American Lorain CORP
Form 10-Q
May 13, 2010

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended: March 31, 2010

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

Commission File No. 001-34449

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

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

Beihuan 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 [ ] 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 May 12, 2010 was 30,242,202.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND ACCOUNTANT S REPORT

AMERICAN LORAIN CORPORATION

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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 March 31, 2010 and December 31, 2009, and the related statements of income, stockholders equity, and cash flows for the three-month periods ended March 31, 2010 and 2009. 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 review, 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.

South San Francisco, California
May 12, 2010

Samuel H. Wong & Co., LLP
Certified Public Accountants

AMERICAN LORAIN CORPORATION

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2010 AND DECEMBER 31, 2009
(Stated in US Dollars)

	Note	3/31/2010	(Audited) 12/31/2009
ASSETS			
Current assets			
Cash and cash equivalents		$ 8,529,664	$ 12,111,532
Restricted cash	3	1,118,054	1,299,889
Short-term investment		9,423,450	7,320,248
Trade accounts receivable	4	20,161,456	23,025,772
Other receivables	5	4,544,271	7,837,675
Related party receivable	6	546,384	603,116
Inventory	7	35,873,815	26,400,117
Advance to suppliers		17,765,172	16,938,872
Prepaid expenses and taxes		1,034,651	905,266
Deferred tax asset		199,876	199,867
Total current assets		$ 99,196,793	$ 96,642,354
Property, plant and equipment, *net*	8	41,342,373	41,280,407
Land use rights, *net*	9	3,850,713	3,871,547
Deposit		16,090	16,088
TOTAL ASSETS		$ 144,405,969	$ 141,810,396
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities			
Short-term bank loans	10	$ 35,463,979	$ 35,488,212
Long Term Debt Current Portion	13	186,152	-
Accounts payable		2,814,130	2,614,515
Taxes payable	11	707,362	2,235,341
Accrued liabilities and other payables	12	7,448,897	6,422,492
Customers deposits		731,413	13,842
Total current liabilities		$ 47,351,933	$ 46,774,402
Long-term bank loans	13	25,599	294,873
TOTAL LIABILITIES		$ 47,377,532	$ 47,069,275

See Accompanying Notes to the Financial Statements and Accountant s Report

	Note	3/31/2010	12/31/2009
STOCKHOLDERS EQUITY			
Preferred Stock, $.001 par value, 5,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2010 and December 31, 2009		-	-
Common stock, $0.001 par value, 200,000,000 shares authorized; 30,240,202 shares issued and outstanding as of March 31, 2010 and December 31, 2009, respectively	15	30,240	30,240
Additional paid-in capital		35,517,609	35,268,603
Statutory reserves		9,982,807	8,895,477
Retained earnings		39,228,550	38,455,349
Accumulated other comprehensive income		6,088,030	6,068,569
Non-controlling interests	14	6,181,201	6,022,883
		$ 97,028,437	$ 94,741,121
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY		$ 144,405,969	$ 141,810,396

See Accompanying Notes to the Financial Statements and Accountant s Report

AMERICAN LORAIN CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED MARCH 31, 2010 AND 2009
(Stated in US Dollars)

	Note	3/31/2010	(Audited) 3/31/2009
Net revenues	17	$ 24,560,216	$ 21,200,537
Cost of revenues		(18,836,126)	(16,038,203)
Gross profit		$ 5,724,090	$ 5,162.334
Operating expenses			
Selling and marketing expenses		(1,372,352)	(1,170,847)
General and administrative expenses		(1,016,452)	(976,306)
		(2,388,804)	(2,147,153)
Operating income		$ 3,335,286	$ 3,015,181
Government subsidy income		181,421	98,589
Interest income		2,804	64,990
Other income		119,277	16,379
Foreign exchange loss		-	(87,433)
Other expenses		(27,523)	(24,884)
Interest expense		(920,424)	(603,826)
		(644,445)	(536,185)
Earnings before tax		$ 2,690,841	$ 2,478,996
Income tax	16	(671,992)	(580,772)
Net income		$ 2,018,849	$ 1,898,224
Net income attributable to:			
- Common stockholders		1,860,531	1,756,076
- Non-controlling interests		158,318	142,148
		2,018,849	1,898,224
Earnings per share			
- Basic		$ 0.07	$ 0.07
- Diluted		0.07	0.07
Weighted average shares outstanding			
- Basic		26,075,413	25,177,640
- Diluted		26,730,651	25,177,640

See Accompanying Notes to the Financial Statements and Accountant s Report

AMERICAN LORAIN CORPORATION

STATEMENT OF STOCKHOLDERS EQUITY
FOR THE PERIODS ENDED MARCH 31, 2010 AND DECEMBER 31, 2009
(Stated in US Dollars)

	Number Of Shares	Common Stock	Additional Paid-in Capital	Statutory Reserves	Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interests	Tota
Balance, January 1, 2009	25,172,640	$ 25,172	$ 24,187,019	$ 5,438,723	$ 27,503,991	$ 5 ,178,616	$ 5,122,021	$ 67,455
Issuance of share based compensation	56,393	57	166,341	-	-	-	-	166
Issuance of common stock for cash	5,011,169	5,011	12,002,150	-	-	-	-	12,007
Issuance cost of common stock			(1,086,907)	-	-	-	-	(1,086
Net income	-	-	-	-	15,308,974	-	-	15,308
Appropriations to statutory reserves	-	-	-	3,456,754	(3,456,754)	-	-	
Allocation to non-controlling interests	-	-	-	-	(900,862)	-	900,862	
Foreign currency translation adjustment	-	-	-	-	-	889,953	-	889
Balance, December 31, 2009	30,240,202	$ 30,240	$ 35,268,603	$ 8,895,477	$ 38,455,349	$ 6,068,569	$ 6,022,883	$ 94,741
Balance, January 1, 2010	30,240,202	$ 30,240	$ 35,268,603	$ 8,895,477	$ 38,455,349	$ 6,068,569	$ 6,022,883	$ 94,741
Issuance of share based compensation	-	-	249,006	-	-	-	-	249
Issuance of common stock for cash	-	-	-	-	-	-	-	
Issuance cost of common stock	-	-	-	-	-	-	-	
Net income	-	-	-	-	2,018,849	-	-	2,018
Appropriations to statutory reserves	-	-	-	1,087,330	(1,087,330)	-	-	

