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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

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

For the transition period from __________ to __________

COMMISSION FILE NUMBER: 001-35192

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

Cayman Islands	**N/A**
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

18/F, Zhongshan Building A,
No. 154 Hudong Road
Fuzhou, China 350001
(Address of principal executive offices)

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer (Do not check if smaller reporting company)	☐	Smaller reporting company	☒

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

Indicate the number of shares outstanding of each of the issuer's classes of ordinary stock, as of the latest practicable date. As of November 8, 2016, the outstanding number of shares of the registrant's ordinary stock, par value $0.001 per share, was 79,055,053.

PINGTAN MARINE ENTERPRISE LTD.
FORM 10-Q
September 30, 2016

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FORWARD LOOKING STATEMENTS

This report contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this report. Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the headings "Risks Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K, in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q and information contained in other reports that we file with the SEC. You are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this report.

We file reports with the SEC. The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us. You can also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report, except as required by law. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this quarterly report, which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Unless otherwise indicated, references in this report to "we," "us" or the "Company" refer to Pingtan Marine Enterprise Ltd. and its subsidiaries.

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

ASSETS	September 30, 2016 (Unaudited)	December 31, 2015
CURRENT ASSETS:		
Cash	$ 567,931	$ 11,448,684
Restricted cash	4,039,344	1,577,642
Accounts receivable, net of allowance for doubtful accounts	3,140,043	12,575,042
Inventories, net of reserve for inventories	2,287,067	2,336,167
Advances to suppliers	34,735,933	35,994,146
Prepaid expenses	6,297	1,818
Prepaid expenses - related parties	1,128,172	4,640,166
Receivable from transferring equity method investment shares	-	15,406,659
Other receivables	171,752	78,051
Other receivables - related parties	2,429,988	7,887,527
Total Current Assets	48,506,527	91,945,902
OTHER ASSETS:		
Cost method investment	3,148,709	3,235,398
Equity method investment	29,644,707	30,486,314
Prepayment for long-term assets	16,987,556	11,654,645
Property, plant and equipment, net	126,968,222	94,555,114
Total Other Assets	176,749,194	139,931,471
Total Assets	$ 225,255,721	$ 231,877,373
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 911,613	$ 978,353
Accounts payable - related parties	105,024	408,631
Short-term bank loans	26,148,156	21,971,438
Long-term bank loans - current portion	15,098,809	12,679,680
Accrued liabilities and other payables	5,826,736	5,044,049
Due to related parties	8,614,831	1,384,644
Total Current Liabilities	56,705,169	42,466,795
OTHER LIABILITIES:		
Long-term bank loans - non-current portion	31,816,955	22,570,755
Total Liabilities	88,522,124	65,037,550
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 September 30, 2016 and December 31, 2015)	79,055	79,055
Additional paid-in capital	111,008,085	111,008,085
Retained earnings	9,794,158	34,318,040
Statutory reserve	9,391,827	9,391,827
Accumulated other comprehensive loss	(7,854,600)	(4,326,351)
Total equity attributable to owners of the company	122,418,525	150,470,656
Non-controlling interest	14,315,072	16,369,167
Total Shareholders' Equity	136,733,597	166,839,823
Total Liabilities and Shareholders' Equity	$ 225,255,721	$ 231,877,373

See condensed notes to unaudited consolidated financial statements

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

	For the Three Months Ended September 30, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2016	For the Nine Months Ended September 30, 2015
REVENUE	$ 1,168,946	$ 2,740,981	$ 7,388,395	$ 46,727,808
COST OF REVENUE	13,481,775	9,248,696	26,054,703	40,562,651
GROSS (LOSS) PROFIT	(12,312,829)	(6,507,715)	(18,666,308)	6,165,157
OPERATING EXPENSES:				
Selling	93,843	312,574	508,062	1,309,859
General and administrative	660,700	733,923	3,038,984	2,547,225
Total Operating Expenses	754,543	1,046,497	3,547,046	3,857,084
(LOSS) INCOME FROM OPERATIONS	(13,067,372)	(7,554,212)	(22,213,354)	2,308,073
OTHER INCOME (EXPENSE):				
Interest income	782	10,875	4,051	98,894
Interest expense	(738,548)	(817,321)	(1,656,672)	(2,856,516)
Foreign currency transaction loss	(86,414)	(774,934)	(542,694)	(714,620)
Grant income	-	31,691,166	153,514	31,691,166
Gain (loss) from cost method investment	-	(3,264)	378,997	417,434
Loss on equity method investment	(6,968)	(34,187)	(25,095)	(37,545)
Loss on fixed assets disposal	-	-	-	(1,544,277)
Other (expense) income	(59)	1	(476)	(212)
Total Other (Expense) Income, net	(831,207)	30,072,336	(1,688,375)	27,054,324
(LOSS) INCOME BEFORE INCOME TAXES	(13,898,579)	22,518,124	(23,901,729)	29,362,397
INCOME TAXES	-	-	993	-
NET (LOSS) INCOME	$ (13,898,579)	$ 22,518,124	$ (23,902,722)	$ 29,362,397
LESS: NET (LOSS) INCOME ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST	(1,075,177)	1,834,497	(1,750,492)	1,925,443
NET (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	$ (12,823,402)	$ 20,683,627	$ (22,152,230)	$ 27,436,954
COMPREHENSIVE (LOSS) INCOME:				
NET (LOSS) INCOME	(13,898,579)	22,518,124	(23,902,722)	29,362,397
OTHER COMPREHENSIVE LOSS				
Unrealized foreign currency translation loss	(459,166)	(6,948,652)	(3,831,852)	(5,848,277)
COMPREHENSIVE (LOSS) INCOME	$ (14,357,745)	$ 15,569,472	$ (27,734,574)	$ 23,514,120
LESS: COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST	(1,111,153)	1,277,639	(2,054,095)	1,600,169
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	$ (13,246,592)	$ 14,291,833	$ (25,680,479)	$ 21,913,951
NET (LOSS) INCOME PER ORDINARY SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Basic and diluted	$ (0.16)	$ 0.26	$ (0.28)	$ 0.35
WEIGHTED AVERAGE ORDINARY SHARES OUTSTANDING:				
Basic and diluted	79,055,053	79,055,053	79,055,053	79,055,053

See condensed notes to unaudited consolidated financial statements

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(IN U.S. DOLLARS)

	Equity Attributable To Owners of The Company							
	Ordinary Shares							
	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Statutory Reserve	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total Shareholders' Equity
Balance, December 31, 2015	79,055,053	$ 79,055	$111,008,085	$ 34,318,040	$9,391,827	$ (4,326,351)	$16,369,167	$166,839,823
Net loss	-	-	-	(22,152,230)	-	-	(1,750,492)	(23,902,722)
Dividend declared	-	-	-	(2,371,652)	-	-	-	(2,371,652)
Foreign currency translation adjustment	-	-	-	-	-	(3,528,249)	(303,603)	(3,831,852)
Balance, September 30, 2016 (Unaudited)	79,055,053	$ 79,055	$111,008,085	$ 9,794,158	$9,391,827	$ (7,854,600)	$14,315,072	$136,733,597

See condensed notes to unaudited consolidated financial statements

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

	For the Nine Months Ended September 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (23,902,722)	$ 29,362,397
Adjustments to reconcile net (loss) income from operations to net cash provided by operating activities:		
Depreciation	4,769,455	4,360,186
Decrease in allowance for doubtful accounts	(112,562)	(87,535)
Increase in reserve for inventories	1,506,320	-
Loss on equity method investment	25,095	37,545
Loss on disposal of fixed assets	-	1,544,277
Changes in operating assets and liabilities:		
Accounts receivable	9,335,357	39,365,984
Inventories	(1,520,001)	6,466,615
Advances to suppliers	297,813	(35,352,076)
Prepaid expenses	(4,590)	(4,474,501)
Prepaid expenses - related parties	3,434,109	(7,684,028)
Deferred expenses - related parties	-	977,895
Other receivables	(95,068)	88,115
Other receivables - related parties	-	4,384,313
Accounts payable	(41,081)	(31,612)
Accounts payable - related parties	(296,671)	2,624,623
Advances from customers	-	(164,133)
Accrued liabilities and other payables	930,168	3,970,928
Due to related parties	8,709,266	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,034,888	45,388,993
CASH FLOWS FROM INVESTING ACTIVITIES:		
Refunds from commercial retail space prepayments	-	22,407,331
Purchase of property, plant and equipment	(959,034)	(16,295)
Prepayments made for long-term assets	(44,329,098)	-
Proceeds from transferring equity method investment share	15,199,416	-
Payments for equity method investment	-	(40,580,463)
NET CASH USED IN INVESTING ACTIVITIES	(30,088,716)	(18,189,427)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term bank loans	18,999,502	15,472,361
Repayments of short-term bank loans	(14,168,748)	(16,250,334)
Proceeds from long-term bank loans	18,999,270	-
Repayments of long-term bank loans	(6,216,561)	(14,255,917)
Increase in restricted cash	(2,538,303)	-
Advances from related parties	3,753,620	2,550,000
Payments made for dividend	(2,371,652)	(1,581,101)
Capital contribution from non-controlling interest	-	64,928,741
Payments made to related parties in connection with the termination of VIE	-	(13,472,714)
Acquisition of fishing vessels from related parties under common control	-	(56,206,080)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	16,457,128	(18,815,044)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(284,053)	(44,484)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(10,880,753)	8,340,038
CASH AND CASH EQUIVALENTS - beginning of period	11,448,684	12,752,272
CASH AND CASH EQUIVALENTS - end of period	$ 567,931	$ 21,092,310
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	$ 1,976,789	$ 2,858,417
Income taxes	$ 993	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of property and equipment by decreasing prepayment for long-term assets	$ 38,606,518	$ -
Offset other receivables - related parties against due to related parties	$ 5,114,910	$ -

See condensed notes to unaudited consolidated financial statements

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; 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.

