	1/1/2022	12/31/2022	95,114	1/1/2022	12/31/2022	11,339
1/1/2023	12/31/2023	85,773	1/1/2023	12/31/2023	102,527	1/1/2023	12/31/2023	12,097
1/1/2024	12/31/2024	89,289	1/1/2024	12/31/2024	105,683	1/1/2024	12/31/2024	12,757
1/1/2025	12/31/2025	89,289	1/1/2025	12/31/2025	105,683	1/1/2025	12/31/2025	12,757
1/1/2026	12/31/2026	89,289	1/1/2026	12/31/2026	105,683	1/1/2026	12/31/2026	12,757
1/1/2027	12/31/2027	89,289	1/1/2027	12/31/2027	105,683	1/1/2027	12/31/2027	12,757
1/1/2028	12/31/2028	89,289	1/1/2028	12/31/2028	105,683	1/1/2028	12/31/2028	12,757
1/1/2029	12/31/2029	89,289	1/1/2029	12/31/2029	105,683	1/1/2029	12/31/2029	12,757
1/1/2030	12/31/2030	89,289	1/1/2030	12/31/2030	105,683	1/1/2030	12/31/2030	12,757
1/1/2031	12/31/2031	89,289	1/1/2031	12/31/2031	105,683	1/1/2031	12/31/2031	12,757
1/1/2032	12/31/2032	89,289	1/1/2032	12/31/2032	105,683	1/1/2032	12/31/2032	12,757
1/1/2033	4/25/2033	42,261	1/1/2033	5/19/2033	50,322	1/1/2033	6/19/2033	5,530
		$1,654,480			$ 1,983,996			$ 237,726

The outstanding lease commitment for the three greenhouses as of September 30, 2013 was $3,876,202.

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20. 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 subject to the interest rate risk when their short term loans become due and require refinancing.

C. *Economic and political risks*

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

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

D. *Environmental risks*

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

E. *Inflation Risk*

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

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

Caution Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to the factors described in the section captioned Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission.

In some cases, you can identify forward-looking statements by terms such as anticipates, believes, could, estimate expects, intends, may, plans, potential, predicts, projects, should, would and similar expressions i forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and are subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Also, forward-looking statements represent our estimates and assumptions only as of the date of this report. You should read this report completely and with the understanding that our actual future results may be materially different from what we expect.

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

Overview

We are an integrated food manufacturing company with headquarters in Shandong Province, China. We develop, manufacture and sell the following types of food products: chestnut products. convenience foods (including ready-to-cook foods, ready-to-eat foods, and meals ready-to-eat); and frozen foods.

We conduct our production activities in China. Our products are sold in domestic markets as well as exported to foreign countries and regions such as Japan, Korea and Europe. We believe that we are the largest processed chestnut foods manufacturer in China. We have developed brand recognition for our chestnut products in China, Japan and South Korea over the past 10 to 15 years. We produced over 50 high value-added processed chestnut products in the third quarter of 2013. We derive most of our revenues from sales in China, Japan and South Korea. In 2013, 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, Europe and the Middle East. We currently have limited sales and marketing activity in the United States, although our long-term plan is to significantly expand our activities there.

Sales continue to be heavily concentrated in the Asian regions, with mainland China, Japan and South Korea accounting for 89.1% of total sales during the nine months ended September 30, 2013, as compared to 91.3% over the same period of last year. In the fourth quarter, American Lorain expects to see higher demand for its chestnut products as we enter traditionally strong quarter, as well as its convenience food products such as bean products, lunch boxes and pickle vegetables.

Frozen foods sold primarily to select export markets in Europe and wholesale customers in China contributed approximately 19.0% in revenues for the first nine months of 2013, compared with16.2% in the same period of 2012.