Allocation to non-controlling interests	-	-	-	-	(158,318)	-	158,318	
Foreign currency translation adjustment	-	-	-	-	-	19,461	-	19
Balance, March 31, 2010	30,240,202	$ 30,240	$ 35,517,609	$ 9,982,807	$ 39,228,550	$ 6,088,030	$ 6,181,201	$ 97,028

See Accompanying Notes to the Financial Statements and Accountant s Report

AMERICAN LORAIN CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2010 AND 2009
(Stated in US Dollars)

	Note	*March 31, 2010*	*March 31, 2009*
Cash flows from operating activities			
Net income		$ 2,018,849	$ 1,898,224
Stock and share based compensation	18	249,006	-
Depreciation		365,569	334,454
Amortization		35,720	44,377
(Increase)/decrease in accounts & other receivables		4,089,021	1,598,659
(Increase)/decrease in inventories		(9,473,698)	(2,860,568)
(Increase)/decrease in prepayments		(238,115)	-
Increase/(decrease) in accounts and other payables		(301,956)	(1,485,752)
Net cash (used in)/provided by operating activities		$ (3,255,604)	$ (470,606)
Cash flows from investing activities			
Purchase of plant and equipment		-	(143,166)
Sales of short term investment fund		22,227	-
Decrease/(increase) in restricted cash		181,835	-
Payments for the purchase of land use rights		(14,887)	(22,689)
Payments for Purchase of Equipment & Construction Plant		(427,535)	-
Payments for rental deposit		-	(215,905)
Sales/(purchase) of securities		-	2,780
Net cash used in investing activities		$ (238,360)	$ (378,980)
Cash flows from financing activities			
Issue of common stock		-	5
Payment of notes		-	(5,208,485)
Proceeds from bank borrowings		17,853,746	-
Repayment of bank borrowings		(17,961,100)	14,649,047
Net cash provided by/(used in) financing activities		$ (107,354)	$ 9,440,566
Net in cash and cash equivalents (used)/sourced		(3,601,318)	8,590,979
Effect of foreign currency translation on cash and cash equivalents		19,450	811,404
Cash and cash equivalents beginning of year		12,111,532	2,841,339
Cash and cash equivalents end of year		$ 8,529,664	$ 12,243,722

See Accompanying Notes to the Financial Statements and Accountant s Report

AMERICAN LORAIN CORPORATION

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2010 AND DECEMBER 31, 2009
(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 ALC) is 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.

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

International Lorain Holding Inc. (ILH) is a Cayman Islands company incorporated on August 4, 2006 and was until May 3, 2007 wholly-owned by Mr. Hisashi Akazawa. Through restructuring and acquisition in 2006, the Company presently has two direct wholly-owned subsidiaries, Junan Hongrun and Luotian Lorain, and one indirectly wholly-owned subsidiary through Junan Hongrun, which is Beijing Lorain.

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.

(c) *Reverse-Merger*

On May 3, 2007, the Company entered into a share exchange agreement with International Lorain Holding Inc. (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 referred to hereafter as the reverse-merger transaction. The share exchange transaction has been accounted for as a recapitalization of ALC 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 16 Capitalization.

(d) *Business Activities*

The Company develops, manufactures, and sells convenience foods (includes 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 26 provinces and administrative regions in China and 42 foreign countries. Food products are categorized into three types: (1) chestnut products, (2) convenience food, and (3) frozen food.

AMERICAN LORAIN CORPORATION

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2010 AND DECEMBER 31, 2009
(Stated in US Dollars)

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.

(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 March 31, 2009, 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	$ 14,754,026
Luotian Lorain Co., Ltd	PRC	100	$ 3,705,154
Junan Hongrun Foodstuff Co., Ltd	PRC	100	$ 28,700,575
Beijing Lorain Co., Ltd	PRC	100	$ 1,462,822
Dongguan Lorain Co,,Ltd	PRC	100	$ 146,282
International Lorain Holding Inc.	Cayman Islands	100	$ 37,135,074

(c) Use of estimates

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

(d) 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 the political, economic and legal environment in the PRC, and by the general state of the PRC economy.

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

AMERICAN LORAIN CORPORATION

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2010 AND DECEMBER 31, 2009
(STATED IN US DOLLARS)

(e) Lease prepayments

Lease prepayments represent the cost of land use rights in the PRC. Land use rights are carried at cost and amortized on a straight-line basis over the period of rights of 50 years.

(f) 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. Estimated useful lives of the plant and equipment are as follows:

Buildings	40 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.

(g) Accounting for the Impairment of Long-Lived Assets

The long-lived assets held and used by the Company 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 years, there was no impairment loss.

(h) Construction in progress

Construction in progress represents direct costs of construction or acquisition and design fees incurred. Capitalization of these costs ceases and 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 it is completed and ready for intended use.

(i) Investment securities

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

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

AMERICAN LORAIN CORPORATION

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2010 AND DECEMBER 31, 2009 (STATED IN US DOLLARS)

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

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

(j) 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.

(k) 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.

(l) Customer deposits

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

(m) Cash and cash equivalents

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

(n) Advertising

All advertising costs are expensed as incurred.

(o) Shipping and handling

All shipping and handling are expensed as incurred.

(p) Research and development

All research and development costs are expensed as incurred.

