

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

AMENDMENT NO. 1 on
FORM 10-K/A

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

For the fiscal year ended: December 31, 2015

Or

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

For the transition period from: _____ to _____

PINGTAN MARINE ENTERPRISE LTD.
(Exact name of registrant as specified in its charter)

Cayman Islands (State or Other Jurisdiction of Incorporation or Organization)	001-35192 (Commission File Number)	N/A (I.R.S. Employer Identification No.)
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**18-19/F, Zhongshan Building A,
No. 154 Hudong Road
Fuzhou, P.R.C. 350001**
(Address of Principal Executive Office) (Zip Code)

(86) 591-8727-1266
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Ordinary shares, \$0.001 par value	The NASDAQ Capital Market

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

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant was approximately \$59.6 million on June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter.

The number of the registrant's ordinary shares outstanding as of March 9, 2016 was 79,055,053.

EXPLANATORY NOTE

This Amendment No. 1 to Form 10-K (this “Amendment”) amends the Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (the “Original Filing”), originally filed with the Securities and Exchange Commission (the “SEC”) on March 10, 2016, of Pingtan Marine Enterprise Ltd. We are filing the Amendment in order to include a revised audit report of BDO China Shu Lun Pan Certified Public Accountants LLP to cover both fiscal years ended December 31, 2014 and 2015 and to provide the report of UHY Vocation HK CPA Limited for the fiscal year ended December 31, 2013. Accordingly, Item 8. “Financial Statements and Supplementary Data” of Part II is hereby amended in its entirety.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, this Amendment includes as exhibits the certifications required of our principal executive officer and principal financial officer under Section 302 of the Sarbanes-Oxley Act of 2002.

No attempt has been made with this Amendment to modify or update the other disclosures presented in the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and our other filings made with the SEC.

Unless otherwise noted or as the context otherwise requires, the term “the Company,” “we,” “us,” or “our” refers to Pingtan Marine Enterprise Ltd. and its subsidiaries.

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Financial Statement Schedules (Item 15(a)(2))

Financial statement schedules have been omitted because either they are not applicable or the required information is included in the financial statements or the notes thereto.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(3) Exhibits

The exhibits listed on the accompanying Exhibit Index are incorporated by reference into this Item 15 of this Annual Report on Form 10-K/A.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Irvine, State of California, on the 6th day of October 2016.

PINGTAN MARINE ENTERPRISE LTD.

By /s/ XINRONG ZHUO
Xinrong Zhuo
*Chairman of the Board and
Chief Executive Officer*

Exhibit Index

Exhibit Number	Description
23.1	Consent of BDO China SHU LUN PAN Certified Public Accountants LLP
23.2	Consent of UHY VOCATION HK CPA LIMITED
31.1	Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of the Chief Executive Officer and Chief Financial Officer required by Rule 13a-14(b) or Rule 15d- 14(b) and 18 U.S.C. 1350.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Pingtan Marine Enterprise Limited

We have audited the accompanying consolidated balance sheets of Pingtan Marine Enterprise Limited and its subsidiary (collectively, the “Company”) as of December 31, 2014 and 2015, and the related consolidated statements of operations and comprehensive income, stockholders’ equity, and cash flows for each of the two years ended December 31, 2015. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pingtan Marine Enterprise Limited and its subsidiary as of December 31, 2014 and 2015, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/signed/ BDO China Shu Lun Pan Certified Public Accountants LLP

Beijing, China
March 9, 2016

**REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

To The Board of Directors and Shareholders of
Pingtan Marine Enterprise Ltd.

We have audited the accompanying consolidated balance sheets of Pingtan Marine Enterprise Ltd. and its subsidiaries (the "Company") as of December 31, 2013 and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for the year ended December 31, 2013. The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pingtan Marine Enterprise Ltd. and its subsidiaries as of December 31, 2013 and the consolidated results of its income and comprehensive income, and its cash flows for the year ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

/s/ UHY VOCATION HK CPA LIMITED
Certified Public Accountants

Hong Kong, the People's Republic of China,
March 7, 2014

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN U.S. DOLLARS)

	December 31,	
ASSETS	2015	2014
CURRENT ASSETS:		
Cash	\$ 11,448,684	\$ 12,752,272
Restricted cash	1,577,642	-
Accounts receivable, net of allowance for doubtful accounts	12,575,042	49,999,712
Inventories, net of reserve for inventories	2,336,167	12,123,405
Advances to suppliers	35,994,146	-
Prepaid expenses	1,818	32,913
Prepaid expenses - related parties	4,640,166	7,319,975
Deferred expenses - related parties	-	1,029,114
Receivable from transferring equity method investment shares	15,406,659	-
Other receivables	78,051	22,656,232
Other receivables - related parties	7,887,527	-
Total Current Assets	91,945,902	105,913,623
OTHER ASSETS:		
Cost method investment	3,235,398	3,421,031
Equity method investment	30,486,314	15,964,812
Prepayment for long-term assets	11,654,645	13,750,102
Property, plant and equipment, net	94,555,114	109,980,617
Total Other Assets	139,931,471	143,116,562
Total Assets	\$ 231,877,373	\$ 249,030,185
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 978,353	\$ 1,181,977
Accounts payable - related party	408,631	2,601,314
Advances from customers	-	164,724
Short-term bank loans	21,971,438	30,353,890
Long-term bank loans - current portion	12,679,680	18,868,616
Accrued liabilities and other payables	5,044,049	5,602,307
Due to related parties	1,384,644	2,373,352
Total Current Liabilities	42,466,795	61,146,180
OTHER LIABILITIES:		
Long-term bank loans - non-current portion	22,570,755	38,625,071
Total Liabilities	65,037,550	99,771,251
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Equity attributable to owners of the company:		
Ordinary shares (\$0.001 par value; 225,000,000 shares authorized; 79,055,053 shares issued and outstanding at December 31, 2015 and 2014)	79,055	79,055
Additional paid-in capital	111,008,085	117,525,377
Retained earnings	34,318,040	21,315,710
Statutory reserve	9,391,827	6,412,892
Accumulated other comprehensive (loss) income	(4,326,351)	3,925,900
Total equity attributable to owners of the company	150,470,656	149,258,934
Non-controlling interest	16,369,167	-
Total Shareholders' Equity	166,839,823	149,258,934
Total Liabilities and Shareholders' Equity	\$ 231,877,373	\$ 249,030,185

See notes to consolidated financial statements

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(IN U.S. DOLLARS)

	For the Years Ended December 31,		
	2015	2014	2013
REVENUE			
Revenue	\$ 60,700,190	\$ 233,427,011	\$ 112,295,158
Revenue - related party	-	-	10,372,611
Total Revenue	60,700,190	233,427,011	122,667,769
COST OF REVENUE			
Cost of revenue	63,476,627	155,840,823	68,403,097
Cost of revenue - related party	-	-	6,580,193
Total Cost of Revenue	63,476,627	155,840,823	74,983,290
GROSS (LOSS) PROFIT	(2,776,437)	77,586,188	47,684,479
OPERATING EXPENSES:			
Selling	1,858,687	2,673,213	1,618,278
General and administrative	2,933,588	4,537,351	3,191,637
Total Operating Expenses	4,792,275	7,210,564	4,809,915
(LOSS) INCOME FROM OPERATIONS	(7,568,712)	70,375,624	42,874,564
OTHER INCOME (EXPENSE):			
Interest income	103,668	16,772	8,250
Interest expense	(3,630,200)	(4,815,670)	(3,301,696)
Foreign currency transaction (loss) gain	(1,308,922)	(258,248)	144,740
Grant income	33,152,698	20,094,039	7,338,273
Gain from cost method investment	413,614	348,523	69,519
Loss on equity method investment	(19,700)	-	-
Loss on fixed assets disposal	(1,583,834)	-	-
Other (expense) income	(210)	(335)	2,144
Total Other Income, net	27,127,114	15,385,081	4,261,230
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	19,558,402	85,760,705	47,135,794
INCOME TAXES	-	-	-
NET INCOME FROM CONTINUING OPERATIONS	\$ 19,558,402	\$ 85,760,705	\$ 47,135,794
NET INCOME FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES	-	-	51,910,662
NET INCOME	\$ 19,558,402	\$ 85,760,705	\$ 99,046,456
LESS: NET INCOME ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST	1,205,485	-	-
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	\$ 18,352,917	\$ 85,760,705	\$ 99,046,456
COMPREHENSIVE INCOME:			
NET INCOME	19,558,402	85,760,705	99,046,456
OTHER COMPREHENSIVE (LOSS) INCOME			
Unrealized foreign currency translation (loss) gain	(8,628,162)	(552,656)	8,195,045
COMPREHENSIVE INCOME	\$ 10,930,240	\$ 85,208,049	\$ 107,241,501
LESS: COMPREHENSIVE INCOME ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST	658,092	-	-
COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	\$ 10,272,148	\$ 85,208,049	\$ 107,241,501
BASIC AND DILUTED NET INCOME PER ORDINARY SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
From continuing operations	\$ 0.23	\$ 1.08	\$ 0.60
From discontinued operations	0.00	0.00	0.66
Total	\$ 0.23	\$ 1.08	\$ 1.26
WEIGHTED AVERAGE ORDINARY SHARES OUTSTANDING:			
Basic and diluted	79,055,053	79,055,053	78,772,743

See notes to consolidated financial statements

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(IN U.S. DOLLARS)

	Equity Attributable To Owners of The Company							Non- controlling Interest	Total Shareholders' Equity
	Ordinary Shares		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Statutory Reserve	Accumulated Other Comprehensive Income (Loss)			
	Number of Shares	Amount							
Balance, December 31, 2012	77,215,000	\$77,215	\$ 135,427,182	\$ 220,196,974	\$ 19,421,017	\$ 22,193,596	\$ -	\$ 397,315,984	
Net income	-	-	-	99,046,456	-	-	-	99,046,456	
Recapitalization of company	1,840,053	1,840	3,587,497	-	-	-	-	3,589,337	
Appropriation to statutory reserves	-	-	-	(3,024,131)	3,024,131	-	-	-	
Foreign currency translation adjustment	-	-	-	-	-	8,195,045	-	8,195,045	
Disposal of China Dredging Group Co., Ltd.	-	-	117,525,377	(130,557,629)	(16,032,256)	(25,910,085)	-	(54,974,593)	
Acquisition of fishing vessels from related party	-	-	(139,014,679)	(249,316,115)	-	-	-	(388,330,794)	
Balance, December 31, 2013	79,055,053	79,055	117,525,377	(63,654,445)	6,412,892	4,478,556	-	64,841,435	
Net income	-	-	-	85,760,705	-	-	-	85,760,705	
Dividend declared	-	-	-	(790,550)	-	-	-	(790,550)	
Foreign currency translation adjustment	-	-	-	-	-	(552,656)	-	(552,656)	
Balance, December 31, 2014	79,055,053	79,055	117,525,377	21,315,710	6,412,892	3,925,900	-	149,258,934	
Sale of non- controlling interest in subsidiary	-	-	49,688,788	-	-	(171,482)	15,711,075	65,228,381	
Acquisition of fishing vessels from related parties	-	-	(56,206,080)	-	-	-	-	(56,206,080)	
Net income	-	-	-	18,352,917	-	-	1,205,485	19,558,402	
Adjustment to statutory reserve	-	-	-	(2,978,935)	2,978,935	-	-	-	
Dividend declared	-	-	-	(2,371,652)	-	-	-	(2,371,652)	
Foreign currency translation adjustment	-	-	-	-	-)))	