Production Factors that Affect our Financial and Operational Condition

Our business depends on obtaining a reliable supply of various agricultural products, including chestnuts, vegetables, fruits, red meat, fish, eggs, rice, flour and packaging products. During the third quarter of 2013, the cost of our raw materials decreased from $42.6 million to $39.0 million, as compared to the third quarter of 2012, for an decrease of approximately 8.5% . China currently faces high domestic inflation pressures, especially in agricultural products and consumer foods. The prolonged continuation or worsening of such pressure may negatively affect our sales or profitability. We may have to increase the number of our suppliers of raw materials and expand our own agricultural operations in the future to meet growing production demands. Despite our efforts to control our supply of raw materials and maintain good relationships with our suppliers, we could lose one or more of our suppliers at any time. The loss of several suppliers may be difficult to replace and could increase our reliance on higher cost or lower quality suppliers, which could negatively affect our profitability. In addition, if we have to increase the number of our suppliers of raw materials in the future to meet growing production demands, we may not be able to locate new suppliers who could provide us with sufficient materials to meet our needs. Any interruptions to, or decline in, the amount or quality of our raw materials supply could materially disrupt our production and adversely affect our business and financial condition and financial prospects.

Seasonality

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

Uncertainties that Affect our Financial Condition

We spend a significant amount of cash on our operations, principally to procure raw materials for our products. Many of our suppliers, including chestnut, vegetable and fruit farmers, and suppliers of packaging materials, require us to prepay for their supplies in cash or pay on the same day that such supplies are delivered to us. However, some of the suppliers with whom we have a long-standing business relationship allow us to pay on credit. We fund the majority of our working capital requirements out of cash flow generated from operations as well as bank loans. 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 25.5% of our working capital from the proceeds of short-term loans from Chinese banks in the third quarter of 2013, as compared to 50.2% over the same period last year. We expect to continue to fund our working capital requirements with such loans in the future. Such loans are generally secured by our fixed assets, receivables and/or guarantees by third parties. Our balance from short-term bank loans as of September 30, 2013 was approximately $33.0 million. The term of almost all such loans is one year or less. Historically, our lenders have permitted us to roll over such loans on an annual basis. However, we may not have sufficient funds available to pay all of our borrowings upon maturity, and our lenders may not permit us to roll over the loans in the future. 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. In addition, we completed two private placement financings in September 2010 and October 2009 with net proceeds of $9.0 million and $10.9 million, respectively, the proceeds of which were primarily used as working capital. We also secured a $15 million loan from Deutsche Investitions- und Entwicklungsgesellshaft (DEG) in May 2010, which we have fully drawn down as of December 2011.We can provide no assurances that we will be able to enter into any future financing or refinancing agreements on terms favorable to us, especially considering the current instability of the capital markets.

We anticipate that our existing capital resources and cash flows from operations and current and expected short-term bank loans will be adequate to satisfy our liquidity requirements for the next 12 months. However, if available liquidity is not sufficient to meet our operating and loan obligations as they come due, our plans include obtaining alternative financing arrangements or further reducing expenditures as necessary to meet our cash requirements. However, there is no assurance that, if required, we will be able to raise additional capital or reduce discretionary spending to provide the required liquidity. Currently, the capital markets for small capitalization companies are extremely difficult and banking institutions have become stringent in their lending requirements. Accordingly, we cannot be sure of the availability or terms of any third party financing.

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, as more fully described in the Company s Annual Report on Form 10-K.

The crisis of the financial and credit markets worldwide in the second half of 2008 has led to a severe economic recession worldwide. Furthermore, the on-going European debt crisis is still weighing on the global economy as well as the financial market. The continuation or worsening of unfavorable economic conditions, including the on-going global economy and capital markets disruptions, could have adverse impacts on our business, operating results or financial conditions in a number of ways. For example, we may experience declines in revenues, profitability and cash flows as a result of reduced orders, delays in receiving orders, delays or defaults in payment or other factors caused by the economic problems of our customers and prospective customers. We may experience supply chain delays, disruptions or other problems associated with financial constraints faced by our suppliers and subcontractors. In addition, changes and volatility in the equity, credit and foreign exchange markets and in the competitive landscape make it increasingly difficult for us to predict our revenues and earnings into the future.

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 2012, 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

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

The following table summarizes the results of our operations during the three month period ended September 30, 2013 and September 30, 2012, respectively, and provides information regarding the dollar and percentage increase or (decrease) of the three month period ended September 30, 2013 compared to the three month period ended September 30, 2012.