(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 September 30, 2016 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
Pingtan 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
Pingtan Dingxin Fishing Information Consulting Co., Ltd. ("Pingtan Dingxin")	PRC, October 23, 2012	100% held by Pingtan Fishing	Dormant
Pingtan Duoying Fishing Information Consulting Co., Ltd. ("Pingtan Duoying")	PRC, October 23, 2012	100% held by Pingtan Fishing	Dormant
Pingtan 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 moratorium on fishing licenses renewals creates uncertainty over fishing operations in Indonesian waters. The Company's forecasts and projections, taking account 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These interim consolidated financial statements of the Company and its subsidiaries are unaudited. In the opinion of management, all adjustments (consisting of normal recurring accruals) and disclosures necessary for a fair presentation of these interim consolidated financial statements have been included. The results reported in the unaudited consolidated financial statements for any interim periods are not necessarily indicative of the results that may be reported for the entire year. The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and do not include all information and footnotes necessary for a complete presentation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP").

The unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

Certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These unaudited financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission on March 9, 2016.

Use of estimates

The preparation of the unaudited 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 nine months ended September 30, 2016 and 2015 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.

Cash

Cash consists of cash on hand and cash in banks. The Company maintains cash with various financial institutions in the PRC and Hong Kong and none of these deposits are covered by insurance. At September 30, 2016 and December 31, 2015, cash balances in the PRC are $502,516 and $11,276,429, respectively, and cash balances in Hong Kong are $65,415 and $172,255, 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 September 30, 2016 and December 31, 2015, restricted cash amounted $4,039,344 and $1,577,642, 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, other receivables, other receivables – related parties, accounts payable, accounts payable – related parties, 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 September 30, 2016, 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 September 30, 2016. As of September 30, 2016, the Company does not have any level 3 financial instruments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments (continued)

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 an 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 September 30, 2016 and December 31, 2015, the Company has established, based on a review of its outstanding balances, an allowance for doubtful accounts in the amounts of $251,610 and $372,634, respectively.

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 is comprised 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 September 30, 2016 and December 31, 2015, the Company recorded a reserve for inventories in the amount of $1,698,337 and $218,236, respectively.

When recorded, inventory reserves are intended to reduce the carrying value of inventories to their net realizable value. The Company regularly evaluates the ability to realize the value of inventories based on a combination of factors including the following: forecasted sales, estimated current and future market value. During the three months ended September 30, 2016, inventories reserve of approximately $1,294,000 was reversed, which was reflected in cost of revenue. At September 30, 2016, the Company recorded provisions to its inventory reserve of approximately $1,506,000, which was included in cost of revenue. The provisions for inventories reserve were principally for slow moving frozen fish and marine catches. These frozen fish and marine catches were written down to estimated realizable value.

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. According to related signed agreement, the Company has the right to receive refund for these prepayments if the situation of demands and supplies changes. The amounts advanced under such arrangements totaled $34,735,933 and $35,994,146 at September 30, 2016 and December 31, 2015, 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 $23.3 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 7). In the second half of December 2015, the Company received RMB 50 million (approximately $7.8 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.

(IN U.S. DOLLARS)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fishing licenses

Each of the Company's fishing vessels requires an approval from Ministry of Agriculture of the PRC 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.

Investment in unconsolidated company – Global Deep Ocean

The Company uses 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 7 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.

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 $128,279 and $0 for the three months ended September 30, 2016 and 2015, respectively, in the fishing vessels under construction. The Company capitalized interest of $544,984 and $0 for the nine months ended September 30, 2016 and 2015, respectively, in the fishing vessels under construction.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 three and nine months ended September 30, 2016 and 2015.

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, it 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 operations and comprehensive (loss) income.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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 operations and comprehensive (loss) 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 $170.2 million and $190.5 million as of September 30, 2016 and December 31, 2015, 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 September 30, 2016 and December 31, 2015, 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 $8,399 and $56,321 for the three months ended September 30, 2016 and 2015, respectively. Shipping and handling costs totaled $97,786 and $285,786 for the nine months ended September 30, 2016 and 2015, respectively.

NOTE 2 – 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 $47,727 and $215,537 for the three months ended September 30, 2016 and 2015, respectively. Employee benefit costs totaled $223,123 and $690,563 for the nine months ended September 30, 2016 and 2015, respectively.

Advertising

Advertising is expensed as incurred and is included in selling expense on the accompanying consolidated statements of operations and comprehensive (loss) income. The Company did not incur any advertising expense for the three months ended September 30, 2016 and 2015. Advertising totaled $27,414 and $90,372 for the nine months ended September 30, 2016 and 2015, 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 three and nine months ended September 30, 2016 and 2015.

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 nine months ended September 30, 2016 and 2015 was $(284,053) and $(44,484), 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 September 30, 2016 and December 31, 2015 were translated at 6.6694 RMB to $1.00 and at 6.4907 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 operations and comprehensive (loss) income for the nine months ended September 30, 2016 and 2015 were 6.5792 RMB and 6.1606 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 (loss) per share

ASC Topic 260 "Earnings per Share," requires presentation of both basic and diluted earnings (loss) 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.

(IN U.S. DOLLARS)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share (continued)

Basic earnings (loss) per share are computed by dividing net (loss) income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net (loss) income per share is computed by dividing net (loss) 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 (loss) per share if their effect would be anti-dilutive. In a period in which the Company has a net loss, all potentially dilutive securities are excluded from the computation of diluted shares outstanding as they would have had an anti-dilutive impact. The following table presents a reconciliation of basic and diluted net (loss) income per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net (loss) income available to owners of the company for basic and diluted net (loss) income per share of ordinary stock	$ (12,823,402)	$ 20,683,627	$ (22,152,230)	$ 27,436,954
Weighted average ordinary stock outstanding - basic and diluted	79,055,053	79,055,053	79,055,053	79,055,053
Net (loss) income per ordinary share attributable to owners of the Company - basic and diluted	$ (0.16)	$ 0.26	$ (0.28)	$ 0.35

For the three and nine months ended September 30, 2016 and 2015, warrants to purchase 8,966,667 shares of ordinary stock have not been included in the calculation of diluted earnings (loss) 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 September 30, 2016, 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.

Comprehensive (loss) income

Comprehensive (loss) income is comprised of net (loss) 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 (loss) income for the three and nine months ended September 30, 2016 and 2015 included net (loss) income and unrealized loss from foreign currency translation adjustments.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 September 30, 2016 and December 31, 2015. 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 aboard, 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.

As the Company has historically derived the majority of its revenue from Indonesian waters, the suspension of fishing operation in this area has had and will continue to have a significant negative impact on the Company.

Recent accounting pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU addresses the classification of certain specific cash flow issues including debt prepayment or extinguishment costs, settlement of certain debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of certain insurance claims and distributions received from equity method investees. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. An entity that elects early adoption must adopt all of the amendments in the same period. The Company is currently evaluating the impact it may have on its consolidated financial statements.

(IN U.S. DOLLARS)

NOTE 3 – ACCOUNTS RECEIVABLE

At September 30, 2016 and December 31, 2015, accounts receivable consisted of the following:

	September 30, 2016	December 31, 2015
Accounts receivable	$ 3,391,653	$ 12,947,676
Less: allowance for doubtful accounts	(251,610)	(372,634)
	$ 3,140,043	$ 12,575,042

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 4 - INVENTORIES

At September 30, 2016 and December 31, 2015, inventories consisted of the following:

	September 30, 2016	December 31, 2015
Frozen fish and marine catches in transit	$ 1,856,371	$ 91,268
Frozen fish and marine catches in warehouse	2,129,033	2,463,135
	3,985,404	2,554,403
Less: reserve for inventories	(1,698,337)	(218,236)
	$ 2,287,067	$ 2,336,167

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.

NOTE 5 – ADVANCES TO SUPPLIERS

At September 30, 2016 and December 31, 2015, advances to suppliers consisted of the following:

	September 30, 2016	December 31, 2015
Prepayments made for fishing nets and spare parts	$ 3,690,128	$ 4,093,597
Prepayments made for fish goods (1)	31,045,805	31,900,549
	$ 34,735,933	$ 35,994,146

(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 6 – COST METHOD INVESTMENT

At September 30, 2016 and December 31, 2015, cost method investment amounted to $3,148,709 and $3,235,398, 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 $3.1 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 September 30, 2016 and December 31, 2015.

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 September 30, 2016 and December 31, 2015.

(IN U.S. DOLLARS)

NOTE 7 – EQUITY METHOD INVESTMENT

At September 30, 2016 and December 31, 2015, equity method investment amounted to $29,644,707 and $30,486,314, 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 $155.1 million) and Pingtan Fishing needs to contribute RMB 350 million (approximately $54.3 million). As of September 30, 2015, Pingtan Fishing had contributed RMB 348 million (approximately $54.0 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 $23.3 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 $7.8 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. In January and February 2016, the Company received RMB 100 million (approximately $15.5 million) from the transferee. 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 $30.1 million), and as of September 30, 2016, the Company has contributed RMB 198 million (approximately $29.7 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 three months ended September 30, 2016 and 2015, the Company's share of Global Deep Ocean's net loss was $6,968 and $34,187, respectively, which was included in loss on equity method investment in the accompanying consolidated statements of operations and comprehensive (loss) income. For the nine months ended September 30, 2016 and 2015, the Company's share of Global Deep Ocean's net loss was $25,095 and $37,545, respectively, which was included in loss on equity method investment in the accompanying consolidated statements of operations and comprehensive (loss) income.

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

	September 30, 2016	December 31, 2015
Current assets	$ 50,709,558	$ 52,216,844
Noncurrent assets	4,276,098	4,404,656
Current liabilities	19,597	14,945
Noncurrent liabilities	-	-
Equity	54,966,059	56,606,555

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net revenue	$ -	$ -	$ -	$ -
Gross profit	-	-	-	-
Loss from operation	34,811	97,677	125,404	107,271
Net loss	34,842	97,677	125,477	107,271

(IN U.S. DOLLARS)

NOTE 8 – PREPAYMENT FOR LONG-TERM ASSETS

At September 30, 2016 and December 31, 2015, prepayment for long-term assets consisted of prepayment for fishing vessels' construction. In March 2016, the Company entered into two fishing vessels building agreements for 6 fishing vessels construction. In May 2016, the Company entered into one fishing vessels renovation agreement for 13 fishing vessels renovation. During the nine months ended September 30, 2016, the Company made prepayments of RMB 291.65 million (approximately $44.3 million) for the construction of 6 fishing vessels and the renovation of 13 fishing vessels. The Company reclassifies the prepayment for fishing vessels' construction to construction-in-progress using the percentage of completion method. During the nine months ended September 30, 2016, the Company reclassified RMB 254.0 million (approximately $38.6 million) from prepayment for long-term assets to construction-in-progress.