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AMERICAN LORAIN CORPORATION

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2010 AND DECEMBER 31, 2009
(STATED IN US DOLLARS)

(q) 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.

(r) 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 Statement of Financial Accounting Standards (SFAS) No. 109, 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 15% 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	-	-

(s) 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.

AMERICAN LORAIN CORPORATION

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2010 AND DECEMBER 31, 2009
(STATED IN US DOLLARS)

(t)

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.

	2010	2009
Period end RMB : US$ exchange rate	6.8361	6.8372
Average Period RMB : US$ exchange rate	6.8360	6.8408

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$ at the rates used in translation.

(u) *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). 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.

(v) *Earnings per share*

Basic earnings per share is computed by dividing net income by the weighted average number of ordinary shares 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 dilutive potential ordinary shares during the years. During the quarter ended March 31, 2010, no dilutive potential ordinary shares were issued.

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. 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.

(w) Financial Instruments

The Company s financial instruments are cash and cash equivalents, accounts receivable, other receivable, advances to suppliers, advances to employees, bank loans and notes, accounts payable, other payable, dividend payable, accrued liabilities, and long-term liabilities. The recorded values of cash and cash equivalents, accounts receivable, other receivable, advances to suppliers, advances to employees, bank loans and notes, accounts payable, other payable, dividend payable and accrued liabilities approximate their fair values based on their short-term nature. The recorded values of long-term liabilities approximate their fair values, as interest approximates market rates.

AMERICAN LORAIN CORPORATION

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2010 AND DECEMBER 31, 2009 (STATED IN US DOLLARS)

(x) 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.

(y) 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 is the foreign currency translation adjustment.

(z) Recent accounting pronouncements

In June 2009, FASB issued FASB Statement No. 166, Accounting for Transfers for Financial Assets (FASB ASC 860 Transfers and Servicing) and FASB Statement No. 167 (FASB ASC 810 Consolidation), a revision to FASB Interpretation No. 46 (Revised December 2003), Consolidation of Variable Interest Entities (FASB ASC 810 Consolidation).

Statement 166 is a revision to FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (FASB ASC 860 Transfers and Servicing), and will require more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures. Statement No. 166 (FASB ASC 860 Transfers and Servicing) must be applied as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This Statement must be applied to transfers occurring on or after the effective date. The Company is still evaluating the impact of the above pronouncement.

Statement 167 is a revision to FASB Interpretation No. 46 (Revised December 2003), Consolidation of Variable Interest Entities (FASB ASC 810 Consolidation), and changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity s purpose and design and the reporting entity s ability to direct the activities of the other entity that most significantly impact the other entity s economic performance. Statement No. 167 (FASB ASC 810 Consolidation) shall be effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is still evaluating the impact of the above pronouncement.

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On June 30, 2009, FASB issued FASB Statement No. 168, Accounting Standards Codification (FASB ASC 105 Generally Accepted Accounting Principles) a replacement of FASB Statement No. 162 the Hierarchy of Generally Accepted Accounting Principles. On the effective date of this standard, FASB Accounting Standards Codification (ASC) became the source of authoritative U.S. accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the Securities and Exchange Commission (SEC). This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. If an accounting change results from the application of this guidance, an entity should disclose the nature and reason for the change in accounting principle in their financial statements. This new standard flattens the GAAP hierarchy to two levels: one that is authoritative (in FASB ASC) and one that is non-authoritative (not in FASB ASC). Exceptions include all rules and interpretive releases of the SEC under the authority of federal securities laws, which are sources of authoritative GAAP for SEC registrants, and certain grandfathered guidance having an effective date before March 15, 1992. Statement No. 168 is the final standard that will be issued by FASB in that form. There will no longer be, for example, accounting standards in the form of statements, staff positions, Emerging Issues Task Force (EITF) abstracts, or AICPA Accounting Statements of Position. The Company has adopted the new accounting standard. There was no material impact on the financial statements presented herein.

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

Trade accounts receivable consisted of the following as of March 31, 2010 and December 31, 2009:

		2010		2009
Trade accounts receivable	$	20,429,090	$	23,293,362
Less: Allowance for doubtful accounts		(267,634)		(267,590)
	$	20,161,456	$	23,025,772

Allowance for bad debt:		2010		2009
Beginning balance	$	(267,590)	$	(127,967)
Additions to Allowance		(44)		(139,623)
Less: Bad debt written-off		-		-
Ending balance	$	(267,634)	$	(267,590)

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.

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5. OTHER RECEIVABLES

Other receivables consisted of the following as of March 31, 2010 and December 31, 2009:

		2010		2009
Advances to employees for purchases of materials	$	2,793,753	$	4,041,986
Advances to employees for job/travel disbursements		242,286		23,890
Amount due from a non-related enterprise		1,329,142		1,999,671
Other non-related receivables		179,090		1,772,128
	$	4,544,271	$	7,837,675

6. RELATED PARTY RECEIVABLE

Related party receivable consisted of the following as of March 31, 2010 and December 31, 2009:

		2010		2009
Chen Si	$	395,209	$	541,245
Lu Yundong		121,657		32,358
Liu Gang		29,518		29,513
	$	546,384	$	603,116

Related party receivable represent advances issued by management for the purchase of raw materials in the normal course of business. The receivables are neither interest-bearing nor collateralized. The receivables had no impact on earnings. The related parties will repay the outstanding balances within one operating period.