(All amounts, other than percentages, stated in U.S. dollar)	Three months ended September 30,		Dollar($)	Percentage (%)
	2,013 (In US Dollar)	2,012 (In US Dollar)	Increase (Decrease)	Increase (Decrease)
Net revenues	53,103,910	57,972,627	(4,868,717)	-8.4%
Cost of revenues	(42,786,893)	(45,583,295)	2,796,402	-6.1%
Gross profit	10,317,017	12,389,332	(2,072,315)	-16.7%
Operating expenses				
Selling and marketing expenses	(2,174,055)	(2,310,863)	136,808	-5.9%
General and administrative expenses	(1,418,386)	(1,627,095)	208,709	-12.8%
Operating income	6,724,576	8,451,374	(1,726,798)	-20.4%
Government subsidy income	344,447	281,374	63,073	22.4%
Interest income	37,880	2,886	34,994	1212.5%
Other income	1,107,944	44,472	1,063,472	2391.3%
Other expenses	(50,329)	(6,434)	(43,895)	682.2%
Interest expense	(2,444,169)	(1,128,368)	(1,315,801)	116.6%
Earnings before tax	5,720,349	7,645,304	(1,924,955)	-25.2%
Income tax	(1,233,718)	(2,037,590)	803,872	-39.5%
Income before minority interests	4,486,631	5,607,714	(1,121,083)	-20.0%
Net income attributable to:				
Common stock holders	4,256,690	5,252,569	(995,879)	-19.0%
Minority interests	229,941	355,145	(125,204)	-35.3%

Revenue

Net Revenues. Our net revenue for the three months ended September 30, 2013 amounted to $53.1 million, which represents a decrease of approximately $4.9 million, or 8.4%, from the three-month period ended on September 30, 2012, in which our net revenue was $58.0 million. This decrease was attributable to the decreased revenues from sales of our chestnut and convenience food products, as reflected in the following table:

	Three months ended			
Category	*9/30/2013*	*9/30/2012*	Increase(decrease)	Increase(decrease)
Chestnut	24,642,847	26,991,639	(2,348,792)	-8.7%
Convenience food	19,571,519	23,155,522	(3,584,003)	-15.5%
Frozen food	8,889,543	7,825,467	1,064,076	13.6%
Total	**53,103,909**	**57,972,628**	**(4,868,719)**	**-8.4%**

Cost of Revenues. During the three months ended September 30, 2013, we experienced a decrease in cost of revenue, which consists of raw materials, direct labor and manufacturing overhead expenses, of $2.8 million, in comparison to the three months ended September 30, 2012, from approximately $45.6 million to $42.8 million, reflecting a decrease of approximately 6.1% . Our raw material costs decreased by 3.6 million from $42.6 million during the three months ended September 30, 2012 to $39.0 million during the three months ended September 30, 2013 due to lower production volume.

Gross Profit. Our gross profit decreased 2.1 million, or 16.7%, to 10.3 million for the three months ended September 30, 2013 from 12.4 million for the same period in 2012 as a result of lower revenues, offset by lower costs of revenues, for the reasons indicated immediately above. Our gross margins decreased slightly from 21.4% to 19.4% for the period ended September 30, 2013, as compared to the period ended September 30, 2012 due to inflation pressure in the Chinese domestic market. Gross profit margins by product segment for the three months ended September 30, 2013 were: 23-26% for chestnuts, 20-23% for convenience foods and 16-18% for frozen foods.

Operating Expenses

Selling and Marketing Expenses. Our selling and marketing expenses decreased $136,808, or 5.9%, to $2.2 million in the third quarter of 2013 from $2.3 million in the third quarter of 2012. The following table reflects the main factors that contributed to this decrease as well as the dollar amount that each factor contributed to this decrease. The decreases listed in the table below were partially offset by increases in dollar amount of other selling and marketing expenses, including supermarket fees and travel expenses, etc.

(in U.S. dollars)

	Decrease in Costs in the Three Months Ended September 30, 2013 over the Three Months Ended September 30, 2012	
Transportation	$	(162,198)
Port fees		(91,807)
Warehousing,		(45,680)

Selling and marketing expenses decreased together with the sales and also as we control our costs carefully.