For the nine months ended September 30, 2016, a summary of activities in prepayment for long-term assets was as follows:

	Prepayment for fishing vessels' construction
Balance - December 31, 2015	$ 11,654,645
Prepayments made for fishing vessels' construction	44,329,098
Reclassification to construction-in-progress	(38,606,518)
Foreign currency fluctuation	(389,669)
Balance - September 30, 2016	$ 16,987,556

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

At September 30, 2016 and December 31, 2015, property, plant and equipment consisted of the following:

	Useful life	September 30, 2016	December 31, 2015
Fishing vessels	10 - 20 Years	$ 105,993,198	$ 108,182,380
Vehicles	5 Years	126,345	129,824
Office and other equipment	3 – 5 Years	1,183,119	1,215,692
Construction-in-progress		39,029,302	-
		146,331,964	109,527,896
Less: accumulated depreciation		(19,363,742)	(14,972,782)
		$ 126,968,222	$ 94,555,114

For the three months ended September 30, 2016 and 2015, depreciation expense amounted to $1,466,032 and $773,310, respectively, of which $1,643,865 and $765,704, respectively, was included in cost of revenue and inventories, and the remainder was included in general and administrative expense, respectively. For the nine months ended September 30, 2016 and 2015, depreciation expense amounted to $4,769,455 and $4,360,186, respectively, of which $4,429,469 and $4,337,007, respectively, was included in cost of revenue and inventories, and the remainder was included in general and administrative expense, respectively.

At September 30, 2016 and December 31, 2015, the Company had 28 fishing vessels with net carrying amount of approximately $12.9 million and $22.3 million, respectively, pledged as collateral for its bank loans.

Included in construction-in-progress 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.

(IN U.S. DOLLARS)

NOTE 10 – RELATED PARTIES TRANSACTIONS

Prepaid expenses – related parties

At September 30, 2016 and December 31, 2015, prepaid expenses – related parties consisted of the following:

	September 30, 2016	December 31, 2015
Prepaid miscellaneous items to PT. Avona Mina Lestari (1)	$ 1,128,172	$ 1,127,257
Prepaid fuel cost to Hai Yi Shipping Limited (2)	-	783,370
Prepaid fuel cost to Haifeng Dafu Enterprise Company Limited (3)	-	868,668
Prepaid fuel cost to Hong Fa Shipping Limited (4)	-	1,860,871
	$ 1,128,172	$ 4,640,166

(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.

Other receivable – related parties

At September 30, 2016 and December 31, 2015, other receivable – related parties consisted of the following:

	September 30, 2016	December 31, 2015
Advance to Zhiyan Lin (1)	$ 2,429,988	$ 3,836,258
Advance to Honghong Zhuo (2)	-	4,051,269
	$ 2,429,988	$ 7,887,527

(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 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 are expected to be returned in full to the Company before September 30, 2017.

Accounts payable - related parties

At September 30, 2016 and December 31, 2015, accounts payable - related parties consisted of the following:

Name of related party	September 30, 2016	December 31, 2015
Hai Yi Shipping Limited	$ 511	$ -
Ping Lin (1)	1,050	-
Hong Long	103,463	408,631
	$ 105,024	$ 408,631

(1) Ping Lin is the spouse of the company's CEO.

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

(IN U.S. DOLLARS)

NOTE 10 – RELATED PARTIES TRANSACTIONS (continued)

Due to related parties

At September 30, 2016 and December 31, 2015, the due to related parties amount consisted of the following:

	September 30, 2016	December 31, 2015
Other payable – Hong Long	$ 8,591,477	$ -
Accrued compensation for Roy Yu, Chief Financial Officer	20,000	20,000
Accrued compensation for Xinrong Zhuo	3,354	3,354
Advance from Xinrong Zhuo, Chief Executive Officer	-	1,361,290
	$ 8,614,831	$ 1,384,644

The amount of other payable – Hong Long represents the payments made by Hong Long on behalf of the Company to the Company's vendors and is short-term in nature, non-interest bearing, unsecured and payable on demand.

The advance from Xinrong Zhuo, the Company's Chief Executive Officer, is for working capital purposes and short-term in nature, non-interest bearing, unsecured and payable on demand.

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 $13,000) were due for each year of the term. The term of the Office Lease was 3 years and expired on August 1, 2015. The Company renewed the Office Lease. Pursuant to the renewed Office Lease, the annual rent is RMB 84,000 (approximately $13,000) and the renewed Office Lease expires on July 31, 2017.

For the three months ended September 30, 2016 and 2015, rent expense related to the Office Lease amounted $3,149 and $3,355, respectively. For the nine months ended September 30, 2016 and 2015, rent expense related to the Office Lease amounted $9,576 and $10,226, respectively.

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

Twelve-month period Ending September 30:	Amount
2017	$ 10,640

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 $38,000) 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 $38,000) and the renewed Service Agreement expires on December 31, 2016.

(IN U.S. DOLLARS)

NOTE 10 – RELATED PARTIES TRANSACTIONS (continued)

Rental and related administrative service agreement (continued)

For the three months ended September 30, 2016 and 2015, rent expense and corresponding administrative service charge related to the Service Agreement amounted to $115,519 and $115,594, respectively. For the nine months ended September 30, 2016 and 2015, rent expense and corresponding administrative service charge related to the Service Agreement amounted to $346,379 and $346,847, respectively..

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

Twelve-month period ending September 30:	Amount
2017	$ 115,477

Purchases from related parties

During the three and nine months ended September 30, 2016 and 2015, purchases from related parties were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Purchase of fuel, fishing nets and other on board consumables				
from PT Avona Mina Lestari	$ -	$ 5,482	$ -	$ 13,426
from Hong Fa Shipping Limited	5,233	2,562,540	8,926,279	8,402,618
from Haifeng Dafu Enterprise Co., Ltd.	877,687	3,901	890,003	9,554
from Hai Yi Shipping Ltd.	5,230,809	24,065	8,366,895	58,942
from PT. Dwikarya Reksa Abadi	-	6,147	-	15,054
	6,113,729	2,602,135	18,183,177	8,499,594
Purchase of vessel maintenance service				
from PT. Avona Mina Lestari	-	3,905,535	-	3,905,535
from PT. Dwikarya Reksa Abadi	-	1,279,430	-	3,236,107
	-	5,184,965	-	7,141,642
Purchase of transportation service				
from Fuzhou Honglong Ocean Fishery Co., Ltd.	-	-	-	180,609
from Hai Yi Shipping Limited	-	10,941	-	308,459
	-	10,941	-	489,068
Purchase of Indonesia vessel agent service				
from PT. Avona Mina Lestari (1)	-	-	-	2,357
	$ -	$ -	$ -	$ 2,357

(1) PT. Avona Mina Lestari acts as Pingtan Fishing's agent to apply and renew Indonesia fishing licenses and Pingtan Fishing pays the agent service fees to it.

(IN U.S. DOLLARS)

NOTE 11 – 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 September 30, 2016 and December 31, 2015, short-term bank loans consisted of the following:

	September 30, 2016	December 31, 2015
Loan from China Development Bank, due on February 11, 2016 with variable annual interest rate based on London Interbank Offered Rate ("LIBOR")(1) plus 245 basis points (3.395% at December 31, 2015), guaranteed by Xinrong Zhuo, Honghong Zhuo, Zhiyan Lin and Shuhui Ke and repaid on due date	$ -	$ 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 September 30, 2016 and 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 related party's land use right	4,000,000	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 September 30, 2016 and 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 related party's land use right	4,000,000	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 and repaid on due date	-	4,621,998
Loan from Fujian Haixia Bank, due on September 13, 2017 with annual interest rate of 6.960% at September 30, 2016, collateralized by Pingtan Fishing's 17 fishing vessels	4,498,156	-
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 and repaid on due date	-	2,349,440
Loan from Fujian Haixia Bank, due on September 22, 2017 with annual interest rate of 1.529% at September 30, 2016, collateralized by Pingtan Fishing's 17 fishing vessels	1,150,000	-
Loan from China Development Bank, due on March 21, 2017 with variable annual interest rate based on LIBOR(1) plus 230 basis points (3.211% at September 30, 2016), secured by the Company's restricted cash which is a deposit with the lender of approximately $0.6 million (RMB 4 million) and collateralized by a related party's land use right	3,000,000	-
Loan from China Development Bank, due on April 18, 2017 with variable annual interest rate based on LIBOR(1) plus 230 basis points (3.204% at September 30, 2016), secured by the Company's restricted cash which is a deposit with the lender of approximately $0.6 million (RMB 4 million) and collateralized by a related party's land use right	3,000,000	-
Loan from China Development Bank, due on April 18, 2017 with variable annual interest rate based on LIBOR(1) plus 230 basis points (3.257% at September 30, 2016), secured by the Company's restricted cash which is a deposit with the lender of approximately $0.3 million (RMB 2 million) and collateralized by a related party's land use right	1,500,000	-
Loan from China Development Bank, due on August 22, 2017 with variable annual interest rate based on LIBOR(1) plus 230 basis points (3.510% at September 30, 2016), secured by the Company's restricted cash which is a deposit with the lender of approximately $1.0 million (RMB 6.7 million) and collateralized by a related party's land use right	5,000,000	-
	$ 26,148,156	$ 21,971,438

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

(IN U.S. DOLLARS)

NOTE 11 – 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 September 30, 2016 and December 31, 2015, long-term bank loans consisted of the following:

	September 30, 2016	December 31, 2015
Loan from The Export-Import Bank of China, due on various dates until December 10, 2017 with annual interest rate of 4.750% at September 30, 2016 and December 31, 2015, collateralized by Hong Long's investment in equity interest of a China local bank	$ 8,801,391	$ 11,832,314
Loan from The Export-Import Bank of China, due on various dates until December 10, 2017 with annual interest rate of 4.750% at September 30, 2016 and December 31, 2015, collateralized by Fujian International Trading and Transportation Co., Ltd.'s investment in equity interest of a China local bank	1,724,293	2,310,999
Loan from The Export-Import Bank of China, due on various dates until December 10, 2017 with annual interest rate of 4.750% at September 30, 2016 and December 31, 2015, guaranteed by Hong Long	7,302,006	9,937,295
Loan from The Export-Import Bank of China, due on various dates until January 30, 2023 with annual interest rate of 4.900% at September 30, 2016, guaranteed by Huanghai Ship Construction Co., Ltd, Xinrong Zhuo and Ping Lin and collateralized by 2 fishing vessels under construction	18,742,316	-
Loan from China Development Bank, due on various dates until November 27, 2023 with annual interest rate of 5.145% at September 30, 2016 and December 31, 2015, guaranteed by Xinrong Zhuo, Honghong Zhuo, Mr. and Mrs. Zhiyan Lin and 6 fishing vessels	10,345,758	11,169,827
Total long-term bank loans	$ 46,915,764	$ 35,250,435
Less: current portion	(15,098,809)	(12,679,680)
Long-term bank loans, non-current portion	$ 31,816,955	$ 22,570,755

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

Due in twelve-month periods ending September 30,	Principal
2017	$ 15,098,809
2018	12,025,070
2019	5,847,602
2020	5,997,541
2021	2,249,078
Thereafter	5,697,664
	$ 46,915,764
Less: current portion	(15,098,809)
Long-term liability	$ 31,816,955

(IN U.S. DOLLARS)

NOTE 11 – BANK LOANS (continued)

The weighted average interest rate for short-term bank loans was approximately 4.4% and 2.9% for the nine months ended September 30, 2016 and 2015, respectively.

The weighted average interest rate for long-term bank loans was approximately 6.2% and 5.7% for the nine months ended September 30, 2016 and 2015, respectively.

For the three months ended September 30, 2016 and 2015, interest expense related to bank loans amounted to $866,827 and $817,321, respectively, of which, $128,279 and $0 was capitalized to construction-in-progress, respectively. For the nine months ended September 30, 2016 and 2015, interest expense related to bank loans amounted to $2,201,656 and $2,856,516, respectively, of which, $544,984 and $0 was capitalized to construction-in-progress, respectively.

NOTE 12 – ACCRUED LIABILITIES AND OTHER PAYABLES

At September 30, 2016 and December 31, 2015, accrued liabilities and other payables consisted of the following:

	September 30, 2016	December 31, 2015
Accrued salaries and related benefits	$ 5,403,934	$ 4,935,942
Accrued interest due	228,283	6,635
Other	194,519	101,472
	$ 5,826,736	$ 5,044,049

NOTE 13 – 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 nine months ended September 30, 2016.

(IN U.S. DOLLARS)

NOTE 13 – SHAREHOLDERS' EQUITY (continued)

Warrants (continued)

The following table summarizes the shares of the Company's ordinary stock issuable upon exercise of warrants outstanding and exercisable at September 30, 2016:

Warrants outstanding				Warrants exercisable	
Exercise price	Number outstanding at September 30, 2016	Weighted average remaining contractual life (years)	Weighted average exercise price	number exercisable at September 30, 2016	Weighted average exercise price
$ 12.00	8,966,667	1.4	$ 12.00	8,966,667	$ 12.00

Statutory reserve

Pingtan 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. As of December 31, 2015, the Company appropriated the required 50% of its registered capital to statutory reserve for Heyue. Accordingly, no additional statutory reserve for Heyue is required for the nine months ended September 30, 2016. The Company did not make any appropriation to statutory reserve for Pingtan Fishing during the nine months ended September 30, 2016 as it incurred a net loss in the period.

Pingtan Guansheng, Pingtan Dingxin, Pingtan Duoying and Pingtan Ruiying had sustained losses since their establishments. No appropriation to statutory reserves for them was required as they incurred recurring net losses.

NOTE 14 – CERTAIN RISKS AND CONCENTRATIONS

Credit risk

At September 30, 2016 and December 31, 2015, 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

The following table sets forth information as to each customer that accounted for 10% or more of the Company's sales for the three and nine months ended September 30, 2016 and 2015.

	Three Months Ended September 30,		Nine Months Ended September 30,	
Customer	2016	2015	2016	2015
A	19%	*	11%	*
B	12%	*	*	*
C	12%	*	*	*

*less than 10%

(IN U.S. DOLLARS)

NOTE 14 – CERTAIN RISKS AND CONCENTRATIONS (continued)

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 three and nine months ended September 30, 2016 and 2015.

Supplier	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
A (Hai Yi Shipping Ltd., a related party)	84%	*	41%	*
B (Haifeng Dafu Enterprise Co., Ltd., a related party)	14%	*	*	*
C (Hong Long, a related party)	*	16%	*	19%
D (Hong Fa Shipping Limited, a related party)	*	31%	44%	44%
E (PT Avona Mina Lestari, a related party)	*	46%	*	25%

*less than 10%

NOTE 15 – 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 September 30, 2016 and December 31, 2015, which have not been reflected in its consolidated financial statements.

Operating lease

See note 10 for related party operating lease commitment.

Rental payment and related administrative service charge

See note 10 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 RMB 1 billion (approximately $155.1 million) and Pingtan Fishing accounted for 35% of the total ownership. Accordingly, Pingtan Fishing has the obligation to contribute 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 another shareholder of the fishery processing company. Therefore, Pingtan Fishing has the obligation to contribute RMB 200 million (approximately $30.1 million) as the equity investment's registered capital. As of September 30, 2016, the Pingtan Fishing has contributed RMB 198 million (approximately $29.7 million) as registered capital that was included in 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 15 – COMMITMENTS AND CONTINGENCIES (continued)

Fishing vessels construction agreements

In December 2015, Hong Long entered into an agreement with Fujian Xinchang Ship Construction Co., Ltd. ("Xinchang") related to the construction of 4 fishing vessels ("Xinchang Construction Agreement"). The agreement expires in October 2016. In March 2016, Pingtan Fishing and Hong Long and Xinchang entered into a Three-party Agreement. According to the Three-party Agreement, Hong Long assigned all of its rights and obligations related to the Xinchang Construction Agreement to Pingtan Fishing. The project requires a total investment of RMB 140 million (approximately $21.1 million). The funds are required to be invested over the construction period of the project. As of September 30, 2016, Pingtan Fishing has paid RMB 131.5 million (approximately $19.7 million) of the total investment that was recorded as property, plant and equipment (construction-in-progress) and prepayment for long-term assets on the accompanying balance sheets.

In December 2015, Hong Long entered into an agreement with Huanghai Ship Construction Co., Ltd. ("Huanghai") related to the construction of 2 fishing vessels ("Huanghai Construction Agreement"). The agreement expires in October 2016. In March 2016, Pingtan Fishing and Hong Long and Huanghai entered into a Three-party Agreement. According to the Three-party Agreement, Hong Long assigned all of its rights and obligations related to the Huanghai Construction Agreement to Pingtan Fishing. The project requires a total investment of RMB 90 million (approximately $13.5 million). The funds are required to be invested over the construction period of the project. As of September 30, 2016, Pingtan Fishing has paid in full of the total investment that was recorded as property, plant and equipment (construction-in-progress) and prepayment for long-term assets on the accompanying balance sheets.

Fishing vessels renovation agreement

On May 23, 2016, Pingtan Fishing entered into an agreement with Huanghai Ship Construction Co., Ltd. ("Huanghai") related to the renovation of 13 fishing vessels ("Huanghai Renovation Agreement"). The agreement expires in December 2016. The project requires a total investment of RMB 65 million (approximately $9.7 million). The funds are required to be invested over the contract period of the project. As of September 30, 2016, Pingtan Fishing has paid RMB 70.15 million (approximately $10.5 million) that was recorded as property, plant and equipment (construction-in-progress) and prepayment for long-term assets on the accompanying balance sheets.

NOTE 16 – SUBSEQUENT EVENTS

On October 10, 2016, the Company signed a loan agreement with Fujian Haixia Bank and borrowed $1.08 million from the bank. The loan is due on October 9, 2017 with annual interest rate of 1.739%, collateralized by Pingtan Fishing's 17 fishing vessels.

On October 20, 2016, the Company's Board of Directors declared a cash dividend of $0.01 per share to the Company's common stock shareholders of record on October 31, 2016.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the results of operations and financial condition of Pingtan Marine Enterprise Ltd. for the nine months ended September 30, 2016 and 2015 should be read in conjunction with the Pingtan Marine Enterprise Ltd. unaudited financial statements and the notes thereto contained elsewhere in this report. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under the Risk Factors, Special Note Regarding Forward-Looking Statements and Business sections in our Form 10-K as filed with the Securities and Exchange Commission on March 9, 2016. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements.

Unless otherwise indicated, references to the "Company," "us" or "we" refer to Pingtan Marine Enterprise Ltd. and its subsidiaries. All amounts expressed below are in US dollars.

Overview

We are a marine enterprises group primarily engaging in ocean fishing through our PRC operating subsidiary, Fujian Provincial Pingtan County Ocean Fishing Group Co., Ltd., or Pingtan Fishing. We harvest a variety of fish species with many of our-owned or licensed vessels operating within the Indian Exclusive Economic Zone, the Arafura Sea of Indonesia and the Western and Central Pacific Ocean of the international waters. We provide high quality seafood to a diverse group of customers including distributors, restaurant owners and exporters in the PRC.

In June 2013, we expanded our fleet from 40 to 86 vessels through a purchase of 46 fishing trawlers for a total consideration of $410.1 million. We began operating these vessels in the third quarter of 2013 and have been entitled to net profits from their operation. Each vessel carries a crew of 10 to 15 persons. These vessels have resulted in additional carrying capacity of approximately 45,000 to 50,000 tons of fish.

In September 2013, we further increased our fleet to 106 vessels with the acquisition of 20 newly-built fishing trawlers. At full operation, each vessel is capable of harvesting 900 to 1,000 tons of fish.

On December 4, 2013, in connection with the sale of CDGC to Hong Long, a related party, we acquired 25-year operating license rights in connection with the lease of 20 fishing drifters for the appraised fair market value of approximately $216.1 million, whereby we are entitled to 100% of the operations and net profits (losses) from the vessels for the term of the lease.