7. INVENTORY

Inventory consisted of the following as of March 31, 2010 and December 31, 2009:

		2010		2009
Raw materials	$	6,243,075	$	12,014,402
Finished goods		29,730,740		14,385,715
	$	35,873,815	$	26,400,117

8.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following as of March 31, 2010 and December 31, 2009:

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	2010	2009
At cost:		
Buildings	$ 29,186,067	$ 29,181,372
Landscaping, plant, and tree	2,759,388	2,758,944
Machinery and equipment	7,904,285	7,783,775
Office equipment	455,601	466,411
Motor vehicles	459,728	357,902
	$ 40,765,069	$ 40,548,404
Less: accumulated depreciation		
Buildings	(1,973,367)	(1,811,423)
Machinery and equipment	(3,400,252)	(3,226,015)
Office equipment	(268,967)	(264,039)
Motor vehicles	(254,801)	(230,341)
	(5,897,387)	(5,531,818)
Construction in Progress	6,474,691	6,263,821
	$ 41,342,373	$ 41,280,407

Construction in progress mainly comprises capital expenditures for construction of the Company s new corporate campus, including offices, factories and staff dormitories. Capital commitments for the construction are immaterial for the three years above.

Landscaping, plant and tree is chestnut trees investment in the development of agricultural operations, which have not been the significant source of the raw materials needed for the Company s operations to date.

9. LAND USE RIGHTS, NET

Land use rights consisted of the following as of March 31, 2010 and December 31, 2009:

	2010	2009
Land use rights, *at cost*	$ 4,374,309	$ 4,359,423
Less: Accumulated amortization	(523,596)	(487,876)
	$ 3,850,713	$ 3,871,547

Land use rights represent the prepaid land use right. The PRC government owns the land on which the Company s corporate campus is being constructed. The Company carries land use rights at cost less accumulated amortization. Land use rights are amortized straight-line over the useful life of 50 years.

10. SHORT-TERM DEBTS

Short-term debts consisted of the following as of March 31, 2010 and December 31, 2009:

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	Remark	2010	2009
Loans from Junan County Construction Bank,			
Interest rate at 5.3460% per annum due1/18/2010		$ -	$ 212,075
Interest rate at 5.3460% per annum due 1/24/2010		-	144,796
Interest rate at 5.3460% per annum due 1/28/2010		-	153,572
Interest rate at 5.3460% per annum due 3/8/2010		-	153,571
Interest rate at 5.3460% per annum due 3/25/2010		-	153,572
Interest rate at 5.3460% per annum due 1/22/2010		-	394,899
Interest rate at 5.3460% per annum due 1/10/2010		-	394,898
Interest rate at 5.3460% per annum due 1/12/2010		-	475,340
Interest rate at 5.8410% per annum due 12/27/2010		716,783	716,667
Interest rate at 5.3460% per annum due 9/1/2010		1,170,258	1,117,070
Interest rate at 5.3460% per annum due 1/7/2010		-	1,462,587
Interest rate at 5.346% per annum due 4/13/2010		234,052	-
Interest rate at 5.346% per annum due 6/7/2010		950,835	-
Interest rate at 5.841% per annum due 1/14/2011		468,103	-
Interest rate at 5.346% per annum due 5/21/2010		848,437	-
Interest rate at 5.346% per annum due 5/2/2010		702,155	-
Interest rate at 5.841% per annum due 3/4/2011		380,334	-
Interest rate at 5.346% per annum due 6/9/2010		234,052	-
Interest rate at 5.346% per annum due 6/15/2010		96,546	-
Interest rate at 5.346% per annum due 5/14/2010		48,273	-
Loan from Junan County Agriculture Bank,			-
Interest rate at 7.965% per annum due 8/23/2010	A	1,609,105	1,608,846
Interest rate at 7.965% per annum due 9/22/2010		1,448,194	1,447,961
Interest rate at 6.804% per annum due 3/3/2010		-	1,462,587
Interest rate at 7.965% per annum due 11/22/2010		643,642	643,538

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Interest rate at 6.804% per annum due 3/11/2010	-	2,193,881
Interest rate at 6.804% per annum due 3/08/2010	-	1,755,104
Interest rate at 7.965% per annum due 3/17/2010	-	3,363,950
Interest rate at 6.804% per annum due 5/9/2010	438,847	-
Interest rate at 7.290% per annum due 6/3/2010	1,462,822	-
Interest rate at 7.290% per annum due 6/7/2010	1,755,387	-
Interest rate at 7.290% per annum due 6/10/2010	2,194,234	-
Interest rate at 6.903% per annum due 3/30/2011	92,158	-
Loan from Junan County Industrial and Commercial Banks,		-
Interest rate at 5.346% per annum due1/8/2010	-	438,776
Interest rate at 5.346% per annum due1/14/2010	-	541,157
Interest rate at 5.346% per annum due1/25/2010	-	614,287
Interest rate at 3.24% per annum due 3/15/2010	-	463,640
Interest rate at 4.007% per annum due 4/23/1010	1,243,399	-
Interest rate at 4.006% per annum due 4/28/2010	614,385	-
Interest rate at 4.006% per annum due 4/16/2010	1,316,540	-
Interest rate at 4.006% per annum due 5/24/2010	1,199,514	-
Loan from Junan County Agricultural Financial Institution,	-	-
Interest rate at 10.939% per annum due 1/22/2010	-	1,170,070
Loan from Linyi Commercial Bank,	-	-
Interest rate at 9.293% per annum due 1/19/2010	-	658,164
Interest rate at 16.470% per annum due 12/21/2010	687,527	687,416
Interest rate at 11.151% per annum due 6/16/2010	1,462,822	1,462,587
Interest rate at 11.151% per annum due 6/15/2010	1,462,822	1,462,587