General and Administrative Expenses. We experienced a decrease in general and administrative expense of $208,709 from $1.6 million to 1.4 million for the three months ended September 30, 2013, compared to the same period in 2012. The following table reflects the main factors that contributed to this decrease as well as the dollar amount that each factor contributed to this decrease. These lower expenses are partially offset by the increase of other expenses such as employee wages and audit fees during the three months ended September 30, 2013 compared to the same period of last year.

(In U.S Dollars)

	Decrease in Costs in the Three Months Ended September 30, 2013 over the Three Months Ended September 30, 2012	
Social Security	$	(35,973)
Entertainment Expense		(57,232)
Travel expenses		(14,090)

Interest Expenses. We experienced an increase in interest expenses of approximately $1.3 million from approximately $1.1 million to $2.4 million for the three months ended September 30, 2013, compared to the same period in 2012. The increase was mainly due to the increase in notes payable and debenture, which was $29.3 million as of September 30, 2013.

Income Before Taxation and Minority Interest

Income before taxation and minority interest decreased $1.9 million, or 25.2%, to $5.7 million for the three months ended September 30, 2013 from $7.6 million for the same period of 2012.

Income Taxes

Income taxes decreased $803,872, or 39.5%, to $1.2 million in the third quarter of 2013, as compared to $2.0 million in the third quarter of 2012.

Effective January 1, 2008, the PRC government implemented a new 25% tax rate across the board for all enterprises, without any tax holiday. However, the PRC government has established a set of transition rules to allow enterprises that already started tax holidays before January 1, 2008 to continue utilizing such tax holidays until they are fully utilized.

The income tax rates applicable to our Chinese operating subsidiaries in 2013 and 2012 are listed in the following table:

	2013	**2012**
Junan Hongrun	25%	25%
Luotian Lorain	25%	25%
Beijing Lorain	25%	25%
Shandong Lorain	25%	25%
Dongguan Lorain	25%	25%
Shandong Greenpia	25%	25%
	32	
		34

Net Income

Net income decreased $1.0 million, or 19.0%, to $4.3 million for the three months ended September 30, 2013 from $5.3 million for the same period of 2012.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

The following table summarizes the results of our operations during the nine month period ended September 30, 2013 and September 30, 2012, respectively and provides information regarding the dollar and percentage increase or (decrease) of the nine month period ended September 30, 2013 compared to the nine month period ended September 30, 2012.

	Nine months ended September 30,		Dollar($)	Percentage (%)
	2,013 (In US Dollar)	**2,012 (In US Dollar)**	**Increase (Decrease)**	**Increase (Decrease)**
Net revenues	121,978,566	135,930,419	(13,951,853)	-10.3%
Cost of revenues	(97,233,792)	(107,582,656)	10,348,864	-9.6%
Gross profit	24,744,774	28,347,763	(3,602,989)	-12.7%
Operating expenses				
Selling and marketing expenses	(5,561,435)	(5,098,669)	(462,766)	9.1%
General and administrative expenses	(4,293,756)	(4,387,609)	93,853	-2.1%
Operating income	14,889,583	18,861,485	(3,971,902)	-21.1%
Government subsidy income	1,447,789	1,135,730	312,059	27.5%
Interest income	57,730	192,076	(134,346)	-69.9%
Other income	1,318,999	98,779	1,220,220	1235.3%
Other expenses	(134,547)	(24,098)	(110,449)	458.3%
Interest expense	(4,612,763)	(2,703,251)	(1,909,512)	70.6%
Earnings before tax	12,966,791	17,560,721	(4,593,930)	-26.2%
Income tax	(3,289,034)	(4,631,730)	1,342,696	-29.0%
Income before minority interests	9,677,757	12,928,991	(3,251,234)	-25.1%
Net income attributable to:				
Common stock holders	9,274,971	12,165,013	(2,890,042)	-23.8%
Minority interests	402,786	763,978	(361,192)	-47.3%

Revenue

Net Revenues. Our net revenue for the nine months ended September 30, 2013 amounted to $122.0 million, which is approximately $14.0 million, or 10.3%, lower compared with the same time period ended September 30, 2012 where we had revenue of $135.9 million. This decrease was attributable to the decreased revenues generated from sales of chestnut and convenience food products, as reflected in the following table:

	Nine months ended			
Category	*9/30/2013*	*9/30/2012*	Increase	Increase
Chestnut	58,097,797	62,947,404	(4,849,607)	-7.7%
Convenience food	40,662,258	50,913,992	(10,251,734)	-20.1%
Frozen food	23,218,511	22,069,023	1,149,488	5.2%
Total	**121,978,566**	**135,930,419**	**(13,951,853)**	**-10.3%**

Cost of Revenues. Our cost of revenues, which consists of raw materials, direct labor and manufacturing overhead expenses, was $97.2 million for the nine month period ended September 30, 2013, a decrease of $10.3 million, or 9.6%, as compared to $107.6 million for the nine month period ended September 30, 2012. Approximately $12.3 million, of this decrease was attributable to an decrease in raw material costs, which decreased from $99.0 million during the nine months ended September 30, 2012 to $86.7 million, or by approximately 12.4%, during the nine months ended September 30, 2013.

The factors that contributed to 2.0 million increase in cost of revenues were: an increase in wage expense for factory workers, an increase in depreciation expenses for capital equipment and an increase in the cost of consumables used in conjunction with capital equipment.

Gross Profit. Our gross profit decreased $3.6 million, or 12.7%, to $24.7 million for the nine months ended September 30, 2013 from $28.3million for the same period in 2012. This decrease was attributable to decreased sales revenue, offset by lower cost as described above. Our gross margins decreased from 20.9% to 20.3% due to inflation pressure in the Chinese domestic market. Gross profit margins by product segment for the nine months ended September 30, 2013 were: 23-26% for chestnuts, 20-23% for convenience foods and 16-18% for frozen foods.

Operating Expenses

Selling and Marketing Expenses. Selling and marketing expenses increased $462,766, or 9.1%, to $5.6 million for the nine months ended September 30, 2013 from $5.1 million for the same period in 2012. Selling and marketing expenses increased as we enhanced our efforts to expand our distribution channels in China as well as internationally, and to build the brand recognition for our chestnut and convenience food products.

General and Administrative Expenses. General and administrative expenses decreased $93,853, or 2.1% to $4.3 million for the nine months ended September 30, 2013 from $4.4 million for the same period of 2012. The decrease of general and administrative expenses was primarily attributable to decreased entertainment expenses and employee benefits.

Interest Expenses. We experienced an increase in interest expenses of approximately $1.9 million from approximately $2.7 million to $4.6 million for the nine months ended September 30, 2013, compared to the same period in 2012.

Income Before Taxation and Minority Interest

Income before taxation and minority interest decreased $4.6 million or 26.2% to $13.0 million for the nine months ended September 30, 2013 from $17.6 million for the same period of 2012.

Income Taxes

Income taxes decreased approximately $1.3 million, or 29.0% to $3.3million for the nine months ended September 30, 2013 from $4.6 million for the same period of 2012. The decrease of tax paid was primarily a result of the decrease of pre-tax income in the first nine months ended September 30, 2013, as compared to the same period in 2012.

Net Income

Net income decreased $2.9 million, or 23.8% to $9.3 million for the nine months ended September 30, 2013 from $12.2 million for the same period of 2012.

Liquidity and Capital Resources

As of September 30, 2013, we had cash and cash equivalents (excluding restricted cash) of $33.2 million. Our cash and cash equivalents increased by approximately $0.8 million from December 31, 2012, primarily due to increase in short-term bank loans and debenture. The following table provides detailed information about our net cash flow for all financial statements periods presented in this report.

(in thousands of U.S. dollars)

	Nine Months Ended September 30,	
	2013	2012
Net cash provided by (used in) operating activities	(11,785)	(13,124)
Net cash provided by (used in) investing activities	(5,806)	(3,994)
Net cash provided by (used in) financing activities	16,437	16,409
Net cash flow (outflow)	(1,154)	(710)

Operating Activities

Net cash used in operating activities was $11.8 million for the nine months ended September 30, 2013 and net cash used in operating activities for the nine months ended September 30, 2012 was $13.1 million . The decrease of approximately $1.3 million in net cash flows used in operating activities in the nine months ended September 30, 2013 was primarily a result of lower increase in accounts & other receivables as compared to the same period in 2012.