In September 2014, we further expanded our fleet to 129 vessels with the addition of 3 newly-built fishing trawlers. At full operation, each vessel is capable of harvesting 2,000 tons of fish.

In June 2015, we purchased 4 longline fishing vessels and 2 squid jigging vessels for the appraised fair market value of approximately $56.2 million. These vessels are primarily focused on catching tuna and squid.

As of September 30, 2016, we own 107 trawlers, 4 longline fishing vessels, 2 squid jigging vessels and 2 drifters and have exclusive operating license rights to 20 drifters. We are the second largest China based fishery company operating its vessels outside of China waters and our fleet has an average remaining useful life of approximately 11 years. These vessels are fully licensed to fish in Indonesian, Indian, or Western and Central Pacific Ocean of the international waters.

Among the 135 fishing vessels, 13 vessels have obtained fishing licenses from the Ministry of Agriculture and Fisheries of Democratic Republic of Timor-Leste and will operate in the sea area of Democratic Republic of Timor-Leste; 12 vessels are operating in the Bay of Bengal in India; 6 vessels are licensed to operate in Western and Central Pacific Ocean of the international waters, and will be replaced by 6 new vessels which are under construction; and the remaining vessels are licensed to operate in the Arafura Sea in Indonesia but temporarily not operating due to the moratorium discussed below.

The 13 Timor-Leste licensed vessels have completed their modification process to change their fishing method in order to meet the local requirements, and are on the way to their operating destination in the sea of Timor-Leste. We expect to put these vessels in full operation by the end of 2016.

We catch nearly 30 different species of fish including ribbon fish, Indian white shrimp, croaker fish, pomfret, Spanish mackerel, conger eel, squid and red snapper. All of our catch is shipped back to China. Our fishing vessels transport frozen catch to a cold storage warehouse which is nearby onshore fishing bases. We then arrange chartered transportation ships to deliver frozen stocks to cold storage warehouses located in one of China's largest seafood trading centers, Mawei Seafood Market in Fujian Province.

We derive our revenue primarily from the sale of frozen seafood products. We sell our products directly to customers including distributors, restaurant owners and exporters. Most of our customers have long-term, cooperative relationships with us. Our existing customers also introduce new customers to us from time to time. Our operating results are subject to seasonal variations. Harvest volume is the highest in the fourth quarter of the year while harvest volumes in the second and third quarters are relatively low due to the spawn season of certain fish species, including ribbon fish, cuttlefish, pomfret, and calamari. Based on past experiences, demand for seafood products is the highest from December to January, during Chinese New Year. We believe that our profitability and growth are dependent on the termination of the Indonesian moratorium discussed below and our ability to expand our customer base.

Significant factors affecting our results of operations

- *The Indonesian government's moratorium on fishing licenses renewals:* In early December 2014, the Indonesian government introduced a six-month moratorium on issuing new fishing licenses and renewals so that the country's Ministry of Maritime Affairs and Fisheries ("MMAF") could monitor the operations of existing fleets and to fight illegal fishing activities. As a result, all licensed fishing vessels operating in Indonesian waters have been informed by the Indonesian government to operate within strict guidelines and subsequently to cease operation, in order to avoid potential enforcement actions, such as boat seizures, by the Indonesian Navy. To cooperate and comply with the Indonesian government's fishing license check procedures, in January 2015, we lowered our operation to approximately half of our normal level. Since February 2015, we have ceased operations in the Indonesian waters. Since we derive a majority of our revenue from this area, this ban has caused a significant drop in our production. In November 2015, the Indonesian government announced that the moratorium had concluded. Our expectation is that the MMAF will implement new fishing policies and resume the license renewal process although this has not yet occurred. In the interim, our financial results will continue to be materially adversely affected by this moratorium. To satisfy our customers' demand, we purchased fish from a third party and resold it to our customers which generated a positive gross margin. The positive gross margin in the reselling activities partially offset the decrease in our overall gross margin for the nine months ended September 30, 2016.

- *Governmental policies:* Fishing is a highly regulated industry and our operations require licenses and permits. Our ability to obtain, sustain or renew such licenses and permits on acceptable terms is subject to changes in regulations and policies and is at the discretion of the applicable government agencies. Our inability to obtain, or loss or denial of extensions to, any of our applicable licenses or permits could hamper our ability to generate revenue from our operations.

- *Resource & environmental factors:* Our fishing expeditions are based in India and Indonesia and Western and Central Pacific Ocean of the international waters. Any earthquake, tsunami, adverse weather or oceanic conditions or other calamities in such areas may result in disruption to our operations and could adversely affect our sales. Adverse weather conditions such as storms, cyclones and typhoons or cataclysmic events may also decrease the volume of fish catches or may even hamper our operations. Our fishing volumes may also be adversely affected by major climatic disruptions such as El Nino, which in the past has caused significant decreases in seafood catch worldwide. Besides weather patterns, other unpredictable factors, such as fish migration, may also have impact our harvest volume.

- *Fluctuation on fuel prices:* Our operations may be adversely affected by fluctuations in fuel prices. Changes in fuel prices may result in increases in the selling prices of our products, and may, in turn, adversely affect our sales volume, revenue and operating profit.

- *Competition:* We engage in the business in the Arafura Sea of Indonesia, the Bay of Bengal in India and the Western and Central Pacific Ocean of the international waters. Competition within our dedicated fishing areas is not currently significant as the region is not overfished or regulated by government limits on the number of vessels that are allowed to fish in the territories; however, there is no guarantee that competition will not become more intense. Competition in the consumer market in China, however, is keen. We compete with other fishing companies which offer similar and varied products. There is significant demand for fish in the Chinese market. We believe our catch appeals to a wide segment of consumers because of the low price points of our products.

- *Fishing licenses:* Each of our fishing vessels requires approval from the 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 of three to twelve months, and are awarded to us at no cost. We apply for the renewal of the approval prior to expiration to avoid interruptions of our fishing vessels' operations. Each of our fishing vessels operating in Indonesian waters requires a fishing license granted by the authority in Indonesia.

RESULTS OF OPERATIONS

Comparison of results of operations for the three and nine months ended September 30, 2016 and 2015

Revenue

We recognize revenue from sales of frozen fish and other marine catches when persuasive evidence of an arrangement exists, delivery has occurred, the price to the customer is fixed or determinable, and collection of the resulting receivable is reasonably assured.

With respect to the sales to third party customers the majority of whom are sole proprietor regional wholesalers in the PRC, we recognize revenue when customers receive purchased goods at our cold storage warehouse, after payment is received or credit sale is approved for recurring customers with excellent payment histories.

We do not offer promotional payments, customer coupons, rebates or other cash redemption offers to customers. We do not accept returns from customers. Deposits or advance payments from customers prior to delivery of goods are recorded as advances from customers.

For the three months ended September 30, 2016 and 2015, our revenue by species of fish was as follows (dollars in thousands, except for average price):

	Three Months Ended September 30, 2016			
	Revenue	Volume (KG)	Average price	Percentage of revenue
Ribbon fish	$ 966	334,654	$ 2.89	82.6%
Croaker fish	175	103,537	1.69	15.0%
Others	28	21,498	1.30	2.4%
Total	$ 1,169	459,689	$ 2.54	100.0%

	Three Months Ended September 30, 2015			
	Revenue	Volume (KG)	Average price	Percentage of revenue
Ribbon fish	$ 1,111	488,910	$ 2.27	40.5%
Indian white shrimp	494	58,070	8.51	18.0%
Croaker fish	284	96,373	2.95	10.4%
Spanish mackerel	283	97,077	2.92	10.3%
Pomfret	272	92,267	2.95	9.9%
Conger eel	111	35,020	3.17	4.1%
Others	186	64,813	2.87	6.8%
Total	$ 2,741	932,530	$ 2.94	100.0%

For the nine months ended September 30, 2016 and 2015, our revenue by species of fish was as follows (dollars in thousands, except for average price):

	Nine Months Ended September 30, 2016			
	Revenue	Volume (KG)	Average price	Percentage of revenue
Croaker fish	$ 3,176	1,228,254	$ 2.59	43.0%
Ribbon fish	2,597	920,826	2.82	35.2%
Shrimp	532	117,528	4.53	7.2%
Reefcod	390	145,658	2.68	5.3%
Squid	387	423,588	0.91	5.2%
Conger eel	125	44,897	2.77	1.7%
Others	181	72,464	2.50	2.4%
Total	$ 7,388	2,953,215	$ 2.50	100.0%

	Nine Months Ended September 30, 2015			
	Revenue	Volume (KG)	Average price	Percentage of revenue
Croaker fish	$ 20,805	6,841,739	$ 3.04	44.5%
Ribbon fish	12,551	5,043,261	2.49	26.9%
Pomfret	3,262	1,174,140	2.78	7.0%
Spanish mackerel	2,309	724,228	3.19	4.9%
Indian white shrimp	1,915	200,920	9.53	4.1%
Conger eel	1,694	777,966	2.18	3.6%
Others	4,192	1,556,926	2.69	9.0%
Total	$ 46,728	16,319,180	$ 2.86	100.0%

For the three months ended September 30, 2016, we had revenue of $1,168,946, as compared to revenue of $2,740,981 for the three months ended September 30, 2015, a decrease of $1,572,035, or 57.4%. Sales volumes in the three months ended September 30, 2016 decreased 50.7% to 459,689 kg from 932,530 kg in the three months ended September 30, 2015. Average unit sale price decreased 13.6% in the three months ended September 30, 2016 as compared to the three months ended September 30, 2015, which was primarily due to the different sales mix.

For the nine months ended September 30, 2016, we had revenue of $7,388,395, as compared to revenue of $46,727,808 for the nine months ended September 30, 2015, a decrease of $39,339,413, or 84.2%. Sales volumes in the nine months ended September 30, 2016 decreased 81.9% to 2,953,215 kg from 16,319,180 kg in the nine months ended September 30, 2015. Average unit sale price decreased 12.6% in the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015, which was primarily due to the different sales mix.