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Interest rate at 11.151% per annum due 1/21/2011		658,270	-
		-	-
		-	-
Loan from Beijing Miyun County Shilipu Rural		-	-
Financial Institution,		-	-
Interest rates at 7.434% per annum due 1/20/2010		-	1,462,587
Interest rates at 6.903% per annum due 9/30/2010		2,779,363	2,831,918
Loan from China Merchants Bank, Beijing,		-	-
** Interest rate at 5.310% per annum	B	716,782	731,294
Loan from China Agricultural Bank, Luotian		-	-
Branch		-	-
Interest rate at 6.372% per annum due 8/25/2010		1,755,387	1,901,363
Bank of Beijing			
Interest rate at 6.903% per annum due 7/29/2010		292,564	292,517
East West Bank (Formerly United Commercial Bank), China Branch			
Interest rate at 5.494% per annum	C	950,148	1,050,137
HSBC Miyun Branch			
Interest rate at 6.804% per annum due 4/8/2010		292,564	292,517
Shenzhen Development Bank			
Interest rate at 5.576% per annum due 12/29/2010		1,462,822	1,462,587

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Luotian Agricultural Development Bank			
Interest rate at 0.67% month due 12/11/2010		109,712	109,694
Junan Agricultural Credit Cooperative			
Interest rate at 10.939% annum due 2/7/2011		1,170,258	-
Interest rate at 7.222% annum due 3/1/2011	D	1,023,976	-
Linyi Linzhou Auction Corporation			
Interest rate at 10.8% annum due 4/12/2010		770,907	-
		$ 35,463,979	$ 35,488,212

The short-term loans, which are denominated in the functional currency Renminbi (RMB), were primarily obtained for general working capital.

Remark:

A: A storage of 8,162 square meters was used as collateral for this loan.

B: A CD deposit certificate was used as collateral for this loan.

C: A building of 5,646 square meters of Sishui Xinlu Foodstuff Co., Ltd was used as mortgage for this loan.

D: A parcel of land of Shangdong Green Garden Food Company was used as collateral for this loan.

11. TAXES PAYABLE

Taxes payable consisted of the following as of March 31, 2010 and December 31, 2009:

	2010	2009
Value added tax payable	$ 1,415	$ 328,608
Corporate income tax payable	639,195	1,842,751
Employee payroll tax withholding	5,380	3,449
Property tax payable	16,584	12,279
Stamp tax payable	-	359
Sales tax payable	-	-
Land use tax payable	44,788	41,260
Import tariffs	-	6,635
	$ 707,362	$ 2,235,341

12. ACCRUED EXPENSES AND OTHER PAYABLE

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Accrued expenses and other payables consisted of the following as of March 31, 2010 and December 31, 2009:

	2010	2009
Accrued salaries and wages	$ 188,012	$ 500,390
Accrued utility expenses	191,985	263,492
Accrued interest expenses	-	9,264
Accrued transportation expenses	136,137	344,841
Other accruals	21,065	184,860
Business and other taxes	107,962	2,344,746
Purchase disbursement payable	6,760,226	2,750,547
Accrued staff welfare	43,510	24,352
	$ 7,448,897	$ 6,422,492

13. LONG-TERM DEBT

Long-term debt consisted of the following as of March 31, 2010 and December 31, 2009:

	2010	2009
Loans from Luotian Agricultural Development Bank		
Interest rates at 2.10% per annum due 12/11/2011	25,599	25,595
Loans from East West Bank (Formerly United Commercial Bank), China Branch		
Interest rates at 5.494% per annum due 1/14/2010	-	269,278
Interest rates at 5.806% per annum on demand	186,152	-
	$ 211,751	$ 294,873

As of the quarter ended March 31, 2010, a loan of $186,152 from United Commercial Bank is categorized in long-term debt- current portion.

14. MINORITY INTEREST

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

15. 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. During the course of 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; 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 it 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 December 31, 2008 was 25,172,640.

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During the year of 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. The total number of shares issued and outstanding is 30,240,202 at December 31, 2009.

		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
	Common stock at 12/31/2009		30,240,202	30,240,202

	Warrants and options	Number of warrants or options	Issuance Date	Expiration date
	Issued to PIPE investors first round financing	1,037,858	5/3/2007	5/2/2010
	Issued to placement agent first round financing	489,330	5/3/2007	5/2/2010
	Employee stock options	1,334,573	7/28/2009	7/27/2014
	PIPE investors second round financing - Series A	1,753,909	10/28/2009	4/28/2015
	PIPE investors second round financing - Series B	501,115	10/28/2009	10/28/2012
	Total warrants	5,116,785		

16. INCOME TAXES

The following tables provide the reconciliation of the differences between the statutory and effective tax expenses for the quarters ended March 31, 2010 and 2009.

	2010	2009
Income attributed to PRC	$ 2,951,843	$ *2,592,416*
Loss attributed to US*	(261,002)	(113,420)
Income before tax	2,690,841	2,478,996
PRC Statutory Tax at 25% Rate	737,961	648,104
Effect of tax exemption granted	(65,969)	(67,332)
Income tax	$ 671,992	$ 580,772

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Per Share Effect of Tax Exemption

		2010		2009
Effect of tax exemption granted	$	(65,969)	$	(67,332)
Weighted-Average Shares Outstanding		26,075,413		25,177,640
Per share effect	$	(0.003)	$	(0.003)

The difference between the U.S. federal statutory income tax rate and the Company s effective tax rate was as follows for the quarters ended March 31, 2010 and 2009:

		2010		2009
U.S. federal statutory income tax rate	$	35.00%	$	35.00%
Lower rates in PRC, net		-10.00%		-10.00%
Tax holiday for foreign investments		-0.03%		-1.57%
The Company s effective tax rate	$	24.97%	$	23.43%

Effective January 1, 2008, PRC government implements 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 15% 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 has accrued a deferred tax asset as a result of its net operating loss in 2009 because the Company has plans 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 has detailed tax rates for its subsidiaries for 2010 and 2009 in the following table.