	-	-	-	-	-	(8,080,769)	(547,393)	(8,628,162)
Balance, December 31, 2015	<u>79,055,053</u>	<u>\$ 79,055</u>	<u>\$ 111,008,085</u>	<u>\$ 34,318,040</u>	<u>\$ 9,391,827</u>	<u>\$ (4,326,351)</u>	<u>\$ 16,369,167</u>	<u>\$ 166,839,823</u>

See notes to consolidated financial statements

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN U.S. DOLLARS)

	For the Years Ended December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income from continuing operations	\$ 19,558,402	\$ 85,760,705	\$ 47,135,794
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
Depreciation	6,353,055	6,017,886	2,394,692
(Decrease) increase in allowance for doubtful accounts	(770,195)	1,173,223	-
Increase in reserve for inventories	227,826	-	-
Loss on equity method investment	19,700	-	-
Loss on disposal of fixed assets	1,583,834	-	-
Changes in operating assets and liabilities:			
Accounts receivable	37,007,012	(42,134,612)	2,788,320
Notes receivable (banker's acceptances)	-	-	3,745,196
Inventories	9,302,719	(3,150,909)	(8,766,511)
Advances to suppliers	(37,575,746)	-	-
Prepaid expenses	30,633	4,213,938	(1,925,477)
Prepaid expenses - related parties	2,382,910	(7,314,375)	-
Deferred expenses - related parties	1,016,039	(1,028,327)	-
Other receivables	87,907	(156,606)	19,201
Accounts payable	(145,617)	(1,762,518)	2,081,172
Accounts payable - related party	2,202,515	(8,604,461)	13,944,394
Advances from customers	(162,631)	(128,109)	292,802
Advances from customers - related parties	-	-	(13,026,770)
Accrued liabilities and other payables	(266,105)	1,019,221	3,583,989
Due to related parties	1,292	23,352	-
NET CASH PROVIDED BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	<u>40,853,550</u>	<u>33,928,408</u>	<u>52,266,802</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Refunds from commercial retail space prepayments	22,202,268	-	-
Prepayments made for acquisition of commercial retail space	-	(22,470,798)	-
Purchase of property, plant and equipment	(56,222,226)	(890,897)	(257,701,854)
Proceeds from government grants for fishing vessels construction	-	3,451,914	8,320,882
Payment for fishing vessels deposit	-	-	(1,901,220)
Advance to related parties	-	-	(312,569)
Payments for equity method investment	(40,209,087)	(15,952,598)	-
Proceeds from transferring equity method investment share	8,041,817	-	-
Decrease in cash related to sale of subsidiary	-	-	(84,917,899)
NET CASH USED IN INVESTING ACTIVITIES FOR CONTINUING OPERATIONS	<u>(66,187,228)</u>	<u>(35,862,379)</u>	<u>(336,512,660)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term bank loans	23,958,292	67,175,414	43,713,708
Repayments of short-term bank loans	(30,989,630)	(45,797,736)	(64,358,336)
Proceeds from long-term bank loans	-	3,743,977	55,811,568
Repayments of long-term bank loans	(19,963,812)	(19,957,026)	(7,584,023)
Increase in restricted cash	(1,646,964)	-	-
Advances from (to) related parties	3,910,000	2,350,000	(777)
Payments made for dividend	(2,371,652)	(790,550)	-
Capital contribution from non-controlling interest	64,334,540	-	-
Payments made to related parties in connection with the termination of VIE	(13,349,417)	-	-
Cash acquired in recapitalization	-	-	3,565,355
NET CASH PROVIDED BY FINANCING ACTIVITIES FROM CONTINUING OPERATIONS	<u>23,881,357</u>	<u>6,724,079</u>	<u>31,147,495</u>
CASH FLOWS FROM DISCONTINUED OPERATIONS:			
NET CASH PROVIDED BY OPERATING ACTIVITIES FROM DISCONTINUED			

OPERATIONS	-	-	79,605,841
NET CASH PROVIDED BY INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS	-	-	7,099,979
NET CASH USED IN FINANCING ACTIVITIES FOR DISCONTINUED OPERATIONS	-	-	(407,030)
NET CASH PROVIDED BY DISCONTINUED OPERATIONS	-	-	86,298,790
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	148,733	(194,435)	3,032,812
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,303,588)	4,595,673	(163,766,761)
CASH AND CASH EQUIVALENTS - beginning of year	12,752,272	8,156,599	171,923,360
CASH AND CASH EQUIVALENTS - end of year	\$ 11,448,684	\$ 12,752,272	\$ 8,156,599
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid from continuing operations for:			
Interest	\$ 3,799,389	\$ 5,648,796	\$ 4,060,069
Income taxes	\$ -	\$ -	\$ -
Cash paid from discontinued operations for:			
Interest	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ 17,278,643
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Purchase of property and equipment pursuant to capital lease	\$ -	\$ -	\$ 26,435,403
Purchase of property and equipment by setting off advance to related parties	\$ -	\$ -	\$ 55,064,953
Deposit on setting up equity investment netted of accounts payable - related parties	\$ -	\$ -	\$ 6,090,302
Acquisition of property and equipment by decreasing prepayment for long-term assets	\$ 1,408,636	\$ 19,750,438	\$ -
Property and equipment acquired on credit as payable	\$ -	\$ 790,459	\$ -
Decrease in cost of property and equipment by proceeds from government grants	\$ -	\$ 3,451,914	\$ -
Decrease in cost of property and equipment by recognition of deferred grant income	\$ -	\$ 512,469	\$ -
Decrease in cost of property and equipment by decreasing in accounts payable - related party	\$ 4,344,190	\$ -	\$ -
Other receivable increase by transferring equity method investment share	\$ 16,083,635	\$ -	\$ -
Offset other receivables – related parties against due to related parties	\$ 4,900,000	\$ -	\$ -

See notes to consolidated financial statements

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 1 – DESCRIPTION OF BUSINESS AND ORGANIZATION

Pingtan Marine Enterprise Ltd. (“the Company” or “PME”), formerly China Growth Equity Investment Limited (“CGEI”), incorporated in the Cayman Islands as an exempted limited liability company, was incorporated as a blank check company on January 18, 2010 with the purpose of directly or indirectly acquiring, through a merger, share exchange, asset acquisition, plan of arrangement, recapitalization, reorganization or similar business combination, an operating business, or control of such operating business through contractual arrangements, that has its principal business and/or material operations located in the People’s Republic of China (“PRC”). In connection with its initial business combination, in February 2013, CGEI changed its name to Pingtan Marine Enterprise Ltd.

On October 24, 2012, CGEI and China Dredging Group Co., Ltd (“CDGC” or “China Dredging”) entered into a Merger Agreement providing for the combination of CGEI and CDGC and on October 24, 2012, CGEI also acquired all of the outstanding capital shares and other equity interests of Merchant Supreme Co., Ltd. (“Merchant Supreme”), a company incorporated on June 25, 2012, in British Virgin Island (“BVI”), as per a Share Purchase Agreement. On February 25, 2013, the merger between the Company, CDGC and Merchant Supreme became effective and has been accounted for as a “reverse merger” and recapitalization since the common shareholders of CDGC and Merchant Supreme (i) owned a majority of the outstanding ordinary shares of the Company immediately following the completion of the transaction, and (ii) have significant influence and the ability to elect or appoint or to remove a majority of the members of the governing body of the combined entity. In accordance with the provision of Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 805-40, CDGC and Merchant Supreme are deemed the accounting acquirers and the Company is the legal acquirer in the transaction and, consequently, the transaction is treated as a recapitalization of the Company. Accordingly, the assets and liabilities and the historical operations that are reflected in the consolidated financial statements are those of CDGC, Merchant Supreme and their subsidiaries and are recorded at the historical cost basis. The Company’s assets, liabilities and results of operations were consolidated with the assets, liabilities and results of operations of CDGC, Merchant Supreme and their subsidiaries subsequent to the acquisition date of February 25, 2013. Following the completion of the business combination which became effective on February 25, 2013, CDGC and Merchant Supreme became the wholly-owned subsidiaries of the Company. The ordinary shares, par value \$0.001 per share are listed on The NASDAQ Capital Market under the symbol “PME”.

In order to place increased focus on fishing business and pursue more effective growth opportunities, the Company decided to exit and sell the specialized dredging services operated by China Dredging, and the Company completed the sale of CDGC and its subsidiaries on December 4, 2013.

On February 9, 2015, the Company terminated its existing Variable Interest Entity (“VIE”) agreements, pursuant to an Agreement of Termination dated February 9, 2015, entered into by and among Ms. Honghong Zhuo, Mr. Zhiyan Lin (each a shareholder of Fujian Provincial Pingtan County Ocean Fishing Group Co., Ltd (“Pingtan Fishing”), together the “Pingtan Fishing’s Shareholders”), Pingtan Fishing and Pingtan Guansheng Ocean Fishing Co., Ltd. (“Pingtan Guansheng”). On February 9, 2015, the Pingtan Fishing’s Shareholders transferred 100% of their equity interest in Pingtan Fishing to Fujian Heyue Marine Fishing Development Co., Ltd. (“Fujian Heyue”), pursuant to an Equity Transfer Agreement dated February 9, 2015, entered into by and among the Pingtan Fishing’s Shareholders, Pingtan Fishing and Fujian Heyue. On February 15, 2015, China Agriculture Industry Development Fund Co., Ltd. (“China Agriculture”) invested RMB 400 million (approximately \$65 million) into Pingtan Fishing for an 8% equity interest in Pingtan Fishing. After the restructuring transactions described above, Pingtan Fishing and its entities became the 92% equity-owned subsidiaries of the company and was no longer a VIE.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 1 – DESCRIPTION OF BUSINESS AND ORGANIZATION (continued)

Details of the Company’s subsidiaries which are included in these consolidated financial statements as of December 31, 2015 are as follows:

Name of subsidiaries	Place and date of incorporation	Percentage of ownership	Principal activities
Merchant Supreme Co., Ltd. (Merchant Supreme”)	BVI, June 25, 2012	100% held by PME	Intermediate holding company
Prime Cheer Corporation Ltd. ("Prime Cheer")	Hong Kong, May 3, 2012	100% held by Merchant Supreme	Intermediate holding company
Pingtang Guansheng Ocean Fishing Co., Ltd. ("Pingtan Guansheng")	PRC, October 12, 2012	100% held by Prime Cheer	Intermediate holding company
Fujian Heyue Marine Fishing Development Co., Ltd. ("Fujian Heyue")	PRC, January 27, 2015	100% held by Pingtan Guansheng	Intermediate holding company
Fujian Provincial Pingtan County Fishing Group Co., Ltd. ("Pingtan Fishing")	PRC, February 27, 1998	92% held by Fujian Heyue	Oceanic fishing
Pingtang Dingxin Fishing Information Consulting Co., Ltd. ("Pingtan Dingxin")	PRC, October 23, 2012	100% held by Pingtan Fishing	Dormant
Pingtang Duoying Fishing Information Consulting Co., Ltd. ("Pingtan Duoying")	PRC, October 23, 2012	100% held by Pingtan Fishing	Dormant
Pingtang Ruiying Fishing Information Consulting Co., Ltd. ("Pingtan Ruiying")	PRC, October 23, 2012	100% held by Pingtan Fishing	Dormant

Fujian Heyue, through its PRC subsidiary, Pingtan Fishing, engages in ocean fishing with its owned and licensed vessels within the Indian Exclusive Economic Zone and Arafura Sea of Indonesia and the Western and Central Pacific Ocean of the international waters.