Our decrease in revenue is attributable to the fact that, in early December 2014, the Indonesian government introduced a six-month moratorium on issuing new fishing licenses and renewals so that the country's Ministry of Maritime Affairs and Fisheries ("MMAF") could monitor the operations of existing fleets and to fight illegal fishing activities. As a result, all licensed fishing vessels operating in the Indonesian waters have been informed by the Indonesian government to operate within strict guidelines and subsequently to cease operation, in order to avoid potential enforcement actions, such as boat seizures, by the Indonesian Navy. We have ceased operations in the Indonesian waters since February 2015.

Since we derive a majority of our revenue from this area, this temporary ban has caused a significant drop in our production. As a result, our sales for the three and nine months ended September 30, 2016 decreased significantly as compared to the comparable periods in 2015. In November 2015, the Indonesian government announced that the moratorium had concluded. Our expectation is that the MMAF will implement new fishing policies and resume the license renewal process although this has not yet occurred. In the interim, our financial results will continue to be materially adversely affected by this moratorium. To satisfy our customers' demand, we purchased fish from a third party and resold it to our customers which generated a positive gross margin. The positive gross margin in the reselling activities partially offset the decrease in our overall gross margin for the nine months ended September 30, 2016.

Cost of revenue

Our cost of revenue primarily consists of change in inventories reserve, fuel costs, freight, direct labor costs, depreciation, fishing vessels maintenance fees, other overhead costs, and purchase cost for reselling fish. Fuel costs, depreciation and labor costs generally accounted for the majority of our cost of revenue. The following table sets forth our cost of revenue information, both in amounts and as a percentage of revenue for the three months ended September 30, 2016 and 2015 (dollars in thousands):

	Three Months Ended September 30,					
	2016			2015		
	Amount	% of cost of revenue	% of revenue	Amount	% of cost of revenue	% of revenue
Fuel cost	$ 10,136	75.2%	867.1%	$ 1,377	14.9%	50.3%
Depreciation	2,469	18.3%	211.2%	780	8.4%	28.4%
Labor cost	1,850	13.7%	158.2%	2,579	27.9%	94.1%
Inventories reserve reversal	(1,294)	(9.6)%	(110.7)%	-	-	-
Spare parts	134	1.0%	11.4%	105	1.1%	3.8%
Maintenance fee	106	0.8%	9.1%	3,388	36.7%	123.6%
Freight	72	0.5%	6.1%	628	6.8%	22.9%
Fishing license and agent fee	15	0.1%	1.3%	392	4.2%	14.3%
Other *	(6)	0.0%	(0.4)%	-	-	-
Total cost of revenue	$ 13,482	100.0%	1,153.3%	$ 9,249	100.0%	337.4%

*Represents translation adjustment which reflects changes in the currency exchange ratio.

The following table sets forth our cost of revenue information, both in amounts and as a percentage of revenue for the nine months ended September 30, 2016 and 2015 (dollars in thousands):

	Nine Months Ended September 30,					
	2016			2015		
	Amount	% of cost of revenue	% of revenue	Amount	% of cost of revenue	% of revenue
Fuel cost	$ 16,073	61.8%	217.5%	$ 13,907	34.4%	29.8%
Depreciation	3,788	14.5%	51.3%	4,477	11.0%	9.6%
Labor cost	3,098	11.9%	41.9%	10,927	26.9%	23.4%
Reserve for inventories	1,506	5.8%	20.4%	-	-	-
Spare parts	296	1.1%	4.0%	1,074	2.6%	2.3%
Maintenance fee	235	0.9%	3.2%	5,756	14.2%	12.3%
Freight	142	0.5%	1.9%	2,718	6.7%	5.8%
Fishing license and agent fee	34	0.1%	0.5%	1,704	4.2%	3.6%
Other *	883	3.4%	11.9%	-	-	-
Total cost of revenue	$ 26,055	100.0%	352.6%	$ 40,563	100.0%	86.8%

*Represents the cost of fish purchased from third parties to satisfy our customers' demand.

Cost of revenue for the three months ended September 30, 2016 was $13,481,775, representing an increase of $4,233,079 or 45.8% as compared to $9,248,696 for the three months ended September 30, 2015. The increase was primarily attributable to the increase in our fuel cost and depreciation, offset by the adjustment from inventories reserve reversal. Cost of revenue for the nine months ended September 30, 2016 was $26,054,703, representing a decrease of $14,507,948 or 35.8% as compared to $40,562,651 for the nine months ended September 30, 2015. The decrease was primarily attributable to the decrease in our revenue, offset by the increase in our unit production cost.

Gross (loss) profit

Our gross (loss) profit is affected primarily by change in inventories reserve, changes in production costs and purchase price for our reselling fish. Fuel cost, depreciation, labor cost, and change in inventories reserve together account for about 97.6% and 51.2% of cost of revenue for the three months ended September 30, 2016 and 2015, respectively. Fuel cost, depreciation, labor cost, and change in inventories reserve together account for about 94.0% and 72.3% of cost of revenue for the nine months ended September 30, 2016 and 2015, respectively. The change in inventories reserve and the fluctuation of fuel price, and unit purchase price for fish which we purchase from a third party to resell to our customers may significantly affect our cost level and gross (loss) profit.

The following table sets forth information as to our revenue, cost of revenue, gross (loss) profit and gross margin for the three and nine months ended September 30, 2016 and 2015.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue	$ 1,168,946	$ 2,740,981	$ 7,388,395	$ 46,727,808
Cost of revenue	$ 13,481,775	$ 9,248,696	$ 26,054,703	$ 40,562,651
Gross (loss) profit	$ (12,312,829)	$ (6,507,715)	$ (18,666,308)	$ 6,165,157
Gross margin	(1,053.3)%	(237.4)%	(252.6)%	13.2%

Gross loss for the three months ended September 30, 2016 was $12,312,829, representing a change of $5,805,114 or 89.2% as compared to gross loss of $6,507,715 for the three months ended September 30, 2015 due to the moratorium described elsewhere in this report. Gross margin decreased to (1,053.3)% for the three months ended September 30, 2016 from (237.4)% for the three months ended September 30, 2015.

Gross loss for the nine months ended September 30, 2016 was $18,666,308, representing a change of $24,831,465 or 402.8% as compared to gross profit of $6,165,157 for the nine months ended September 30, 2015 due to the moratorium described elsewhere in this report. Gross margin decreased to (252.6)% for the nine months ended September 30, 2016 from 13.2% for the nine months ended September 30, 2015.

The significant decrease in gross margin for the three and nine months ended September 30, 2016 as compared to the three and nine months ended September 30, 2015 was primarily attributable to the change in inventories reserve, the reduced scale of operations resulting in lower revenue, which is reflected in the allocation of fixed costs, mainly consisting of depreciation, compared to cost of revenue; partially offset by the positive gross margin from our fish resale activities. We expect that our gross margin will continue to be negative in the rest of 2016 and we can only improve our gross margin by increasing our production.

Selling expense

Our selling expense mainly includes storage fees, insurance, shipping and handling fees, customs service charge, advertising expenses, and fishing vessels' examination fees. Our sales activities are conducted through direct selling by our internal sales staff. Because of the strong demand for our products and services, we do not have to aggressively market and distribute our products. As a result, our selling expense has been relatively small as a percentage of our revenue.

Selling expense totaled $93,843 for the three months ended September 30, 2016, as compared to $312,574 for the three months ended September 30, 2015, a decrease of $218,731 or 70.0%. Selling expense totaled $508,062 for the nine months ended September 30, 2016, as compared to $1,309,859 for the nine months ended September 30, 2015, a decrease of $801,797 or 61.2%. Selling expense as a percentage of revenue for the three months ended September 30, 2016 decreased to 8.0% from 11.4% for comparable period in 2015, which was mainly attributable to the decrease in insurance cost for fishing vessels and the decrease in storage fees resulting from the decreased storage area. Selling expense as a percentage of revenue for the nine months ended September 30, 2016 increased to 6.9% from 2.8% for corresponding period in 2015, which was mainly attributable to the significant decrease in sales revenue due to the Indonesian government's moratorium described in elsewhere in this report and slight change in insurance cost period over period. Selling expense for the three and nine months ended September 30, 2016 and 2015 consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Insurance	$ 45,525	$ 130,550	$ 193,433	$ 219,184
Storage fees	10,987	117,175	124,967	605,266
Shipping and handling fees	8,399	56,321	97,786	285,786
Advertising	-	-	27,414	90,372
Other	28,932	8,528	64,462	109,251
	$ 93,843	$ 312,574	$ 508,062	$ 1,309,859

- Insurance expense decreased by $85,025, or 65.1% for the three months ended September 30, 2016 as compared to the three months ended September 30, 2015. For the nine months ended September 30, 2016, insurance decreased by $25,751, or 11.7%, as compared to the nine months ended September 30, 2015. The decrease was primarily attributable to the decrease in unit premium for insured fishing vessels.

- For the three months ended September 30, 2016, storage fees decreased by $106,188, or 90.6%, as compared to the three months ended September 30, 2015. For the nine months ended September 30, 2016, storage fees decreased by $480,299, or 79.4%, as compared to the nine months ended September 30, 2015. The decrease was primarily attributable to the decrease in our storage area resulting from decreased inventories.

- For the three months ended September 30, 2016, shipping and handling fees decreased by $47,922, or 85.1%, as compared to the three months ended September 30, 2015. For the nine months ended September 30, 2016, shipping and handling fees decreased by $188,000, or 65.8%, as compared to the nine months ended September 30, 2015. The decrease was mainly attributable to the decrease in our sales.

- We did not incur any advertising expenses in the three months ended September 30, 2016 and 2015. For the nine months ended September 30, 2016, advertising expenses decreased by $62,958, or 69.7%, as compared to the nine months ended September 30, 2015, mainly due to the decrease in advertising activities.

- Other selling expense, which primarily consisted of customs service charge and fishing vessels' examination fees, for the three months ended September 30, 2016 increased by $20,404, or 239.3%, as compared to the three months ended September 30, 2015. The increase was primarily due to the increase in fishing vessels' examination fees. Other selling expense for the nine months ended September 30, 2016 decreased by $44,789, or 41.0%, as compared to the nine months ended September 30, 2015. The decrease was mainly due to the decrease in customs service charge resulting from the decrease in overseas fishing activities.