Income Tax Rate	2010	2009
International Lorain	0%	0%
Junan Hongran	25%	25%
Luotian Lorain	25%	15%
Beijing Lorain	15%	15%
Shangdong Lorain	25%	25%
Dongguan Lorain	25%	25%

17. SALES BY PRODUCT TYPE

Sales by categories of product consisted of the following as of March 31, 2010 and 2009:

Category		2010		2009
Chestnut	$	12,960,561	$	12,685,389
Convenience food		7,089,176		1,032,821
FCB food		4,510,479		7,482,327
Total	**$**	**24,560,216**	**$**	**21,200,537**

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Revenue by geography consisted of the following as of March 31, 2010 and 2009:

Category	2010	2009
Belgium	$ 369,076	$ 38,357
Canada	71,585	-
China	19,346,486	16,884,801
France	80,029	98,305
Germany	64,631	142,321
Holland	-	142,321
Hong Kong	10,413	52,039
Japan	2,592,836	1,590,369
Malaysia	300,747	71,684
Saudi Arabia	-	992,902
Singapore	157,718	97,935
South Korea	1,151,811	852,009
Taiwan	45,362	39,795
United Kingdom	297,616	158,589
United States of America	41,068	104,477
United Arab Emirates	30,838	-
Other	-	76,954
Total	**$ 24,560,216**	**$ 21,200,537**

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.

During the quarter ended March 31, 2010, the Company recorded a total of $249,006 stock option and its related general and administrative expenses.

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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 year ended December 31, 2009 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:

Weighted-average fair value of grants:	$	1.6862
Risk-free interest rate:		2.55%
Expected volatility:		5.75%
Expected life in months:		51.00

19. LEASE COMMITMENTS

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

The minimum future lease payments for this property at March 31, 2010 are shown in the following table:

From	To		USD
4/1/2010	12/31/2010	$	63,195
1/1/2011	12/31/2011		84,259
1/1/2012	12/31/2012		84,259
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
		$	746,630

The outstanding lease commitment as of March 31, 2010 is $746,630.

The minimum future lease payments for this property at December 31, 2009 are shown in the following table:

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From	To	USD
1/1/2010	12/31/2010	$ 84,245
1/1/2011	12/31/2011	84,245
1/1/2012	12/31/2012	84,245
1/1/2013	12/31/2013	87,521
1/1/2014	12/31/2014	92,670
1/1/2015	12/31/2015	92,670
1/1/2016	12/31/2016	92,670
1/1/2017	12/31/2017	92,670
1/1/2018	8/9/2018	56,631
		$ 767,567

The outstanding lease commitment as of December 31, 2009 is $767,567.

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, 2009 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 26 provinces and administrative regions in China and 42 foreign countries. We believe that we are the largest processed chestnut foods manufacturer in China. We have developed brand equity 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 first quarter of 2010. We derive most of our revenues from sales in China, Japan and South Korea. Our primary strategy for 2010 is to expand our brand equity in the Chinese market for our convenience foods products. We are also working to expand our brand recognition in China for our Chestnut products and frozen products. In addition, we are working to expand our marketing efforts in Asia, North America, 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 in the first quarter of 2010 benefited from exports to Korea and Japan and indicated that American Lorain s key export markets in northeast Asia are rebounding after a soft year in 2009. In the coming quarters, American Lorain sees higher demand for its traditional chestnut product line along with additional sales revenues being generated by frozen chestnut summer promotions in Beijing and Chongqing. On May 3rd, American Lorain detailed a summer promotion of frozen chestnuts for sales at Lorain®-branded counters which is expected to contribute approximately $3.6 million in revenues in 2010.

Frozen foods sold primarily to select export markets in Europe and wholesale customers like Yums! Foods in China contributed approximately 18.4% in revenues for the quarter compared to 35.3% in the first quarter of 2009. American Lorain will continue servicing its frozen food customers but as part of a broader marketing strategy and in response to a highly competitive environment in which the Company is not actively seeking new customers.

American Lorain uses mostly outsourced, third party manufacturing facilities for its frozen foods and maintains limited production exposure and contractual obligations in this segment.

Production Factors that Affect our Financial and Operational Condition

Our business depends on obtaining a reliable supply of various agricultural products, including chestnuts, vegetables, fruits, red meat, fish, eggs, rice, flour and packaging products. During the first quarter of 2010, the cost of our raw materials increased from $14.5 million to $17.2 million, as compared to the first quarter of 2009, for an increase of approximately 18.6% . 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. In the first quarter of 2010, we paid for approximately 17.1% of our raw materials on credit. We fund the majority of our working capital requirements out of cash flow generated from operations. If we fail to generate sufficient sales, or if our suppliers stop offering us credit terms, we may not have sufficient liquidity to fund our operating costs and our business could be adversely affected.

We also fund approximately 68% of our working capital requirements from the proceeds of short-term loans from Chinese banks. 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 loan balance from short-term bank loans as of March 31, 2010 was approximately $35.5 million. The term of almost all such loans is one year or less. Historically, we have rolled over such loans on an annual basis. However, we may not have sufficient funds available to pay all of our borrowings upon maturity. Failure to roll over our short-term borrowings at maturity or to service our debt could result in the imposition of penalties, including increases in rates of interest, legal actions against us by our creditors, or even insolvency.

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. However, we successfully consummated a private placement financing of approximately $12.0 million through the sale of common stock and warrants to several accredited investors on November 3, 2009, the proceeds of which are being used to support a planned nationwide commercial campaign to promote our convenience food products in the Chinese market and to increase brand awareness for our Ready-to-Cook foods, Ready-to-Eat foods, and Meals Ready-to-Eat, as well as our chestnut products

The crisis of the financial and credit markets worldwide in the second half of 2008 has led to a severe economic recession worldwide, and the outlook for the remainder of 2010 is uncertain. A continuation or worsening of unfavorable economic conditions, including the ongoing credit and capital markets disruptions, could have an adverse impact on our business, operating results or financial condition 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 2009, we shortened credit terms for many of our international and domestic distributors from between 30 and 180 days to between 30 and 60 days for domestic distributors, and around 90 days for international distributors. 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.