The Company meets its day-to-day working capital requirements through cash flow provided by operations, bank loans and related parties’ advances. The Indonesian government's recent moratorium on fishing licenses renewals creates uncertainty over fishing operations in Indonesian waters. The Company’s forecasts and projections, taking accounts of on-going operations in Indian waters and consideration of opportunities in new fishing territories, such as acquisition of 6 licensed vessels to operate in the Western and Central Pacific Ocean, shows that the Company has adequate resources to continue in operational existence for the foreseeable future.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 2 – DISCONTINUED OPERATIONS

In order to place increased focus on fishing business and pursue more effective growth opportunities, the Company decided to exit and sell the specialized dredging services operated by China Dredging, and the Company completed the sale of CDGC and its subsidiaries on December 4, 2013. Pursuant to ASC Topic 205-20, Presentation of Financial Statements-Discontinued Operations, the business of CDGC is considered as a discontinued operation because: (a) the operations and cash flows of CDGC were eliminated from the Company’s operations; and (b) the Company would not have ability to influence the operations or financial policies of CDGC subsequent to the sale.

The results of operations of CDGC and its subsidiaries have been presented as discontinued operations for the year ended December 31, 2013. There were no discontinued operations in the years ended December 31, 2015 and 2014. The following table provides the financial results included in net income from discontinued operations during the periods presented:

	Year Ended December 31,		
	2015	2014	2013
Revenue	\$ -	\$ -	\$ 161,497,136
Income from discontinued operations before income tax	-	-	67,251,697
Income tax	-	-	(15,341,035)
Net income from discontinued operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,910,662</u>

The carrying amounts of the major classes of assets and liabilities as of December 4, 2013 (disposal date) were as follows:

	December 4, 2013
Cash	\$ 84,917,899
Other current assets	28,821,788
Non-current assets	148,710,213
Total assets of discontinued operations	<u>\$ 262,449,900</u>
Current liabilities	<u>\$ 25,873,709</u>
Net assets disposed	<u>\$ 236,576,191</u>

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements and related notes have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

The Company’s consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and VIEs in which the Company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements of the Company have been prepared as if the existing corporate structure had been in existence throughout the periods presented and as if the reorganization had occurred as of the beginning of the earliest period presented.

Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures at the date of the financial statements and during the reporting period. Actual results could materially differ from these estimates. Significant estimates in the years ended December 31, 2015, 2014 and 2013 include allowance for doubtful accounts, reserve for inventories, the useful life of property, plant and equipment, assumptions used in assessing impairment of long-term assets and valuation of deferred tax assets and accruals for taxes due.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

Cash consists of cash on hand and cash in banks. The Company maintains cash with various financial institutions in China and Hong Kong and none of these deposits are covered by insurance. At December 31, 2015 and 2014, cash balances in China are \$11,276,429 and \$12,486,630, respectively, and cash balances in Hong Kong are \$172,255 and \$265,642, respectively, and are uninsured. The Company has not experienced any losses in bank accounts and believes it is not exposed to any risks on its cash in bank accounts.

Restricted cash

Restricted cash consists of cash deposits held by China Development Bank to secure short term bank loans from China Development Bank. At December 31, 2015 and 2014, restricted cash amounted \$1,577,642 and \$0, respectively.

Fair value of financial instruments

The Company adopted the guidance of ASC Topic 820 for fair value measurements which clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The carrying amounts reported in the consolidated balance sheets for cash, restricted cash, accounts receivable, inventories, advances to suppliers, prepaid expenses, prepaid expenses – related parties, deferred expenses – related parties, receivable from transferring equity method investment shares, other receivables, other receivable – related parties, accounts payable, accounts payable – related party, advances from customers, bank loans, accrued liabilities and other payables, and due to related parties approximate their fair market value based on the short-term maturity of these instruments. As of December 31, 2015, the Company does not have any assets or liabilities that are measured on a recurring basis at fair value. The Company's short-term bank borrowings that are considered Level 2 financial instruments measured at fair value on a non-recurring basis as of December 31, 2015. The Company does not have any level 3 financial instruments.

ASC Topic 825-10 "Financial Instruments" allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value (fair value option). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable, unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. The Company did not elect to apply the fair value option to any outstanding instruments.

Accounts receivable

Accounts receivable are presented net of an allowance for doubtful accounts. The Company maintains allowance for doubtful accounts for estimated losses. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowance when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balance, the Company considers many factors, including the age of the balance, a customer's historical payment history, its current credit-worthiness and current economic trends. Accounts are written off after exhaustive efforts at collection. The Company only grants credit terms to established customers who are deemed to be financially responsible. Credit periods to customers are within 180 days after customers received the purchased goods. At December 31, 2015 and 2014, the Company has established, based on a review of its outstanding balances, an allowance for doubtful accounts in the amounts of \$372,634 and \$1,174,121, respectively.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (IN U.S. DOLLARS)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories, consisting of frozen fish and marine catches, are stated at the lower of cost or market utilizing the weighted average method. The Cost of inventories comprises of fuel, freight, depreciation, direct labor, consumables, and government levied charges and taxes. Consumables include fishing nets and metal containers used by fishing vessels. The Company's fishing fleets in Indian and Indonesian waters and Western and Central Pacific Ocean of the international waters operate throughout the year, although the May to July period demonstrates lower catch quantities compared to the October to January period, which is the peak season.

An allowance is established when management determines that certain inventories may not be saleable. If inventory costs exceed expected market value due to obsolescence or quantities in excess of expected demand, the Company will record reserve for the difference between the cost and the market value. These reserves are recorded based on estimates. At December 31, 2015 and 2014, the Company recorded reserve for inventories in the amount of \$218,236 and \$0, respectively.

Advances to suppliers

Advances to suppliers represent the cash paid in advance for the purchase of raw material from suppliers. The advance payments are intended to ensure preferential pricing and delivery. The amounts advanced under such arrangements totaled \$35,994,146 and \$0 at December 31, 2015 and 2014, respectively.

Receivable from transferring equity method investment shares

In order to improve and focus on fishing business, the Company transferred 15% (RMB 150 million, approximately \$23.1 million) of the total ownership in Global Deep Ocean Fishing (Pingtan) Industrial Limited (the "Global Deep Ocean") to another shareholder of Global Deep Ocean in December 2015 (See note 9). In the second half of December 2015, the Company received RMB 50 million (approximately \$7.7 million) from the transferee. As of December 31, 2015, the receivable resulting from the 15% ownership transfer amounted to \$15,406,659 (RMB 100 million). The receivable was collected in full in January and February 2016.

Fishing licenses

Each of the Company's fishing vessels requires an approval from Ministry of Agriculture of the People's Republic of China to carry out ocean fishing projects in foreign territories. These approvals are valid for a period from three to twelve months, and are awarded to the Company at no cost. The Company applies for the renewal of the approval prior to expiration to avoid interruptions of fishing vessels' operations.

Each of the Company's fishing vessels operated in Indonesian waters requires a fishing license granted by the authority in Indonesia. Indonesian fishing licenses remain effective for a period of twelve months and the Company applies for renewal prior to expiration. The Company records the cost of Indonesian fishing licenses in deferred expenses on the accompanying consolidated balance sheets and amortizes over the effective periods of the licenses.

Investment in unconsolidated company – Global Deep Ocean

The Company use the equity method of accounting for its investment in, and earning or loss of, company that it does not control but over which it does exert significant influence. The Company considers whether the fair value of its equity method investment has declined below its carrying value whenever adverse events or changes in circumstances indicate that recorded value may not be recoverable. If the Company considers any decline to be other than temporary (based on various factors, including historical financial results and the overall health of the investee), then a write -down would be recorded to estimated fair value. See Note 9 for discussion of equity method investment.

Property, plant and equipment

Property, plant and equipment are carried at cost and are depreciated on a straight-line basis over the estimated useful lives of the assets. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition. The Company examines the possibility of decreases in the value of fixed assets when events or changes in circumstances reflect the fact that their recorded value may not be recoverable.

Included in property, plant and equipment are fishing vessels under construction which includes the costs of construction and any interest charges arising from borrowings used to finance these assets during the period of construction of the assets. No provision for depreciation is made on fishing vessels under construction until such time as the relevant assets are completed and ready for their intended use.

The estimated useful lives of the assets are as follows:

	Estimated useful life
Fishing vessels	10 - 20 Years
Vehicles	5 Years
Office and other equipment	3 - 5 Years

Expenditures for repairs and maintenance, which do not extend the useful life of the assets, are expensed as incurred.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalized interest

Interest associated with the construction of fishing vessels is capitalized and included in the cost of the fishing vessels. When no debt is incurred specifically for the construction of a fishing vessel, interest is capitalized on amounts expended on the construction using weighted-average cost of the Company's outstanding borrowings. Capitalization of interest ceases when the construction is substantially complete or the construction activity is suspended for more than a brief period. The Company capitalized interest of \$0, \$836,902 and \$1,094,589 for the years ended December 31, 2015, 2014 and 2013, respectively, in the fishing vessels under construction.

Impairment of long-lived assets

In accordance with ASC Topic 360, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable, or at least annually. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value. The Company did not record any impairment charge for the years ended December 31, 2015, 2014 and 2013.

Advances from customers

Advances from customers at December 31, 2015 and 2014 amounted to \$0 and \$164,724, respectively, and consist of prepayments from customers for merchandise that had not yet been shipped or delivered. The Company will recognize the deposits as revenue as customers take delivery of the goods and the purchase price is fixed and collectability is reasonably assured in accordance with the Company's revenue recognition policy.

Revenue recognition

Pursuant to the guidance of ASC Topic 605 and ASC Topic 360, the Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the purchase price is fixed or determinable and collectability is reasonably assured. With respect to the sale of frozen fish and other marine catches to third party customers, most of which are sole proprietor regional wholesalers in China, the Company recognizes revenue when customers pick up purchased goods at the Company's cold storage warehouse, after payment is received by the Company or credit sale is approved by the Company for recurring customers who have a history of financial responsibility. The Company does not offer promotional payments, customer coupons, rebates or other cash redemption offers to its customers. The Company does not accept returns from customers.

Government grant

Government grants are recognized when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to the cost of the asset and is released to the income statement over the expected useful life in a consistent manner with the depreciation method for the relevant asset.

Income taxes

Under the current laws of the Cayman Islands and British Virgin Islands, the Company and Merchant Supreme are not subject to any income or capital gains tax, and dividend payments that the Company may make are not subject to any withholding tax in the Cayman Islands or British Virgin Islands. Under the current laws of Hong Kong, Prime Cheer is not subject to any capital gains tax and dividend payments are not subject to any withholding tax in Hong Kong.

The Company is not incorporated nor does it engage in any trade or business in the United States and is not subject to United States federal income taxes. The Company did not derive any significant amount of income subject to such taxes after completion of the Share Exchange and accordingly, no relevant tax provision is made in the accompanying consolidated statements of income and comprehensive income.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

The Company's subsidiary, Pingtan Fishing, is a qualified ocean fishing enterprise certified by the Ministry of Agriculture of the PRC. The qualification is renewed on April 1 each year. Pingtan Fishing is exempt from income tax derived from its ocean fishing operations in the periods it processes a valid Ocean Fishing Enterprise Qualification Certificate issued by the Ministry of Agriculture of the PRC.