General and administrative expense

General and administrative expense totaled $660,700 for the three months ended September 30, 2016, as compared to $733,923 for the three months ended September 30, 2015, a decrease of $73,223 or 10.0%. General and administrative expense totaled $3,038,984 for the nine months ended September 30, 2016, as compared to $2,547,225 for the nine months ended September 30, 2015, an increase of $491,759 or 19.3%. General and administrative expense for the three and nine months ended September 30, 2016 and 2015 consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Compensation and related benefits	$ 271,308	$ 281,386	$ 897,256	$ 931,313
Professional fees	194,584	211,961	840,209	962,129
Rent and related administrative service charge	118,668	118,949	355,955	357,073
Travel and entertainment	62,849	14,539	104,134	83,204
Insurance	-	-	358,310	-
Other	13,291	107,088	483,120	213,506
	$ 660,700	$ 733,923	$ 3,038,984	$ 2,547,225

- Compensation and related benefits remained roughly consistent for the three and nine months ended September 30, 2016 as compared to the corresponding periods in 2015.

- Professional fees, which primarily consist of legal fees, accounting fees, investor relations services charge, valuation service fees and other fees associated with being a public company, for the three months ended September 30, 2016 decreased by $17,377, or 8.2%, as compared to the three months ended September 30, 2015. The decrease in the three months ended September 30, 2016 was primarily attributable to a decrease in legal fees of approximately $26,000, offset by an increase in other miscellaneous items of approximately $9,000. For the nine months ended September 30, 2016, professional fees decreased by $121,920, or 12.7%, as compared to the nine months ended September 30, 2015. The decrease in the nine months ended September 30, 2016 was primarily attributable to a decrease in valuation service fees of approximately $105,000, a decrease in accounting fees of approximately $60,000, and a decrease in investor relations services charge of approximately $18,000, offset by an increase in legal fees of approximately $51,000, and an increase in other miscellaneous items of approximately $10,000.

- Rent and related administrative service charge remained consistent for the three and nine months ended September 30, 2016 as compared to the corresponding periods in 2015.

- For the three months ended September 30, 2016, travel and entertainment expense increased by $48,310, or 332.3% as compared to the three months ended September 30, 2015. For the nine months ended September 30, 2016, travel and entertainment expense increased by $20,930, or 25.2%, as compared to the nine months ended September 30, 2015. The increase was mainly attributable to an increase in travel for investor conferences.

- Insurance for the nine months ended September 30, 2016 increased by $358,310 as compared to the comparable period in 2015. The increase in the nine months ended September 30, 2016 was mainly attributable to the increase in officer and director liability insurance of approximately $358,000 as compared to the corresponding period in 2015.

- Other general and administrative expense, which primarily consist of communication fees, office supply, miscellaneous taxes, bank service charge, depreciation, and NASDAQ listing fee. For the three months ended September 30, 2016, other general and administrative expense decreased by $93,797, or 87.6%, as compared to the three months ended September 30, 2015, due to stricter control in corporation spending. For the nine months ended September 30, 2016, other general and administrative expense increased by $269,614, or 126.3%, as compared to the nine months ended September 30, 2015. The increase was mainly attributable to an increase in depreciation of approximately $317,000, offset by a decrease in other miscellaneous items of approximately $47,000. During the nine months ended September 30, 2016, our 13 upgraded and renovated fishing vessels were temporary idle. We recorded the related depreciation for these 13 fishing vessels as operating expenses rather than as cost of revenue. Therefore, the depreciation for operating expenses for the nine months ended September 30, 2016 increased as compared to the corresponding period in 2015.

(Loss) income from operations

As a result of the factors described above, for the three months ended September 30, 2016, loss from operations amounted to $13,067,372, as compared to loss from operations of $7,554,212 for the three months ended September 30, 2015, a change of $5,513,160, or 73.0%. For the nine months ended September 30, 2016, loss from operations amounted to $22,213,354, as compared to income from operations of $2,308,073 for the nine months ended September 30, 2015, a change of $24,521,427, or 1,062.4%.

Other income (expense)

Other income/expense mainly include interest income from bank deposits, interest expense generated from short-term and long-term bank borrowings, foreign currency transaction loss, grant income from Chinese government, gain (loss) from cost method investment, loss on equity method investment, and loss on fixed assets disposal.

For the three months ended September 30, 2016, other expense, net, amounted to $831,207 as compared to other income, net, of $30,072,336 for the three months ended September 30, 2015, a change of $30,903,543, or 102.8%, which was primarily attributable to a decrease in grant income from Chinese government of approximately $31,691,000, offset by a decrease in foreign currency transaction loss of approximately $689,000, a decrease in interest expense of approximately $79,000 mainly due to the decrease in our interest bearing bank loans, and a decrease in loss on equity method investment of approximately $27,000.

For the nine months ended September 30, 2016, other expense, net, amounted to $1,688,375 as compared to other income, net, of $27,054,324 for the nine months ended September 30, 2015, a change of $28,742,699, or 106.2%, which was primarily attributable to a decrease in grant income from the Chinese government of approximately $31,538,000, a decrease in interest income of approximately $95,000, a decrease in gain from cost method investment of approximately $38,000, offset by a decrease in interest expense of approximately $1,200,000 mainly due to the decrease in our interest bearing bank loans, a decrease in foreign currency transaction loss of approximately $172,000, a decrease in loss on equity method investment of approximately $12,000, and a decrease in loss on fixed assets disposal of approximately $1,544,000.

The grant income represents an incentive granted by the Chinese government to encourage the development of ocean fishing industry in order to satisfy the demand of natural seafood in China.

Income taxes

We are exempted from income taxes for income generated from our ocean fishing operations in China for the three and nine months ended September 30, 2016 and 2015. For the nine months ended September 30, 2016, income taxes expense was $993 which was generated by taxable income from fish reselling activities. Since February 2015, we have temporarily ceased fishing operations in Indonesian waters due to the Indonesian government's moratorium described in elsewhere in this report. In order to satisfy our customers' demand, we purchased fish from a third party and resold to our customers. We are required to pay income taxes for our fish reselling operations.

Net (loss) income

As a result of the factors described above, our net loss was $13,898,579 for the three months ended September 30, 2016, as compared with net income of $22,518,124 for the three months ended September 30, 2015, a change of $36,416,703 or 161.7%. Our net loss was $23,902,722 for the nine months ended September 30, 2016, as compared with net income of $29,362,397 for the nine months ended September 30, 2015, a change of $53,265,119 or 181.4%.

Net (loss) income attributable to owners of the Company

The net loss attributable to owners of the Company was $12,823,402, or $(0.16) per ordinary share (basic and diluted) for the three months ended September 30, 2016, as compared with net income attributable to owners of the Company of $20,683,627, or $0.26 per ordinary share (basic and diluted) for the three months ended September 30, 2015, a change of $33,507,029 or 162.0%.

The net loss attributable to owners of the Company was $22,152,230, or $(0.28) per ordinary share (basic and diluted) for the nine months ended September 30, 2016, as compared with net income attributable to owners of the Company of $27,436,954, or $0.35 per ordinary share (basic and diluted) for the nine months ended September 30, 2015, a change of $49,589,184 or 180.7%.

Foreign currency translation adjustment

Our reporting currency is the U.S. dollar. The functional currency of our parent company and subsidiaries of Merchant Supreme and Prime Cheer is the U.S. dollar and the functional currency of the Company's subsidiaries which are incorporated in China is the Chinese Renminbi ("RMB"). The financial statements of our subsidiaries which are incorporated in China are translated to U.S. dollars using period end rates of exchange for assets and liabilities, and average rates of exchange (for the period) for revenue, costs, and expenses. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statements of operations and comprehensive (loss) income. As a result of foreign currency translations, which are a non-cash adjustment, we reported a foreign currency translation loss of $459,166 for the three months ended September 30, 2016, as compared to foreign currency translation loss of $6,948,652 for the three months ended September 30, 2015. We reported a foreign currency translation loss of $3,831,852 for the nine months ended September 30, 2016, as compared to foreign currency translation loss of $5,848,277 for the nine months ended September 30, 2015. This non-cash loss had the effect of increasing/decreasing our reported comprehensive loss/gain.

Comprehensive (loss) income

As a result of our foreign currency translation adjustment, we had comprehensive loss for the three months ended September 30, 2016 of $14,357,745, compared to comprehensive income of $15,569,472 for the three months ended September 30, 2015. We had comprehensive loss for the nine months ended September 30, 2016 of $27,734,574, compared to comprehensive income of $23,514,120 for the nine months ended September 30, 2015.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations and otherwise operate on an ongoing basis. Our principal liquidity demands are based on the capital needs of Pingtan Fishing related to the acquisition or construction of new fishing vessels and continuously upgrading and renovating existing vessels, and our general corporate purposes. We historically relied on cash flow provided by operations and bank loans to supplement our working capital. We also receive government grants as the government incentive for encouraging development of ocean fishing industry. At September 30, 2016 and December 31, 2015, we had cash balances of approximately $568,000 and $11,449,000, respectively. The significant portion of these funds are located in financial institutions located in the PRC and will continue to be indefinitely reinvested in our operations in the PRC.

The following table sets forth a summary of changes in our working capital from December 31, 2015 to September 30, 2016:

	September 30, 2016	December 31, 2015	December 31, 2015 to September 30, 2016 Change	Percentage Change
Working capital (deficit)				
Total current assets	$ 48,506,527	$ 91,945,902	$ (43,439,375)	(47.2)%
Total current liabilities	56,705,169	42,466,795	14,238,374	33.5%
Working capital (deficit)	$ (8,198,642)	$ 49,479,107	$ (57,677,749)	(116.6)%

Our working capital decreased $57,677,749 to working capital deficit of $8,198,642 at September 30, 2016 from working capital of $49,479,107 at December 31, 2015. This decrease in working capital is primarily attributable to a decrease in cash of approximately $10,881,000, a decrease in accounts receivable, net of allowance for doubtful accounts, of approximately $9,435,000, primarily due to the significant decrease in revenue, a decrease in advances to suppliers of approximately $1,258,000, a decrease in prepaid expenses – related parties of approximately $3,512,000, mainly due to the decrease in prepaid fuel costs to our related parties, a significant decrease in receivable from transferring equity method investment shares of approximately $15,407,000 resulting from the repayments received in 2016, a decrease in other receivables - related parties of approximately $5,458,000 mainly due to the repayments received from related parties in the nine months ended September 30, 2016, an increase in short-term bank loans of approximately $4,177,000 resulting from the increase in working capital advances from banks, an increase in long-term bank loans – current portion of approximately $2,419,000, and an increase in accrued liabilities and other payables of approximately $783,000, and an increase in due to related parties of approximately $7,230,000 resulting from the significant increase in payments made by our relate party on behalf of us to our vendors, offset by an increase in restricted cash of approximately $2,462,000 to secure our short term bank loans, and a decrease in accounts payable – related parties of approximately $304,000.