Investing Activities

Our main uses of cash for investment activities are payments for the acquisition of property, plants and equipment.

Net cash used in investing activities for the nine months period ended September 30, 2013 was $5.8 million and net cash used in investing activities for the nine months ended September 30, 2012 was $4.0 million. The increase of $1.8 million in net cash flows used in investing activities in the nine months ended September 30, 2013 was primarily a result of $11.3 million payment for the purchase of land use rights, offset by $6.1 million decrease in deposits for the nine months period ended September 30, 2013 compared to the same period of last year.

Financing Activities

Net cash provided by financing activities for the nine months period ended September 30, 2013 was $16.44 million, which is an increase of $28,096 from $16.41 million net cash provided by financing activities during the same period in 2012. The increase of the net cash provided by financing activities was primarily a result of increased proceeds from long-term borrowings and notes payable in the nine months ended September 30, 2013 compared to the same period in 2012.

Loan Facilities

As of September 30, 2013, the amounts and maturity dates for our short-term bank loans are as set forth in the Notes to the Financial Statements. The total amounts outstanding were $33.0 million as of September 30, 2013, compared with $28.7 million as of December 31, 2012. We are also carrying a long term loan from DEG due in March 2016, with original face value of $15 million and eight equal semi-annual principal payments commencing September 2012. The current carrying value of this loan is $9.4 million.

We believe that our currently available working capital, after receiving the aggregate proceeds of the credit facilities referred to above, should be adequate to sustain our operations at our current levels through at least the next twelve months.

Critical Accounting Policies

The preparation of financial statements in conformity with United States generally accepted accounting principles requires our management to make assumptions, estimates and judgments that affect the amounts reported in our financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any.

We consider our critical accounting policies to be those that require significant judgments and estimates in the preparation of financial statements, including the following:

Method of Accounting -- We maintain our general ledger and journals with the accrual method accounting for financial reporting purposes. Accounting policies adopted by us conform to generally accepted accounting principles in the United States and have been consistently applied in the presentation of our financial statements, which are compiled on the accrual basis of accounting.

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

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

As of September 30, 2013, the details pertaining to our subsidiaries were as follows:

Name of Company	***Place of incorporation***	***Attributable equity interest %***		***Registered capital***
Shandong Lorain Co., Ltd	PRC	80.2	$	13,181,950
Luotian Lorain Co., Ltd	PRC	100		4,019,743
Junan Hongrun Foodstuff Co., Ltd	PRC	100		48,758,230
Beijing Lorain Co., Ltd	PRC	100		1,629,620
Shandong Greenpia Foodstuff Co.,Ltd	PRC	100		2,503,096
Dongguan Lorain Co,,Ltd	PRC	100		162,962
International Lorain Holding Inc.	Cayman Islands	100		50,711,737

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

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During the reporting period, there was no impairment loss.

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

Our revenue consists of invoiced value of goods, net of a value-added tax. No product return or sales discount allowance is made as products delivered and accepted by customers are normally not returnable and sales discount is normally not granted after products are delivered.

Recent Accounting Pronouncements

In January 2013, the FASB issued ASU No. 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* (*ASU 2013-01*). The Update clarifies that ordinary trade receivables and receivables are not in the scope of Accounting Standards Update No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. Specifically, Update 2011-11 applies only to derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria contained in *FASB Accounting Standards Codification®* or subject to a master netting arrangement or similar agreement. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. Management does not expect the adoption of this standard has a significant effect on the Company s consolidated financial position or results of operations.

For public entities, the amendments that are subject to the transition guidance is effective for fiscal periods beginning after December 15, 2012. Management does not expect the adoption of this standard has a significant effect on the Company s consolidated financial position or results of operations.

In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02). The amendments require an organization to:

a. Present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period.

b. Cross-reference to other disclosures currently required under U.S. GAAP for other reclassification items (that are not required under U.S. GAAP) to be reclassified directly to net income in their entirety in the same reporting period. This would be the case when a portion of the amount reclassified out of accumulated other comprehensive income is initially transferred to a balance sheet account (e.g., inventory for pension-related amounts) instead of directly to income or expense.