The new China's Enterprise Income Tax Law ("EIT Law") also provides that an enterprise established under the laws of foreign countries or regions but whose "de facto management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its worldwide income. The Implementing Rules of the new EIT Law merely defines the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located." On April 22, 2009, the PRC State Administration of Taxation further issued a notice entitled "Notice Regarding Recognizing Offshore-Established Enterprises Controlled by PRC Shareholders as Resident Enterprises Based on Their Place of Effective Management." Under this notice, a foreign company controlled by a PRC company or a group of PRC companies shall be deemed as a PRC resident enterprise if (i) the senior management and the core management departments in charge of its daily operations mainly function in the PRC; (ii) its financial decisions and human resource decisions are subject to decisions or approvals of persons or institutions in the PRC; (iii) its major assets, accounting books, company seals, minutes and files of board meetings and shareholders' meetings are located or kept in the PRC; and (iv) more than half of the directors or senior management personnel with voting rights reside in the PRC. Based on a review of surrounding facts and circumstances, the company does not believe that it is likely that its operations outside of the PRC should be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history of the new EIT Law, should the Company be treated as a resident enterprise for PRC tax purposes, the Company will be subject to PRC tax on worldwide income at a uniform tax rate of 25% retroactive to May 3, 2012.

In addition, Pingtan Fishing is not subject to foreign income taxes for its operations in either India and Indonesia Exclusive Economic Zones or the Western and Central Pacific Fisheries Commission areas.

Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be effective when the differences are expected to reverse.

Deferred tax assets are reduced by a valuation allowance to the extent that management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of income and comprehensive income in the period that includes the enactment date.

The Company has not recorded deferred income taxes applicable to undistributed earnings of the subsidiaries located in the PRC because it is the present intention of management to reinvest the undistributed earnings indefinitely in PRC. The cumulative undistributed earnings from PRC subsidiaries amounted to approximately \$190.5 million and \$172.9 million as of December 31, 2015 and 2014, respectively, which are included in consolidated retained earnings. Generally, such earnings become subject to the PRC tax upon the remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of deferred tax liability on such undistributed earnings.

The Company prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken in the tax return. This interpretation also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures. As of December 31, 2015 and 2014, there were no amounts that had been accrued with respect to uncertain tax positions.

Shipping and handling costs

Shipping and handling costs are included in selling expense and totaled \$369,912, \$721,972 and \$458,297 for the years ended December 31, 2015, 2014 and 2013, respectively.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

The Company makes mandatory contributions to the PRC government's health, retirement benefit and unemployment funds in accordance with the relevant Chinese social security laws. The costs of these payments are charged to the same accounts as the related salary costs in the same period as the related salary costs incurred. Employee benefit costs totaled \$903,594, \$1,172,444 and \$734,621 for the years ended December 31, 2015, 2014 and 2013, respectively.

Advertising

Advertising is expensed as incurred and is included in selling expense on the accompanying consolidated statements of income and comprehensive income and totaled \$89,204, \$19,833 and \$0 for the years ended December 31, 2015, 2014 and 2013, respectively.

Research and development

Research and development costs are expensed as incurred and are included in general and administrative expense. The Company did not incur any research and development costs during the years ended December 31, 2015, 2014 and 2013.

Foreign currency translation

The reporting currency of the Company is the U.S. dollar. The functional currency of the parent company and subsidiaries of Merchant Supreme and Prime Cheer is the U.S. dollar and the functional currency of the Company's subsidiaries of Pingtan Guansheng, Fujian Heyue and Pingtan Fishing is the Chinese Renminbi ("RMB"). For the subsidiaries of Pingtan Guansheng, Fujian Heyue and Pingtan Fishing, whose functional currencies are the RMB, results of operations and cash flows are translated at average exchange rates during the period, assets and liabilities are translated at the unified exchange rate at the end of the period, and equity is translated at historical exchange rates. As a result, amounts relating to assets and liabilities reported on the statements of cash flows may not necessarily agree with the changes in the corresponding balances on the balance sheets. Translation adjustments resulting from the process of translating the local currency financial statements into U.S. dollars are included in determining comprehensive income. The cumulative translation adjustment and effect of exchange rate changes on cash for the years ended December 31, 2015, 2014 and 2013 was \$148,733, \$(194,435) and \$3,032,812, respectively. Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the balance sheet date with any transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

All of the Company's revenue transactions are transacted in the functional currency of the operating subsidiaries. The Company does not enter into any material transaction in foreign currencies. Transaction gains or losses have not had, and are not expected to have, a material effect on the results of operations of the Company.

The foreign currency exchange rates were obtained from www.oanda.com. Asset and liability accounts at December 31, 2015 and December 31, 2014 were translated at 6.4907 RMB to \$1.00 and at 6.1385 RMB to \$1.00, respectively, which were the exchange rates on the balance sheet dates. Equity accounts were stated at their historical rate. The average translation rates applied to the statements of income and comprehensive income for the years ended December 31, 2015, 2014 and 2013 were 6.2175 RMB, 6.1432 RMB and 6.1412 RMB to \$1.00, respectively. Cash flows from the Company's operations are calculated based upon the local currencies using the average translation rate.

Earnings per share

ASC Topic 260 "Earnings per Share," requires presentation of both basic and diluted earnings per share ("EPS") with a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS excludes dilution. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share (continued)

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. Potentially dilutive common shares consist of the common shares issuable upon the exercise of common stock warrants (using the treasury stock method). Common stock equivalents are not included in the calculation of diluted earnings per share if their effect would be anti-dilutive. The following table presents a reconciliation of basic and diluted net income per share:

	Year Ended December 31,		
	2015	2014	2013
Net income available to owners of the company for basic and diluted net income per share of ordinary stock			
From continuing operations	\$ 18,352,917	\$ 85,760,705	\$ 47,135,794
From discontinued operations	-	-	51,910,662
	<u>\$ 18,352,917</u>	<u>\$ 85,760,705</u>	<u>\$ 99,046,456</u>
Weighted average ordinary stock outstanding - basic and diluted	79,055,053	79,055,053	78,772,743
Net income per ordinary share attributable to owners of the company - basic and diluted			
From continuing operations	\$ 0.23	\$ 1.08	\$ 0.60
From discontinued operations	0.00	0.00	0.66
Total	<u>\$ 0.23</u>	<u>\$ 1.08</u>	<u>\$ 1.26</u>

At December 31, 2015, 2014 and 2013, the warrants to purchase 8,966,667 shares of ordinary stock have not been included in the calculation of diluted earnings per share in order to avoid any anti-dilutive effect.

Non-controlling interest

On February 15, 2015, China Agriculture invested RMB 400 million (approximately \$65 million) into Pingtan Fishing and acquired an 8% equity interest in Pingtan Fishing. As of December 31, 2015, China Agriculture owned 8% of the equity interest of Pingtan Fishing, which was not under the Company's control.

Related parties

Parties are considered to be related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal with if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all significant related party transactions. Transactions are recorded at fair value of the goods or services exchanged, except for those under common control, which are recorded at carrying value of the transferors.

Comprehensive income

Comprehensive income is comprised of net income and all changes to the statements of stockholders' equity, except those due to investments by stockholders, changes in paid-in capital and distributions to stockholders. For the Company, comprehensive income for the years ended December 31, 2015, 2014 and 2013 included net income and unrealized gain/loss from foreign currency translation adjustments.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment information

ASC 280 “Segment reporting” establishes standards for reporting information on operating segments in interim and annual financial statements. All of the Company's operations are considered by the chief operating decision maker to be aggregated in one reportable operating segment. All of the Company's customers are in the PRC and all income is derived from ocean fishery.

Commitments and contingencies

In the normal course of business, the Company is subject to contingencies, including legal proceedings and environmental claims arising out of the normal course of businesses that relate to a wide range of matters, including among others, contracts breach liability. The Company records accruals for such contingencies based upon the assessment of the probability of occurrence and, where determinable, an estimate of the liability. Management may consider many factors in making these assessments including past history, scientific evidence and the specifics of each matter.

The Company's management has evaluated all such proceedings and claims that existed as of December 31, 2015 and 2014. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, liquidity or results of operations.

Concentrations of credit, economic and political risks

The Company's operations are carried out 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's economy. The Company's operation in the PRC is 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.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. All of the Company's cash is maintained with state-owned banks within the PRC and Hong Kong, and none of these deposits are covered by insurance. The Company has not experienced any losses in such accounts and believes it is not exposed to any risks on its cash in bank accounts. A portion of the Company's sales are credit sales which are primarily to customers whose abilities to pay are dependent upon the industry economics prevailing in these areas; however, concentrations of credit risk with respect to trade accounts receivables is limited due to generally short payment terms. The Company also performs ongoing credit evaluations of its customers to help further reduce credit risk.

According to the sale agreement signed on December 4, 2013, the Company does not own 20 fishing vessels but has the leased operating rights to operate these vessels which are owned by a related company, Fuzhou Honglong Ocean Fishery Co., Ltd (“Hong Long”) and the Company is entitled to 100% of net profit (loss) of the vessels. The Company has latitude in establishing price and discretion in supplier selection. There were no economic risks associated with the leased operating rights but the Company may need to bear the operation risks and credit risks as aforementioned.

117 of the Company's 135 vessels were operating in Indonesian waters and significant portion of revenue was derived from them. Suspension of fishing operation in Indonesian waters has had and will continue to have a significant negative impact on the Company.

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NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements

In August 2014, FASB issued ASU 2014-15, Presentation of Financial Statements — Going Concern (Subtopic 205-40): Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). The guidance in ASU 2014-15 sets forth management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern as well as the related required disclosures. ASU 2014-15 indicates that, when preparing interim and annual financial statements, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern for one year from the date the financial statements are issued or are available to be issued. This evaluation should include consideration of conditions and events that are either known or are reasonably knowable at the date the financial statements are issued or are available to be issued, and, if applicable, whether it is probable that management's plans to address the substantial doubt will be implemented and, if so, whether it is probable that the plans will alleviate the substantial doubt. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods and annual periods thereafter. Early application is permitted. The Company anticipates adopting this update in the quarter ending March 31, 2017 and does not expect the adoption to have a material impact on the Company's consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02"). This ASU makes changes to the VIE model and voting interest ("VOE") model consolidation guidance. The main provisions of the ASU include the following: (i) adding a requirement that limited partnerships and similar legal entities must provide partners with either substantive kick-out rights or substantive participating rights over the general partner to qualify as a VOE rather than a VIE; (ii) eliminating the presumption that the general partner should consolidate a limited partnership; (iii) eliminating certain conditions that need to be met when evaluating whether fees paid to a decision maker or service provider are considered a variable interest; (iv) excluding certain fees paid to decision makers or service providers when evaluating which party is the primary beneficiary of a VIE; and (v) revising how related parties are evaluated under the VIE guidance. Lastly, the ASU eliminates the indefinite deferral of FAS 167, which allowed reporting entities with interests in certain investment funds to follow previous guidance in FIN 46 (R). However, the ASU permanently exempts reporting entities from consolidating registered money market funds that operate in accordance with Rule 2a-7 of the Investment Company Act. The ASU is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Entities may apply this ASU either using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning period of adoption or retrospectively to all prior periods presented in the financial statements. Early adoption is also permitted provided that the ASU is applied from the beginning of the fiscal year of adoption. The Company does not expect the adoption to have a material impact on the Company's consolidated financial statements.