In 2009, we introduced to the market several new products, including the series of bean products, cold-dish products and lunch-box products. Such additions to our product family increased the number of suppliers, many of whom were new to us. Most of these new suppliers require prepayment, in part or in full amount, before delivery of the supplies. Our cash flow suffered from these increased advances to suppliers. Our suppliers may not waive or reduce their prepayment requirements, in which case if we fail to find alternative suppliers, we may not have sufficient cash flow to fund our operations and our business could be adversely affected.

Results of Operations

Three Months Ended March 31, 2010 Compared to Three Months Ended March 31, 2009

The following table summarizes the results of our operations during the three-month periods ended March 31, 2010 and March 31, 2009, respectively and provides information regarding the dollar and percentage increase or (decrease) from the three-month period ended March 31, 2009 compared to the three-month period ended March 31, 2010.

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

	Three months ended March 31,			
	2010 (In Thousands)	**2009 (In Thousands)**	**Dollar($) Increase (Decrease)**	**Percentage (%) Increase (Decrease)**
Net revenues	24,560	21,201	3,359	15.8%
Cost of revenues	(18,836)	(16,038)	(2,798)	17.4%
Gross profit	5,724	5,162	562	10.9%
Operating expenses				
Selling and marketing expenses	(1,372)	(1,171)	(201)	17.2%
General and administrative expenses	(1,016)	(976)	(40)	4.1%
Operating Income	3,336	3,015	321	10.6%
Government subsidy income	181	99	82	82.8%
Interest and other income	122	81	41	50.6%
Other expenses	(28)	(25)	(3)	12.0%
Interest expense	(920)	(604)	(316)	52.3%
Earnings before tax	2,691	2,479	212	8.6%
Income tax	(672)	(581)	(91)	15.7%
Income before minority interests	2,019	1,898	121	6.4%
Minority interests	158	142	16	11.3%
Net income	1,861	1,756	105	6.0%

Revenue

Net Revenues

. Our net revenue for the three months ended March 31, 2010 amounted to $24.6 million, which represents an increase of approximately $3.4 million, or 15.8%, from the three-month period ended on March 31, 2009, in which our net revenue was $21.2 million. The increased revenues were attributable to increased revenues from sales of our chestnut and convenience food products as a result of 2.2% and 586.4% (or $6.1 million) increase in sales respectively of such products thanks to our effective marketing efforts and well established domestic and international distribution network. Frozen foods sold primarily to select export markets in Europe and wholesale customers like Yums! Foods in China contributed approximately 18.4% in revenues for the quarter compared to 35.3% in the first quarter of 2009.

Cost of Revenues. During the three months ended March 31, 2010, we experienced an increase in cost of revenue of $2.8 million, in comparison to the three months ended March 31, 2009, from approximately $16 million to $18.8 million, reflecting an increase of approximately 17.4% . Approximately 96.7%, or $2.7 million, of this increase was attributable to an increase in raw material costs, which increased from $14.5 million during the three months ended March 31, 2009 to $17.2 million, or approximately 18.6%, during the three months ended March 31, 2010.

The factors that contributed to the remaining 3.3% 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 increased $0.6 million, or 10.9%, to $5.7 million for the three months ended March 31, 2010 from $5.2 million for the same period in 2009 as a result of higher revenues, offset by higher costs of revenues, for the reasons indicated immediately above. However, our gross margins decreased from 24.4% to 23.3% because our product mix in the period ended March 31, 2010 consisted of fewer chestnuts and more convenience foods, as compared to the period ended March 31, 2009. Our convenience food generate lower margins than our chestnut products. Gross profit margins by product segment are; 25-28% for chestnuts, 22-24% for convenience foods and 16-18% for frozen foods.

Operating Expenses

Selling and Marketing Expenses. Our selling and marketing expenses increased approximately $0.2 million, or 17.2%, to $1.4 million in the first quarter of 2010 from $1.2 million in the first quarter of 2009. The following table reflects the main factors that contributed to this increase as well as the dollar amount that each factor contributed to this increase:

(in U.S. dollars)	**Increase in Costs in the Three Months Ended March 31, 2010 over the Three Months Ended 31-Mar-09**
Shipping and inspection fees	183,047
Transportation	56,759
Advertising Expenses	86,627

The increases listed in the table above were partially offset by decreases in dollar amount of other factors, including customer lodging, phone, postage and courier charges, toll road expense, warehousing costs and expenses for professional movers.

Selling and marketing expenses increased because we expanded the distribution of our products in China. In addition, we introduced several new convenience food products and initiated a marketing and promotional campaign for our chestnut and convenience food products.

General and Administrative Expenses. We experienced an increase in general and administrative expense of approximately $0.04 million from approximately $0.97 million to approximately $1.02 million for the three months ended March 31, 2010, compared to the same period in 2009. The following table reflects the main factors that contributed to this increase as well as the dollar amount that each factor contributed to this increase:

Factor	**Dollar Increase**
Staff Welfare	29,125
Insurance Fees	34,465
Rental	27,648
Pension Expenses	73,402

The increases listed in the table above were partially offset by decreases in dollar amount of other factors, including office expenses, consulting fees and waste water treatment expenses.

Income Before Taxation and Minority Interest

Income before taxation and minority interest increased $0.2 million, or 8.6%, to $2.7 million for the three months ended March 31, 2010 from $2.5 million for the same period of 2009. The increase was mainly attributable to the increase of our sales revenue as described above in the three months ended March 31, 2010 as compared to the three months ended March 31, 2009.

Income Taxes

Income taxes increased $0.09 million, or 15.7%, to $0.67 million in the first quarter of 2010, as compared to $0.58 million in the first quarter of 2009. This increase was attributable to the higher earnings before tax and higher income tax rate in 2010 as compared to 2009.