The amendments are effective for reporting periods beginning after December 15, 2012, for public companies. Management does not expect the adoption of this standard has a significant effect on the Company s consolidated financial position or results of operations.

In February 2013, the FASB issued ASU No. 2013-03, Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities (ASU 2013-03). The amendment clarifies that the requirement to disclose the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (as Level 1, Level 2, or Level 3) does not apply to private companies and nonpublic not-for-profits for items that are not measured at fair value in the statement of financial position, but for which fair value is disclosed. The amendments are effective upon issuance. Management does not expect the adoption of this standard has a significant effect on the Company s consolidated financial position or results of operations.

In March 2013, the FASB issued ASU No. 2013-04, Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (ASU 2013-04). The update provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this ASU is fixed at the reporting date, except for obligations addressed within existing guidance in US GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this ASU also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Management does not expect the adoption of this standard will have a significant effect on the Company s consolidated financial position or results of operations.

In March 2013, the FASB issued ASU No. 2013-05, Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (ASU 2013-05). The ASU clarifies that when a parent entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity, the parent is required to apply the guidance in Accounting Standards Codification 830-30 to release any related cumulative translation adjustment into net income. The ASU provides that the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The amendments take effect prospectively for public companies for fiscal years beginning after December 15, 2013, and interim reporting periods within those years. Management does not expect the adoption of this standard will have a significant effect on the Company s consolidated financial position or results of operations.

In March 2013, the FASB issued ASU No. 2013-07, Liquidation Basis of Accounting (ASU 2013-07). The ASU requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. Liquidation would be considered imminent when the likelihood is remote that the reporting entity would return from liquidation and either: (a) a plan for liquidation has been approved by the person or persons with the authority to make such a plan effective and the likelihood is remote that the execution of the plan will be blocked by other parties or the entity will return from liquidation, or (b) a plan for liquidation is imposed by other forces, and the likelihood is remote that the entity will return from liquidation. If a plan for liquidation was specified in an entity's governing documents at its inception (for example, limited-life entities), then liquidation would be imminent only if the approved plan for liquidation differs from the plan specified at the entity s inception. The amendments take effect for all entities reporting under U.S. GAAP, except investment companies that are regulated under the Investment Company Act of 1940. The standard is effective for annual reporting periods beginning after December 31, 2013, and interim reporting periods therein. Early adoption is permitted. Management does not expect the adoption of this standard will have a significant effect on the Company s consolidated financial position or results of operations.

As of September 30, 2013, there are no other recently issued accounting standards not yet adopted that would have a material effect on the Company s consolidated financial statements

Off-Balance Sheet Arrangements

We do not have any off-balance arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

As required by Rule 13a-15 under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2013. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of September 30, 2013, and as of the date that the evaluation of the effectiveness of our disclosure controls and procedures was completed, our disclosure controls and procedures were not effective due to the 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, 2012, our internal controls over financial reporting are not effective.

The material weakness and significant deficiency identified by our management as of December 31, 2012 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 technical accounting knowledge and experience in the application of US 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 needs 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 also plan to engage a certified public accounting firm in the United States to act as a consultant to provide advice regarding U.S. GAAP and internal controls over financial reporting.

C*hanges in Internal Controls over Financial Reporting.*

During the three months ended September 30, 2013, there were no changes in our internal control over financial reporting identified in connection with the evaluation performed during the fiscal year covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations Over Internal Controls.

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

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

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

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

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

PART II.
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we have disputes that arise in the ordinary course of business. Currently, there are no material legal proceedings to which we are a party, or to which any of our property is subject.

ITEM 1A. RISK FACTORS

Not applicable.

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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. REMOVED AND RESERVED

Not applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit No.	**Description**
31.1	Certification of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 ofthe Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of theSarbanes-Oxley Act of 2002.

SIGNATURES

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

Date: November 14, 2013

AMERICAN LORAIN CORPORATION

/s/ Si Chen
Si Chen
Chief Executive Officer

/s/ David She
David She
Chief Financial Officer