In June 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-10, "Technical Corrections and Improvements" ("ASU 2015-10"). The amendments in ASU 2015-10 cover a wide range of Topics in the Accounting Standards Codification (the "ASC"). The amendments in ASU 2015-10 represent changes to clarify the ASC, correct unintended application of guidance, or make minor improvements to the ASC that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Additionally, some of the amendments will make the ASC easier to understand and easier to apply by eliminating inconsistencies, providing needed clarifications, and improving the presentation of guidance in the ASC. Transition guidance varies based on the amendments in ASU 2015-10. The amendments in ASU 2015-10 that require transition guidance are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. All other amendments will be effective upon the issuance of ASU 2015-10. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory" ("ASU 2015-11"). The amendments in this update require an entity to measure inventory within the scope of ASU 2015-11 (the amendments in ASU 2015-11 do not apply to inventory that is measured using last-in, first-out or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out or average cost) at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using last-in, first-out or the retail inventory method. The amendments in ASU 2015-11 more closely align the measurement of inventory in U.S. GAAP with the measurement of inventory in International Financial Reporting Standards ("IFRS"). ASU 2015-11 is effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments in ASU 2015-11 should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date", which defers the effective date of ASU 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements (continued)

In February 2016, the FASB issued ASU 2016-02, Leases (Topic ASC 842) (“ASU 2016-02”). The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, Leases. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). This update requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. This update requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2019, with early adoption permitted. The Company is in the process of evaluating the impact of this new guidance.

NOTE 4 – ACCOUNTS RECEIVABLE

At December 31, 2015 and 2014, accounts receivable consisted of the following:

	December 31, 2015	December 31, 2014
Accounts receivable	\$ 12,947,676	\$ 51,173,833
Less: allowance for doubtful accounts	(372,634)	(1,174,121)
	<u>\$ 12,575,042</u>	<u>\$ 49,999,712</u>

The Company reviews the accounts receivable on a periodic basis and makes general and specific allowance when there is doubt as to the collectability of individual balance.

NOTE 5 - INVENTORIES

At December 31, 2015 and 2014, inventories consisted of the following:

	December 31, 2015	December 31, 2014
Frozen fish and marine catches in warehouse	\$ 2,463,135	\$ 11,557,898
Frozen fish and marine catches in transit	91,268	565,507
	2,554,403	12,123,405
Less: reserve for inventories	(218,236)	-
	<u>\$ 2,336,167</u>	<u>\$ 12,123,405</u>

An allowance is established when management determines that certain inventories may not be saleable. If inventory costs exceed expected market value due to obsolescence or quantities in excess of expected demand, the Company will record reserve for the difference between the cost and the market value. These reserves are recorded based on estimates.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
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NOTE 6 – ADVANCES TO SUPPLIERS

At December 31, 2015 and 2014, advances to suppliers consisted of the following:

	December 31, 2015	December 31, 2014
Prepayments made for fishing nets and spare parts	\$ 4,093,597	\$ -
Prepayments made for fish goods(1)	31,900,549	-
	<u>\$ 35,994,146</u>	<u>\$ -</u>

(1) According to related signed agreement, the Company has the right to receive refund for these prepayments if the situation of demands and supplies changes.

NOTE 7 – OTHER RECEIVABLES

At December 31, 2015 and 2014, other receivables consisted of the following:

	December 31, 2015	December 31, 2014
Deposit for tax exemption application for import of fishing vessel equipment	\$ -	\$ 165,187
Prepayments for acquisition of commercial retail spaces	-	22,488,003
Other	78,051	3,042
	<u>\$ 78,051</u>	<u>\$ 22,656,232</u>

In June 2014, Pingtan Fishing entered into three commercial retail space purchase agreements with third parties property developers in order to purchase retail space located in Hubei and Anhui provinces, China. As of December 31, 2014, Pingtan Fishing made total payments of \$22,488,003. The Company planned to use these commercial retail spaces for market expansion in the fishery product markets in central and western areas of PRC in order to capture more sales directly to final customers. In January 2015, the purchase agreements were withdrawn and the prepayments were refunded in full to Pingtan Fishing.

NOTE 8 – COST METHOD INVESTMENT

At December 31, 2015 and 2014, cost method investment amounted to \$3,235,398 and \$3,421,031, respectively. The investment represents the Company's subsidiary, Pingtan Fishing's minority interest in Fujian Pingtan Rural-Commercial Bank Joint-Stock Co., Ltd. ("Pingtan Rural-Commercial Bank"), a private financial institution. Pingtan Fishing completed its registration as a shareholder on October 17, 2012 and paid RMB 21 million (approximately \$3.2 million) to subscribe 5% of the common stock of Pingtan Rural-Commercial Bank. Pingtan Fishing held 15,113,250 shares and accounted for 4.8 % investment in the total equity investment of the bank as of December 31, 2015 and 2014. These shares were as collateral for the Company's long term loan amounting to nil and \$2.3 million at December 31, 2015 and 2014, respectively.

In according to ASC 325, the Company uses the cost method of accounting to record its investment since Pingtan Fishing does not have the ability to exercise significant influence over the operating and financing activities of Pingtan Rural-Commercial Bank. Long-term investment for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. The Company monitors its investment in the non-marketable security and will recognize, if ever existing, a loss in value which is deemed to be other than temporary. The Company determined that there was no impairment on this investment as of December 31, 2015 and 2014.

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NOTE 9 – EQUITY METHOD INVESTMENT

At December 31, 2015 and 2014, equity method investment amounted to \$30,486,314 and \$15,964,812, respectively. The investment represents the Company's subsidiary, Pingtan Fishing's interest in Global Deep Ocean. On June 12, 2014, Pingtan Fishing incorporated Global Deep Ocean with other two unrelated companies in PRC. Pingtan Fishing and the other two investing companies accounted for 35%, 29% and 36% of the total ownership, respectively. Total registered capital of Global Deep Ocean is RMB 1 billion (approximately \$154.1 million) and Pingtan Fishing needs to contribute RMB 350 million (approximately \$53.9 million). As of September 30, 2015, Pingtan Fishing has contributed RMB 348 million (approximately \$53.6 million). No company holds 50% or more of the total shares. Global Deep Ocean will process, cold storage, and transport deep ocean fishing products.

The Company transferred 15% (RMB 150 million, approximately \$23.1 million) of the total ownership in Global Deep Ocean to one of the other shareholders of Global Deep Ocean in December 2015. In the second half of December 2015, the Company received RMB 50 million (approximately \$7.7 million) from the transferee. As of December 31, 2015, the receivable resulting from the 15% ownership transfer amounted to \$15,406,659 (RMB 100 million) which is included in receivable from transferring equity method investment shares on the accompanying consolidated balance sheets. As a result of this transfer, the Company and the other two investing companies accounted for 20%, 44% and 36% of the total ownership, respectively. All of the three investing companies hold less than 50% of the total shares. The Company needs to contribute RMB 200 million (approximately \$30.8 million), and as of December 31, 2015, the Company has contributed RMB 198 million (approximately \$30.5 million).

The Company treats the equity investment in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Company's share of the incorporated-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post incorporation change in the Company's share of the investee's net assets and any impairment loss relating to the investment. For the years ended December 31, 2015 and 2014, the Company's share of Global Deep Ocean's net loss was \$19,700 and \$0, respectively, which was included in loss on equity method investment in the accompanying consolidated statements of income and comprehensive income.

The tables below present the summarized financial information, as provided to the Company by the investee, for the unconsolidated company:

	December 31, 2015	December 31, 2014
Current assets	\$ 52,216,844	\$ 19,219,411
Noncurrent assets	4,404,656	-
Current liabilities	14,945	6,028
Noncurrent liabilities	-	-
Equity	56,606,555	19,213,383

	Year ended December 31,	
	2015	2014
Net revenue	\$ -	\$ -
Gross profit	-	-
Loss from Operation	84,468	9,449
Net loss	84,468	9,547

NOTE 10 – PREPAYMENT FOR LONG-TERM ASSETS

At December 31, 2015 and 2014, prepayment for long-term assets consisted of the following:

	December 31, 2015	December 31, 2014
Prepayment for fishing vessels' construction	\$ 11,654,645	\$ 13,750,102
	<u>\$ 11,654,645</u>	<u>\$ 13,750,102</u>

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

At December 31, 2015 and 2014, property, plant and equipment consisted of the following:

	Useful life	December 31, 2015	December 31, 2014
Fishing vessels	10 - 20 Years	\$ 108,182,380	\$ 98,395,721
Vehicles	5 Years	129,824	137,273
Office and other equipment	3 – 5 Years	1,215,692	1,269,089
Fishing vessels under construction	-	-	19,356,241
		<u>109,527,896</u>	<u>119,158,324</u>
Less: accumulated depreciation		<u>(14,972,782)</u>	<u>(9,177,707)</u>
		<u>\$ 94,555,114</u>	<u>\$ 109,980,617</u>

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (continued)

For the years ended December 31, 2015, 2014 and 2013, depreciation expense amounted to \$6,353,055, \$6,017,886 and \$2,394,692, respectively, of which \$6,120,248, \$5,988,845 and \$2,368,010, respectively, was included in cost of revenue and inventories, and the remainder was included in general and administrative expense, respectively.

The vessels under construction are not subject to depreciation. Upon completion of the construction, fishing vessels under construction balances will be reclassified to fishing vessels.

On June 26, 2015, the Company acquired 6 fishing vessels for the appraised fair market value of approximately \$56.2 million from Fuzhou Yishun Deep-Sea Fishing Co., Ltd. (“Yishun”) and Fuzhou Honglong Ocean Fishery Co., Ltd. (“Hong Long”), two related parties under common control. Accordingly, the transaction between the Company and these two related parties was accounted as a common control transaction pursuant to ASC 805-50 and its related subsections. Based on Accounting Standards Codification (“ASC”) 805-50, the Company recorded the value of \$0 as the cost of the vessels since the 6 vessels had been fully depreciated in Hong Long and Yishun’s books at the date of transfer. The balance of approximately \$56.2 million above cost was treated as a return of capital in the equity accounts and was recorded as a reduction in additional paid-in capital.

At December 31, 2015 and 2014, the Company had 28 and 33 fishing vessels with net carrying amount of approximately \$22.3 million and \$28.6 million, respectively, pledged as collateral for its bank loans.

NOTE 12 – RELATED PARTIES TRANSACTIONS

Prepaid expenses – related parties

At December 31, 2015 and 2014, prepaid expenses – related parties consisted of the following:

	December 31, 2015	December 31, 2014
Prepaid fuel cost and other items to PT. Avona Mina Lestari (1)	\$ 1,127,257	\$ 1,632,352
Prepaid fuel cost to Hai Yi Shipping Limited (2)	783,370	2,070,023
Prepaid fuel cost to Haifeng Dafu Enterprise Company Limited (3)	868,668	399,735
Prepaid fuel cost to Hong Fa Shipping Limited (4)	1,860,871	1,854,131
Prepaid fuel cost to PT. Dwikarya Reksa Abadi (5)	-	1,363,734
	\$ 4,640,166	\$ 7,319,975

- (1) PT. Avona Mina Lestari is an affiliate company controlled by Xinrong Zhuo family.
- (2) Hai Yi Shipping Limited is an affiliate company ultimately controlled by Xinrong Zhuo, CEO of the Company.
- (3) Haifeng Dafu Enterprise Company Limited is an affiliate company ultimately controlled by Xinrong Zhuo, CEO of the Company.
- (4) Hong Fa Shipping Limited is an affiliate company owned by Xinrong Zhuo, CEO of the Company.
- (5) PT Dwikarya Reksa Abadi is an affiliated company controlled by Xinrong Zhuo family.