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 2009 and 2010 are depicted in the following table:

	2009	**2010**
Junan Hongrun	25%	25%
Luotian Lorain	15%	25%
Beijing Lorain	15%	15%
Shandong Lorain	25%	25%

Net Income

Net income increased $0.11 million, or 6.0%, to $1.86 million for the three months ended March 31, 2010 from $1.76 million for the same period of 2009. The increase was attributable to increased sales revenue and partially offset by increased cost of goods sold, selling and marketing expenses and higher income tax in the three months ended March 31, 2010 as compared to the three months ended March 31, 2009.

Liquidity and Capital Resources

As of March 31, 2010, we had cash and cash equivalents (including restricted cash) of $8.5 million. Our cash and cash equivalents decreased by approximately $3.6 million from December 31, 2009, due to cash spent on our inventories. The following table provides detailed information about our net cash flow for all financial statements periods presented in this report.

	Cash Flow (in thousands) Three Months Ended March 31,	
	2010	2009
Net cash provided by (used in) operating activities	(3,256)	(471)
Net cash provided by (used in) investing activities	(238)	(379)
Net cash provided by (used in) financing activities	(107)	9,441
Net cash flow (outflow)	(3,601)	8,591

Operating Activities

Net cash used in operating activities was $3.3 million for the three months period ended March 31, 2010 and net cash used by operating activities in the first quarter of 2009 was approximately $0.5 million. The increase of approximately $2.8 million in net cash flows used in operating activities in the first three months of fiscal 2010 was primarily a result of additional increase in inventory of approximately $6.6 million, which was partially offset by additional decrease in accounts and other receivables of approximately $2.5 million as compared to the same period in 2009.

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 three months period ended March 31, 2010 was $0.24 million, which is a decrease of 0.14 million from net cash used in investing activities of $0.38 million for the same period of 2009. The decrease was primarily due to decrease in restricted cash and decrease in payments for rental deposit in 2010.

Financing Activities

Net cash provided by financing activities for the three months period ended March 31, 2010 was ($0.1) million, which is an decrease of $9.5 million from $9.4 million net cash provided by financing activities during the same period in 2009. The decrease of the net cash provided by financing activities was primarily a result of decreased short term bank borrowing in 2010.

Loan Facilities

As of March 31, 2010, 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 $35.5 million as of March 31, 2010, compared with $35.5 million as of December 31, 2009. 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.

Obligations under Material Contracts

We do not have any material contractual obligations as of March 31, 2010.

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:

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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 March 31, 2010, 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	$ 14,754,026
Luotian Lorain Co., Ltd	PRC	100	$ 3,705,154
Junan Hongrun Foodstuff Co., Ltd	PRC	100	$ 28,700,575
Beijing Lorain Co., Ltd	PRC	100	$ 1,462,822
Dongguan Lorain Co,,Ltd	PRC	100	$ 146,282
International Lorain Holding Inc.	Cayman Islands	100	$ 37,135,074

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 June 2009, FASB issued FASB Statement No. 166, Accounting for Transfers for Financial Assets (FASB ASC 860 Transfers and Servicing) and FASB Statement No. 167 (FASB ASC 810 Consolidation), a revision to FASB Interpretation No. 46 (Revised December 2003), Consolidation of Variable Interest Entities (FASB ASC 810 Consolidation).

Statement 166 is a revision to FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (FASB ASC 860 Transfers and Servicing), and will require more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures. Statement No. 166 (FASB ASC 860 Transfers and Servicing) must be applied as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This Statement must be applied to transfers occurring on or after the effective date. The Company is still evaluating the impact of the above pronouncement.

Statement 167 is a revision to FASB Interpretation No. 46 (Revised December 2003), Consolidation of Variable Interest Entities (FASB ASC 810 Consolidation), and changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity s purpose and design and the reporting entity s ability to direct the activities of the other entity that most significantly impact the other entity s economic performance. Statement No. 167 (FASB ASC 810 Consolidation) shall be effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is still evaluating the impact of the above pronouncement.

On June 30, 2009, FASB issued FASB Statement No. 168, Accounting Standards Codification (FASB ASC 105 Generally Accepted Accounting Principles) a replacement of FASB Statement No. 162 the Hierarchy of Generally Accepted Accounting Principles. On the effective date of this standard, FASB Accounting Standards Codification (ASC) became the source of authoritative U.S. accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the Securities and Exchange Commission (SEC). This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. If an accounting change results from the application of this guidance, an entity should disclose the nature and reason for the change in accounting principle in their financial statements. This new standard flattens the GAAP hierarchy to two levels: one that is authoritative (in FASB ASC) and one that is non-authoritative (not in FASB ASC). Exceptions include all rules and interpretive releases of the SEC under the authority of federal securities laws, which are sources of authoritative GAAP for SEC registrants, and certain grandfathered guidance having an effective date before March 15, 1992. Statement No. 168 is the final standard that will be issued by FASB in that form. There will no longer be, for example, accounting standards in the form of statements, staff positions, Emerging Issues Task Force (EITF) abstracts, or AICPA Accounting Statements of Position. The Company has adopted the new accounting standard. There was no material impact on the financial statements presented herein.

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 March 31, 2010. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2010, our disclosure controls and procedures were effective.

Changes in Internal Controls over Financial Reporting.

During the fiscal quarter ended March 31, 2010, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. REMOVED AND RESERVED

Not applicable

ITEM 5. OTHER INFORMATION

No events occurred during the period covered by this Form 10-Q that were required to be disclosed in a report on Form 8-K during the period but not reported.

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 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

Date: May 12, 2010

AMERICAN LORAIN CORPORATION

/s/ Si Chen
Si Chen
Chief Executive Officer

/s/ Yilun Jin
Yilun Jin
Chief Financial Officer