Deferred expenses – related parties

At December 31, 2015 and 2014, deferred expenses – related parties consisted of the following:

	December 31, 2015	December 31, 2014
Prepaid fishing licenses application fees to PT. Avona Mina Lestari	\$ -	\$ 764,787
Prepaid fishing licenses application fees to Hong Long (1)	-	264,327
	\$ -	\$ 1,029,114

- (1) Hong Long is an affiliate company majority owned and controlled by Ping Lin, spouse of the Company’s CEO.

PT. Avona Mina Lestari and Hong Long act as agents to apply fishing licenses for the Company and pay the related fishing licenses application fees on behalf of the Company. Therefore, the Company either prepays or reimburses them for fishing licenses application fees paid on behalf of the Company.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 – RELATED PARTIES TRANSACTIONS (continued)

Other receivable – related parties

At December 31, 2015 and 2014, other receivable – related parties consisted of the following:

	December 31, 2015	December 31, 2014
Advance to Zhiyan Lin (1)	\$ 3,836,258	\$ -
Advance to Honghong Zhuo (2)	4,051,269	-
	<u>\$ 7,887,527</u>	<u>\$ -</u>

(1) Zhiyan Lin is a shareholder and legal representative of Pingtan Fishing.

(2) Honghong Zhuo is daughter of Xinrong Zhuo.

In connection with the termination of VIE structure and to comply with PRC regulation, the Company paid RMB 83 million (approximately \$12.8 million) in total, which is Pingtan Fishing’s registered capital, to Pingtan Fishing’s Shareholders to transfer their 100% of equity interest of Pingtan Fishing to Fujian Heyue, the Company’s subsidiary pursuant to the Equity Transfer Agreement dated February 9, 2015. Those payments will be returned in full to the Company within one year.

Accounts payable - related party

At December 31, 2015 and 2014, accounts payable - related party consisted of the following:

Name of related party	December 31, 2015	December 31, 2014
Hong Long	\$ 408,631	\$ 2,601,314
	<u>\$ 408,631</u>	<u>\$ 2,601,314</u>

These accounts payable – related party amount are short-term in nature, non-interest bearing, unsecured and payable on demand.

Due to related parties

At December 31, 2015 and 2014, the due to related parties amount consisted of the following:

	December 31, 2015	December 31, 2014
Advance from Hong Fa Shipping Limited	\$ -	\$ 1,000,000
Advance from Xinrong Zhuo, Chief Executive Officer	1,361,290	1,350,000
Accrued compensation for Xinrong Zhuo	3,354	3,352
Accrued compensation for Roy Yu, Chief Financial Officer	20,000	20,000
	<u>\$ 1,384,644</u>	<u>\$ 2,373,352</u>

These advances are short-term in nature, non-interest bearing, unsecured and payable on demand.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
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NOTE 12 – RELATED PARTIES TRANSACTIONS (continued)

Sales to related party

During the years ended December 31, 2015, 2014 and 2013, sales to related party were as follows:

	Year Ended December 31,		
	2015	2014	2013
Sale of frozen fish and other marine catches to			
Shenzhen Western Coast Fisherman Pier Co., Ltd. (1)	\$ -	\$ -	\$ 10,372,611
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,372,611</u>

(1) Shenzhen Western Coast Fisherman Pier Co., Ltd. is an affiliate company owned by Xinrong Zhuo, the Company's CEO.

Purchases from related parties

During the years ended December 31, 2015, 2014 and 2013, purchases from related parties were as follows:

	Year Ended December 31,		
	2015	2014	2013
Purchase of fuel, fishing nets and other on-board consumables			
from PT. Avona Mina Lestari	\$ 1,276,049	\$ -	\$ 14,746,582
from Hong Fa Shipping Limited	11,328,966	30,996,630	-
from Haifeng Dafu Enterprise Co., Ltd.	11,116	4,877,460	-
from Hai Yi Shipping Ltd.	4,739,278	4,678,520	-
from PT. Dwikarya Reksa Abadi	1,414,640	-	757,557
from Zhiyan Lin	-	34,230	1,126
from Fuzhou Honglong Ocean Fishery Co., Ltd.	-	45,409,020	-
	<u>18,770,049</u>	<u>85,995,860</u>	<u>15,505,265</u>
Purchase of vessel maintenance service			
from PT. Avona Mina Lestari	6,529,495	3,543,925	2,981,043
from PT. Dwikarya Reksa Abadi	3,207,011	3,385,466	-
	<u>9,736,506</u>	<u>6,929,391</u>	<u>2,981,043</u>
Purchase of transportation service			
from Fuzhou Honglong Ocean Fishery Co., Ltd.	177,567	9,925,585	-
from Haifeng Dafu Enterprise Company Limited	-	3,331,554	4,122,861
from Hai Yi Shipping Limited	305,686	1,695,132	1,653,682
from Hong Fa Shipping Limited	-	2,550,872	3,345,589
from PT. Avona Mina Lestari	-	-	35,149
	<u>483,253</u>	<u>17,503,143</u>	<u>9,157,281</u>
Purchase of Indonesia vessel agent service			
from PT. Avona Mina Lestari (1)	2,317	1,225,000	1,042,738
from PT. Dwikarya Reksa Abadi (1)	-	1,298,329	-
	<u>\$ 2,317</u>	<u>\$ 2,523,329</u>	<u>\$ 1,042,738</u>

(1) PT. Avona Mina Lestari and PT. Dwikarya Reksa Abadi act as Pingtan Fishing's agents to apply and renew Indonesia fishing licenses and Pingtan Fishing pays the agent service fees to them.

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NOTE 12 – RELATED PARTIES TRANSACTIONS (continued)

Purchases from related parties (continued)

On June 26, 2015, the Company entered into a master agreement with each of Fuzhou Honglong Ocean Fishery Co., Ltd. (“Hong Long”) and Fuzhou Yishun Deep-Sea Fishing Co., Ltd. (“Yishun”), which are owned by the Company’s controlling shareholder and Chairman and CEO, Mr. Xinrong Zhuo, for the acquisition of 6 fishing vessels with total consideration of approximately \$56.2 million representing the fair market value on the date of acquisition. The transaction between the Company and these two related companies was accounted as common control transaction. Based on Accounting Standards Codification (“ASC”) 805-50, the Company recorded the value of \$0 as the cost of the vessels since the 6 vessels had been fully depreciated in Hong Long and Yishun’s books at the date of transfer. The balance of approximately \$56.2 million above cost was treated as a return of capital in the equity accounts and was recorded as a reduction in additional paid-in capital.

Operating lease

On July 31, 2012, the Company entered into a lease for office space with Ping Lin, spouse of the Company’s CEO, (the “Office Lease”). Pursuant to the Office Lease, annual payments of RMB 84,000 (approximately \$13,500) were due for each year of the term. The term of the Office Lease was 3 years and expired on August 1, 2015. On August 1, 2015, the Company renewed the Office Lease. Pursuant to the renewed Office Lease, the annual rent is RMB 84,000 (approximately \$13,500). The term of the renewed Office Lease is 1 year and expires on August 1, 2016.

For the years ended December 31, 2015, 2014 and 2013, rent expense related to the Office Lease amounted \$13,510, \$13,674 and \$13,678, respectively.

Future minimum rental payment required under the Office Lease is as follows:

Year Ending December 31:	Amount
2016	\$ 7,881
	7,881

Rental and related administrative service agreement

On July 1, 2013, the Company entered into a service agreement with Hai Yi Shipping Limited that provided the Company a portion of use of premises located in Hong Kong as office and provided related administrative service (the “Service Agreement”). Pursuant to the Service Agreement, monthly payments of Hong Kong Dollar (“HK\$”) HK\$298,500 (approximately \$38,500) were due for each month of the term. The term of the Service Agreement was 1.5 years and expired on December 31, 2014. The Company renewed the Service Agreement. Pursuant to the renewed Service Agreement, the monthly payments are HK\$298,500 (approximately \$38,500) and the renewed Service Agreement expires on December 31, 2016. For the years ended December 31, 2015, 2014 and 2013, rent expense and corresponding administrative service charge related to the Service Agreement amounted to \$462,387, \$461,934 and \$230,903, respectively.

Future minimum rental and related administrative service charge payment required under the Service Agreement is as follows:

Year ending December 31:	Amount
2016	\$ 462,387
	462,387

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NOTE 13 – BANK LOANS

Short-term bank loans

Short-term bank loans represent the amounts due to various banks that are due within one year. These loans can be renewed with the banks upon maturities. At December 31, 2015 and 2014, short-term bank loans consisted of the following:

	December 31, 2015	December 31, 2014
Loan from China Development Bank, due on July 22, 2015 with variable annual interest rate based on LIBOR ⁽¹⁾ plus 245 basis points (3.1374% at December 31, 2014), guaranteed by Xinrong Zhuo, Honghong Zhuo, Zhiyan Lin and Shuhui Ke and repaid on due date	\$ -	\$ 5,000,000
Loan from China Development Bank, due on March 9, 2015 with variable annual interest rate based on LIBOR ⁽¹⁾ plus 245 basis points (2.777% at December 31, 2014), guaranteed by Xinrong Zhuo, Honghong Zhuo, Zhiyan Lin and Shuhui Ke and repaid on due date	-	3,185,980
Loan from China Development Bank, due on November 24, 2015 with variable annual interest rate based on LIBOR ⁽¹⁾ plus 245 basis points (2.777% at December 31, 2014), guaranteed by Xinrong Zhuo, Honghong Zhuo, Zhiyan Lin and Shuhui Ke and repaid on due date	-	9,500,000
Loan from China Development Bank, due on December 22, 2015 with variable annual interest rate based on LIBOR ⁽¹⁾ plus 245 basis points (2.800% at December 31, 2014), guaranteed by Xinrong Zhuo, Honghong Zhuo, Zhiyan Lin and Shuhui Ke and repaid on due date	-	5,000,000
Loan from China Development Bank, due on December 29, 2015 with variable annual interest rate based on LIBOR ⁽¹⁾ plus 245 basis points (2.8074% at December 31, 2014), guaranteed by Xinrong Zhuo, Honghong Zhuo, Zhiyan Lin and Shuhui Ke and repaid on August 24, 2015	-	5,000,000
Loan from Industrial and Commercial Bank of China, due on January 23, 2015 with annual interest rate of 2.200% at December 31, 2014, guaranteed by Xinrong Zhuo and repaid on due date	-	1,640,693
Loan from Industrial and Commercial Bank of China, due on February 17, 2015 with annual interest rate of 2.000% at December 31, 2014, guaranteed by Xinrong Zhuo and repaid on due date	-	1,027,217
Loan from China Development Bank, due on February 11, 2016 with variable annual interest rate based on LIBOR ⁽¹⁾ plus 245 basis points (3.395% at December 31, 2015), guaranteed by Xinrong Zhuo, Honghong Zhuo, Zhiyan Lin and Shuhui Ke	7,000,000	-
Loan from China Development Bank, due on November 25, 2016 with variable annual interest rate based on LIBOR ⁽¹⁾ plus 230 basis points (2.941% at December 31, 2015), secured by the Company's restricted cash which is a deposit with the lender of approximately \$0.8 million (RMB 5.12 million) and collateralized by a third party's land use right	4,000,000	-
Loan from China Development Bank, due on December 9, 2016 with variable annual interest rate based on LIBOR ⁽¹⁾ plus 230 basis points (3.049% at December 31, 2015), secured by the Company's restricted cash which is a deposit with the lender of approximately \$0.8 million (RMB 5.12 million) and collateralized by a third party's land use right	4,000,000	-
Loan from Fujian Haixia Bank, due on September 7, 2016 with annual interest rate of 7.360% at December 31, 2015, collateralized by Pingtan Fishing's 17 fishing vessels	4,621,998	-
Loan from Fujian Haixia Bank, due on September 20, 2016 with annual interest rate of 1.621% at December 31, 2015, collateralized by Pingtan Fishing's 17 fishing vessels	2,349,440	-
	<u>\$ 21,971,438</u>	<u>\$ 30,353,890</u>

(1) Represents six-month LIBOR rate on the loan commencement date.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 13 – BANK LOANS (continued)

Long-term bank loans

Long-term bank loans represent the amounts due to various banks lasting over one year. Usually, the long-term bank loans cannot be renewed with these banks upon maturities. At December 31, 2015 and 2014, long-term bank loans consisted of the following:

	December 31, 2015	December 31, 2014
Loan from China Minsheng Bank, due on various dates until March 16, 2015 with annual interest rate of 7.741% at December 31, 2014, collateralized by Pingtan Fishing's and Hong Long's fishing vessels and guaranteed by Xinrong Zhuo and repaid on various scheduled due dates	\$ -	\$ 4,874,969
Loan from Fujian Haixia Bank, due on various dates until March 22, 2015 with annual interest rate of 8.400% at December 31, 2014, guaranteed by Xinrong Zhuo and repaid on various scheduled due dates	-	1,629,062
Loan from The Export-Import Bank of China, due on various dates until December 10, 2017 with annual interest rate of 4.750% and 6.400% at December 31, 2015 and 2014, respectively, collateralized by Hong Long's investment in equity interest of a China local bank	14,312,786	20,265,537
Loan from The Export-Import Bank of China, due on various dates until December 10, 2017 with annual interest rate of 4.750% and 6.400% at December 31, 2015 and 2014, respectively, collateralized by Fujian International Trading and Transportation Co., Ltd.'s investment in equity interest of a China local bank	2,310,999	3,453,612
Loan from The Export-Import Bank of China, due on various dates until December 10, 2017 with annual interest rate of 4.750% and 6.400% at December 31, 2015 and 2014, respectively, guaranteed by Hong Long	7,456,823	12,413,456
Loan from The Export-Import Bank of China, due on various dates until December 10, 2017 with annual interest rate of 6.400% at December 31, 2014, collateralized by Pingtan Fishing's investment in equity interest of a China local bank and repaid in the third quarter of 2015	-	1,906,003
Loan from China Development Bank, due on various dates until November 27, 2023 with annual interest rate of 5.145% and 6.8775% at December 31, 2015 and 2014, respectively, guaranteed by Xinrong Zhuo, Honghong Zhuo, Mr. and Mrs. Zhiyan Lin and 6 fishing vessels	11,169,827	12,951,048
Total long-term bank loans	\$ 35,250,435	\$ 57,493,687
Less: current portion	(12,679,680)	(18,868,616)
Long-term bank loans, non-current portion	<u>\$ 22,570,755</u>	<u>\$ 38,625,071</u>

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 13 – BANK LOANS (continued)

Long-term bank loans (continued)

The future maturities of long-term bank loans are as follows:

Due in year ending December 31,	Principal
2016	\$ 12,679,680
2017	13,865,993
2018	1,386,599
2019	1,463,633
2020	1,540,666
Thereafter	4,313,864
	<u>\$ 35,250,435</u>
Less: current portion	(12,679,680)
Long-term liability	<u>\$ 22,570,755</u>

The weighted average interest rate for short-term bank loans was approximately 3.2%, 3.6% and 8.7% for the years ended December 31, 2015, 2014 and 2013, respectively.

The weighted average interest rate for long-term bank loans was approximately 5.7%, 6.8% and 6.8% for the years ended December 31, 2015, 2014 and 2013, respectively.

For the years ended December 31, 2015, 2014 and 2013, interest expense related to bank loans amounted to \$3,630,200, \$5,652,572 and \$4,396,285, respectively, of which, \$0, \$836,902 and \$1,094,589 was capitalized to construction-in-progress, respectively.

NOTE 14 – ACCRUED LIABILITIES AND OTHER PAYABLES

At December 31, 2015 and 2014, accrued liabilities and other payables consisted of the following:

	December 31, 2015	December 31, 2014
Accrued salaries and related benefits	\$ 4,935,942	\$ 5,164,936
Accrued interest due	6,635	178,381
Accrued professional fees	-	11,099
Other	101,472	247,891
	<u>\$ 5,044,049</u>	<u>\$ 5,602,307</u>

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 15 – SHAREHOLDERS' EQUITY

Warrants

An aggregate of 30,329,883 ordinary shares and 3,966,667 warrants were originally issued by CGEI to Chum Capital Group Limited, in connection with a private placement prior to CGEI's initial public offering, and that became exercisable for the Company's ordinary shares beginning on March 27, 2013 (the "Sponsor Warrants"). The Sponsor Warrants have been registered for resale by the selling security-holders under Form S-3 filed on June 17, 2013 and declared effective on June 19, 2013. On June 2, 2011, the Company sold 5,000,000 units, at an offering price of \$10.00 per unit, generating gross proceeds of \$50,000,000. Each unit consists of one ordinary share, \$0.001 par value, of the Company and one purchase warrant. Each warrant will entitle the holder to purchase from the Company one ordinary share at an exercise price of \$12.00 commencing upon the completion of a business combination and expiring five years from the consummation of a business combination. The Company also registered an aggregate of 8,966,667 ordinary shares that are issuable by the Company upon exercise of the 3,966,667 Sponsor Warrants and 5,000,000 warrants that were issued in the CGEI's initial public offering (the "Public Warrants") and that became exercisable upon the consummation of the transactions contemplated by that certain Agreement and Plan of Merger, dated as of October 24, 2012, between CGEI, CDGC, China Growth Dredging Sub Ltd. and Xinrong Zhuo and by that certain Share Purchase Agreement, dated as of October 24, 2012, between CGEI and Merchant Supreme.

Each Public Warrants and Sponsor Warrant (the "Warrants") entitles the registered holder thereof to purchase one of the Company's ordinary shares upon payment of the exercise price of \$12.00 per share.

The Sponsor Warrants are identical to the Public Warrants except that the Sponsor Warrants will be exercisable for cash or on a cashless basis, at the holder's option, and will not be redeemable by the Company, in each case so long as they are still held by these purchases or their transferees.

In accordance with U.S. GAAP, the Company accounted for the Warrants as equity instruments.

There were no stock warrants issued, expired/terminated/forfeited, exercised during the years ended December 31, 2015 and 2014.

The following table summarizes the shares of the Company's ordinary stock issuable upon exercise of warrants outstanding and exercisable at December 31, 2015:

Warrants outstanding			Warrants exercisable		
exercise price	Number outstanding at December 31, 2015	Weighted average remaining contractual life (years)	Weighted average exercise price	number exercisable at December 31, 2015	Weighted average exercise price
\$ 12.00	8,966,667	2.2	\$ 12.00	8,966,667	\$ 12.00

Statutory reserve

Pingtang Guansheng, Fujian Heyue, Pingtan Fishing, Pingtan Dingxin, Pingtan Duoying and Pingtan Ruiying operate in the PRC, are required to reserve 10% of their net profits after income tax, as determined in accordance with the PRC accounting rules and regulations. Appropriation to the statutory reserve by the Company is based on profit arrived at under PRC accounting standards for business enterprises for each year. The statutory reserves of the Company represent the statutory reserves of the above-mentioned companies as required under the PRC law.

The profit arrived at must be set off against any accumulated losses sustained by the Company in prior years, before allocation is made to the statutory reserve. Appropriation to the statutory reserve must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends.

Pingtang Guansheng, Pingtan Dingxin, Pingtan Duoying and Pingtan Ruiying had sustained losses since their establishments. Therefore, no appropriation of net profits to the statutory reserves was required.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 15 – SHAREHOLDERS' EQUITY (continued)

Statutory reserve (continued)

For the years ended December 31, 2015 and 2014, statutory reserve activities for Pingtan Fishing and Fujian Heyue were as follows:

	Pingtan Fishing	Fujian Heyue	Total
Balance - December 31, 2013	\$ 6,412,892	\$ -	\$ 6,412,892
Addition to statutory reserve	-	-	-
Balance – December 31, 2014	6,412,892	-	6,412,892
Addition to statutory reserve	2,174,753	804,182	2,978,935
Balance – December 31, 2015	<u>\$ 8,587,645</u>	<u>\$ 804,182</u>	<u>\$ 9,391,827</u>

NOTE 16 – CERTAIN RISKS AND CONCENTRATIONS

Credit risk

At December 31, 2015 and 2014, the Company's cash included bank deposits in accounts maintained within the PRC and Hong Kong where there are currently no rules or regulations in place for obligatory insurance to cover bank deposits in event of bank failure. However, the Company does not experience any losses in such accounts and believes it is not exposed to any significant risks on its cash in bank accounts.

Major customers

No customer accounted for 10% or more of the Company's sales during the years ended December 31, 2015, 2014 and 2013.

Major suppliers

The following table sets forth information as to each supplier that accounted for 10% or more of the Company's purchases for the years ended December 31, 2015, 2014 and 2013.

Supplier	Year Ended December 31,		
	2015	2014	2013
A	*	10%	22%
B (PT Avona Mina Lestari, a related party)	34%	*	26%
C (Hong Fa Shipping Limited, a related party)	30%	23%	23%
D (Hong Long, a related party)	11%	44%	*
E (Hai Yi Shipping Limited, a related party)	14%	*	*

* less than 10%

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Severance payments

The Company has employment agreements with certain employees that provided severance payments upon termination of employment under certain circumstances, as defined in the applicable agreements. The Company has estimated its possible severance payments of approximately \$10,000 as of December 31, 2015 and 2014, which have not been reflected in its consolidated financial statements.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 17 – COMMITMENTS AND CONTINGENCIES (continued)

Class action

On January 14, 2015, a purported class action was filed by Paul Fila, individually and on behalf of all others similarly situated, against the Company and certain of its executive officers and directors in the U.S. District Court for the Southern District of New York. As with any litigation proceeding, the Company cannot predict with certainty the eventual outcome of any outstanding legal actions. The Company expects to incur expenses in connection with the defense of this lawsuit, and it may have to pay damages or settlement costs in connection with any resolution thereof.

Operating lease

See note 12 for related party operating lease commitment.

Rental payment and related administrative service charge

See note 12 for related party rental and related administrative service agreement commitment.

Equity investment commitment

On June 12, 2014, Pingtan Fishing incorporated an equity investment with two companies for the fishery processing purpose. Total registered capital of the equity investment is approximately \$154.1 million (RMB 1 billion) and Pingtan Fishing accounted for 35% of the total ownership. Accordingly, Pingtan Fishing has the obligation to contribute approximately \$53.9 million (RMB 350 million) as the equity investment's registered capital. In the fourth quarter of 2015, Pingtan fishing transferred 15% of the total ownership to a third party. Therefore, Pingtan Fishing has the obligation to contribute approximately \$30.8 million (RMB 200 million) as the equity investment's registered capital. As of December 31, 2015, the Pingtan Fishing has contributed approximately \$30.5 million (RMB 198 million) as registered capital that was recorded as equity method investment on the accompanying consolidated balance sheets. Pingtan Fishing intends to use its present working capital together with bank loans to fund the project cost.

NOTE 18 – CONDENSED PARENT COMPANY FINANCIAL INFORMATION

The condensed parent company financial statements have been prepared in accordance with Rule 12-04, Schedule I of Regulation S-X as the restricted net assets of the Company's China-based operating subsidiaries' and VIE's exceed 25% of the consolidated net assets of Pingtan Marine Enterprise Ltd.

The condensed parent company financial statements have been prepared using the same accounting principles and policies described in the notes to the consolidated financial statements, with the only exception being that the parent company accounts for its subsidiaries and VIEs using the equity method. Refer to the consolidated financial statements and notes presented above for additional information and disclosures with respect to these financial statements.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 18 – CONDENSED PARENT COMPANY FINANCIAL INFORMATION (continued)

PINGTAN MARINE ENTERPRISE LTD.
Condensed Parent Company Balance Sheets

	<u>December 31,</u> 2015	<u>December 31,</u> 2014
ASSETS		
Current assets:		
Cash	\$ 171,329	\$ 399,849
Prepaid expenses	-	2,819
Other receivable	75,000	64
Investments in subsidiaries and VIEs at equity	149,195,133	125,961,030
Total current assets	<u>149,441,462</u>	<u>126,363,762</u>
Other assets:		
Property, plant and equipment	23,681,715	25,289,869
Total assets	<u>\$ 173,123,177</u>	<u>\$ 151,653,631</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accrued liabilities and other payables	\$ -	\$ 21,345
Due to related parties	6,283,354	2,373,352
Total liabilities	<u>6,283,354</u>	<u>2,394,697</u>
Shareholders' equity:		
Equity attributable to owners of the company:		
Ordinary shares (\$0.001 par value; 225,000,000 shares authorized; 79,055,053 shares issued and outstanding at December 31, 2015 and 2014)	79,055	79,055
Additional paid-in capital	111,008,085	117,525,377
Retained earnings	43,709,867	27,728,602
Accumulated other comprehensive (loss) income	(4,326,351)	3,925,900
Total equity attributable to owners of the company	<u>150,470,656</u>	<u>149,258,934</u>
Non-controlling interest	16,369,167	-
Total shareholders' equity	<u>166,839,823</u>	<u>149,258,934</u>
Total liabilities and equity	<u>\$ 173,123,177</u>	<u>\$ 151,653,631</u>

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 18 – CONDENSED PARENT COMPANY FINANCIAL INFORMATION (continued)

PINGTAN MARINE ENTERPRISE LTD.
Condensed Parent Company Statements of Operations

	For the Year Ended December 31,		
	2015	2014	2013
Revenue	\$ -	\$ -	\$ -
Cost of revenue	-	-	-
Operating expenses:			
General and administrative	(2,074,964)	(1,899,368)	(2,225,543)
Total operating expenses	(2,074,964)	(1,899,368)	(2,225,543)
Loss from operations	(2,074,964)	(1,899,368)	(2,225,543)
Other (expense) income	(593)	82,855	117
Loss attributable to parent only	(2,075,557)	(1,816,513)	(2,225,426)
Equity in earnings of subsidiaries and VIEs	21,633,959	87,577,218	101,271,882
Net income	19,558,402	85,760,705	99,046,456
Less: net income attributable to the non-controlling interest	1,205,485	-	-
Net income attributable to owners of the company	<u>\$ 18,352,917</u>	<u>\$ 85,760,705</u>	<u>\$ 99,046,456</u>

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 18 – CONDENSED PARENT COMPANY FINANCIAL INFORMATION (continued)

PINGTAN MARINE ENTERPRISE LTD.
Condensed Parent Company Statements of Cash Flows

	For the Year Ended December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 19,558,402	\$ 85,760,705	\$ 99,046,456
Adjustments to reconcile net income to net cash used in operating activities:			
Equity in earnings of subsidiaries and VIEs	(21,633,959)	(87,577,218)	(101,271,882)
Changes in assets and liabilities:			
Prepaid expenses	2,819	1	21,180
Other receivable	(75,000)	(33)	-
Accrued liabilities and other payables	(11,099)	(198,075)	201,654
Due to related parties	2	23,352	-
NET CASH USED IN OPERATING ACTIVITIES	(2,158,835)	(1,991,268)	(2,002,592)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment payments to subsidiaries and VIEs	(244,033)	-	(1,316,079)
NET CASH USED IN INVESTING ACTIVITIES	(244,033)	-	(1,316,079)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash acquired from subsidiaries and VIEs	636,000	584,983	-
Advances from related parties	3,910,000	2,350,000	-
Payments made for dividend	(2,371,652)	(790,550)	-
Cash acquired in recapitalization	-	-	3,565,355
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,174,348	2,144,433	3,565,355
NET (DECREASE) INCREASE IN CASH	(228,520)	153,165	246,684
CASH - beginning of year	399,849	246,684	-
CASH - end of year	\$ 171,329	\$ 399,849	\$ 246,684

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 18 – CONDENSED PARENT COMPANY FINANCIAL INFORMATION (continued)

Notes to the Condensed Parent Company Financial Statements

Note 1. Basis of Preparation

The condensed financial information of the Company has been prepared using the same accounting policies as set out in the Group's consolidated financial statements except that the Company used the equity method to account for investments in its subsidiaries and VIEs.

Note 2. Investments in Subsidiaries and VIEs

The Company and its subsidiaries and variable interest entities were included in the consolidated financial statements where the inter-company balances and transactions were eliminated upon consolidation. For purpose of the Company's stand-alone financial statements, its investments in subsidiaries and variable interest entities were reported using the equity method of accounting. The Company's share of income and losses from its subsidiaries and variable interest entities were reported as equity in earnings of subsidiaries and variable interest entities in the accompanying parent company financial statements.

Note 3. Retained Earnings

The retained earnings in the Company's stand-alone financial statements do not represent the distributable earnings of the Group as it includes the statutory reserve of its subsidiaries and VIEs in PRC of \$9,391,827 and \$6,412,892 as of December 31, 2015 and 2014, respectively.

NOTE 19 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Set forth below is the unaudited selected quarterly financial data. We believe that all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly, and in accordance with GAAP, the unaudited selected quarterly financial data when read in conjunction with our consolidated financial statements (in thousands, except share and per share data). The sum of the quarterly net income per share amounts do not necessarily equal the annual amount reported, as per share amounts are computed independently for each quarter and the annual period based on the weighted average common shares outstanding in each period. The operating results for any quarter are not necessarily indicative of results for any future period.

2015	Quarter			
	First	Second	Third	Fourth
Revenue	\$ 28,733	\$ 15,254	\$ 2,741	\$ 13,972
Gross profit (loss)	11,467	1,206	(6,508)	(8,941)
Net income (loss)	8,416	(1,584)	22,518	(9,792)
Net income (loss) attributable to owners of the company	8,223	(1,482)	20,684	(9,072)
Basic and diluted net income (loss) per ordinary share attributable to owners of the company	\$ 0.10	\$ (0.02)	\$ 0.26	\$ (0.11)

2014	Quarter			
	First	Second	Third	Fourth
Revenue	\$ 65,583	\$ 56,909	\$ 54,417	\$ 56,518
Gross profit	25,599	17,437	15,484	19,066
Net income	23,389	14,842	14,195	33,335
Net income attributable to owners of the company	23,389	14,842	14,195	33,335
Basic and diluted net income per ordinary share attributable to owners of the company	\$ 0.30	\$ 0.19	\$ 0.18	\$ 0.41

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN U.S. DOLLARS)

NOTE 20 – SUBSEQUENT EVENTS

On February 11, 2016, the Company repaid short-term bank loan of \$7,000,000 to China Development Bank in according to loan repayment schedule.

On July 1, 2013, the Company entered into a service agreement with Hai Yi Shipping Limited that provided it a portion of use of premises located in Hong Kong as office and provided related administrative service (the “Service Agreement”). On January 1, 2016, the Company renewed the Service Agreement. Pursuant to the renewed Service Agreement, the monthly payments are HK\$298,500 (approximately \$38,500) and the renewed Service Agreement expires on December 31, 2016.

In December 2015, the Company transferred 15% (RMB 150 million, approximately \$23.1 million) of the total ownership in Global Deep Ocean to one of the other shareholders of Global Deep Ocean (See note 9). In the second half of December 2015, the Company received RMB 50 million (approximately \$7.7 million) and in January and February 2016, the Company received RMB 100 million (approximately \$15.4 million), from the transferee. The subsequent collections made as follows:

Date	Amount
1/5/2016	\$ 3,081,332
1/6/2016	3,081,332
2/1/2016	3,081,332
2/2/2016	3,081,332
2/4/2016	462,200
2/4/2016	2,619,130
Total	<u>\$ 15,406,658</u>

On February 3, 2016, one of the Company’s suppliers, Fujian Ninghai Investment Limited Liability Company (“Fujian Ninghai”) assigned certain advances from Fujian Heyue for fish goods amounting to \$31,900,549 to Qingdao Zhongtai Oean Fishing Limited Liability Company (“Qingdao Zhongtai”). In connection with this assignment, the Company and Fujian Ninghai and Qingdao Zhongtai entered into a Three-party Agreement. According to the Three-party Agreement, Fujian Ninghai assigned all of its interest to Qingdao Zhongtai and Fujian Heyue has the right to receive refund for the advances if the situation of demands and supplies changes. As an exchange, Qingdao Zhongtai will assume corresponding obligations arising under the assignment agreement.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement No. 333-188007 on Form S-3 of our reports dated March 9, 2016, relating to the consolidated financial statements of Pingtan Marine Enterprise Limited, its subsidiary, and its variable interest entities (the "VIEs") (collectively the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in the Annual Report on Form 10-K of Pingtan Marine Enterprise Limited for the years ended December 31, 2014 and 2015.

/s/ BDO China Shu Lun Pan Certified Public Accountants LLP

Beijing, China
October 6, 2016

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Amendment no. 2 to Registration Statement Form S-3 (file No. 333-188007) and appearing on Form 8K/A (amendment #1) of our reports dated March 7, 2014, except for Note 1, Note 2, Note 3, Note 9, Note 13 and Note 23, as to which the date is November 10, 2014, with respect to the consolidated statements of income, comprehensive income, stockholders equity and cash flows of Pingtan Marine Enterprise Ltd. as of December 31, 2013.

/s/ UHY VOCATION HK CPA LIMITED

Hong Kong, the People's Republic of China

October 6, 2016

CERTIFICATION

I, Xinrong Zhuo, certify that:

1. I have reviewed this report on Form 10-K/A of Pingtan Marine Enterprise Ltd.; and
2. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
3. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

/s/ XINRONG ZHUO

Xinrong Zhuo
Chief Executive Officer

October 6, 2016

CERTIFICATION

I, Roy Yu, certify that:

1. I have reviewed this report on Form 10-K/A of Pingtan Marine Enterprise Ltd.; and
2. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
3. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

/s/ ROY YU

Roy Yu
Chief Financial Officer

October 6, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Pingtan Marine Enterprise Ltd. (the "Registrant") on Form 10-K/A for the year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned in their respective capacities as Chairman of the Board and Chief Executive Officer and Chief Financial Officer of the Registrant, each hereby certify, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.x

Date: October 6, 2016

/s/ Xinrong Zhuo

Xinrong Zhuo
Chairman of the Board and
Chief Executive Officer

Date: October 6, 2016

/s/ Roy Yu

Roy Yu
Chief Financial Officer