Because the exchange rate conversion is different for consolidated balance sheets and consolidated statements of cash flows, the changes in assets and liabilities reflected on consolidated statements of cash flows are not necessarily identical with the comparable changes reflected on consolidated balance sheets.

Cash flows for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015

The following summarizes the key components of our cash flows for the nine months ended September 30, 2016 and 2015:

	Nine Months Ended September 30, 2016	2015
Net cash provided by operating activities	$ 3,034,888	$ 45,388,993
Net cash used in investing activities	(30,088,716)	(18,189,427)
Net cash provided by (used in) financing activities	16,457,128	(18,815,044)
Effect of exchange rate on cash	(284,053)	(44,484)
Net (decrease) increase in cash	$ (10,880,753)	$ 8,340,038

Net cash flow provided by operating activities was $3,034,888 for the nine months ended September 30, 2016 as compared to net cash flow provided by operating activities of $45,388,993 for the nine months ended September 30, 2015, a decrease of $42,354,105.

- Net cash flow provided by operating activities for the nine months ended September 30, 2016 primarily reflected the add-back of non-cash items, consisting of depreciation of approximately $4,769,000, increase in reserve for inventories of approximately $1,506,000, and changes in operating assets and liabilities primarily consisting of a significant decrease in accounts receivable of approximately $9,335,000 mainly due to the collections made in the nine months ended September 30, 2016, a decrease in advances to suppliers of approximately $298,000, a decrease in prepaid expenses – related parties of approximately $3,434,000 primarily due to the decrease in prepayments for fuel costs made to our related parties, an increase in accrued liabilities and other payables of approximately $930,000, and an increase in due to related parties of approximately $8,709,000 mainly due to the significant increase in payments made by our related party on behalf of us to our vendors, offset by our net loss of approximately $23,903,000, and changes in operating assets and liabilities primarily consisting of an increase in inventories of approximately $1,520,000 mainly due to the increase in frozen fish and marine catches in transit in order to satisfy our customers' demand, and a decrease in accounts payable – related parties of approximately $297,000.

- Net cash flow provided by operating activities for the nine months ended September 30, 2015 primarily reflected net income of approximately $29,362,000 and the add-back of non-cash items mainly consisting of depreciation of approximately $4,360,000, and a loss on disposal of fixed assets of approximately $1,544,000, and changes in operating assets and liabilities primarily consisting of a decrease in accounts receivable of approximately $39,366,000 due to the significant decrease in revenue and collections made, a decrease in inventories of approximately $6,467,000 mainly due to the decreased fishing activities in the nine months ended September 30, 2015, a decrease in deferred expenses – related parties of approximately $978,000, a decrease in other receivable – related parties of approximately $4,384,000 due to payments received from related parties, an increase in accounts payable – related parties of approximately $2,625,000, and an increase in accrued liabilities and other payables of approximately $3,971,000, offset by an significant increase in advances to suppliers of approximately $35,352,000 in order to satisfy our customers' demand, an increase in prepaid expenses of approximately $4,475,000 mainly due to the prepayments made for fishing nets and spare parts, an increase in prepaid expenses – related parties of approximately $7,684,000 primarily due to prepayments made for fuel and other items, and a decrease in advances from customers of approximately $164,000.

Net cash flow used in investing activities was $30,088,716 for the nine months ended September 30, 2016 as compared to net cash flow used in investing activities of $18,189,427 for the nine months ended September 30, 2015. During the nine months ended September 30, 2016, we made payments for purchase of property, plant and equipment of approximately $959,000, and made prepayments for long-term assets of approximately $44,329,000, offset by proceeds received from transferring equity method investment share of approximately $15,199,000. During the nine months ended September 30, 2015, we made the payments for equity method investment of approximately $40,580,000 and made payments for purchase of property, plant and equipment of approximately $16,000, offset by refunds received from commercial retail space prepayments of approximately $22,407,000.

Net cash flow provided by financing activities was $16,457,128 for the nine months ended September 30, 2016 as compared to net cash flow used in financing activities of $18,815,044 for the nine months ended September 30, 2015. During the nine months ended September 30, 2016, we received proceeds from short-term bank loans of approximately $19,000,000, proceeds from long-term bank loans of approximately $19,000,000, and advances from related parties of approximately $3,754,000, offset by repayments of short-term bank loans of approximately $14,169,000, repayments of long-term bank loans of approximately $6,217,000, increase in restricted cash of approximately $2,538,000, and payments made for dividend of approximately $2,372,000. During the nine months ended September 30, 2015, we acquired fishing vessels from related parties under common control of approximately $56,206,000, repaid short-term bank loans of approximately $16,250,000, repaid long-term bank loans of approximately $14,256,000, made cash dividend of approximately $1,581,000, and made payments to related parties in connection with the termination of VIE structure (See Note 10) of approximately $13,473,000 which will be returned to the Company in next 12 months, offset by proceeds from short-term bank loans of approximately $15,472,000, advances from related parties of approximately $2,550,000 and received capital contribution from non-controlling interest of approximately $64,929,000.

We have historically funded our capital expenditures through cash flow provided by operations, bank loans and related parties' advances. As of September 30, 2016, we have contractual commitments of RMB 2 million (approximately $300,000) related to an equity investment commitment, and RMB 8.5 million (approximately $1,274,000) related to 4 fishing vessels construction commitment. We intend to fund the costs with cash flow from our operations and by obtaining financing mainly from local banking institutions with which we have done business in the past. We believe that the relationships with local banks are in good standing. And we have not encountered difficulties in obtaining needed borrowings from local banks. We believe that our available cash together with our cash flow from operations and secured bank financing and/or other third party financing will be sufficient to meet our anticipated cash requirements for the next twelve months.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual obligations

We have certain fixed contractual obligations and commitments that include future estimated payments. Changes in our business needs, cancellation provisions, changing interest rates, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of payments. We have presented below a summary of the most significant assumptions used in our determination of amounts presented in the tables, in order to assist in the review of this information within the context of our consolidated financial position, results of operations, and cash flows.

The following tables summarize our contractual obligations as of September 30, 2016 (dollars in thousands), and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due by Period				
Contractual obligations:	Total	Less than 1 year	1-3 years	3-5 years	5^{+} years
Related party office lease obligation	$ 11	$ 11	$ -	$ -	$ -
Related party rental and related administrative service charge obligation	115	115	-	-	-
Registered capital contribution obligation in equity investment interest	300	-	-	-	300
4 fishing vessels construction obligation	1,274	1,274	-	-	-
Short-term bank loans (1)	26,148	26,148	-	-	-
Long-term bank loans	46,916	15,099	17,873	8,246	5,698
Total	$ 74,764	$ 42,647	$ 17,873	$ 8,246	$ 5,998

(1) Historically, we have refinanced these short-term bank loans for an additional term of six months to one year and we expect to continue to refinance these loans upon expiration.

Off-balance sheet arrangements

None.

Recent accounting pronouncements

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU addresses the classification of certain specific cash flow issues including debt prepayment or extinguishment costs, settlement of certain debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of certain insurance claims and distributions received from equity method investees. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. An entity that elects early adoption must adopt all of the amendments in the same period. We are currently evaluating the impact it may have on our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Commodity price risk

Oil cost accounts for approximately 75.2% and 61.8% of our total cost of revenue for the three and nine months ended September 30, 2016. We are primarily exposed to oil price volatility caused by supply conditions, political and economic variables and other unpredictable factors. We purchase oil used by our vessels at prevailing market prices. We do not have formal long-term purchase contracts with our suppliers and, therefore, we are exposed to the risk of fluctuating oil prices.

We did not have any commodity price derivatives or hedging arrangements outstanding at September 30, 2016 and did not employ any commodity price derivatives in the nine months ended September 30, 2016.

Foreign currency exchange rate risk

While our reporting currency is the USD, all of our consolidated revenue and consolidated cost of revenue and a significant portion of our consolidated expenses are denominated in RMB. Furthermore, a significant portion of our assets are denominated in RMB. As a result, we are exposed to foreign exchange risk as our revenue and result of operations may be affected by fluctuations in the exchange rate between USD and RMB.

The value of the RMB against the USD and other currencies is affected by, among other things, changes in the PRC's political and economic conditions. Since July 2005, the RMB has not been pegged to the USD. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the USD in the medium to long term. Moreover, it is possible that in the future, PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market.

If the RMB depreciates against the USD, the value of our RMB revenue, earnings and assets as expressed in our USD financial statements will decline. A 1% average appreciation (depreciation) of the RMB against the USD would decrease (increase) our comprehensive loss by $277,000 for the nine months ended September 30, 2016 based on our revenue, costs and expenses, and assets and liabilities denominated in RMB as of September 30, 2016. To date, we have not entered into any hedging transactions to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedging transactions may be limited and we may not be able to successfully hedge our exposure at all.

Interest rate risk

We are exposed to interest rate risk arising from short-term and long-term variable rate borrowings from time to time. Our future interest expense will fluctuate in line with any change in our borrowing rates. Our bank borrowings amounted to $73.1 million at September 30, 2016. Based on the variable nature of the underlying interest rate, the bank borrowings approximated fair value at that date.

A hypothetical 100 basis point change in interest rates would impact our earnings and cash flows by approximately $20,000. The potential change in cash flows and earnings is calculated based on the change in the net interest expense over a one year period due to an immediate 100 basis point change in interest rates.

Inflation risk

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling and general and administrative expenses as a percentage of total revenue if the selling prices of our products do not increase with these increased costs.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934, as amended ("Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to management, including the principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

In connection with the preparation of the quarterly report on Form 10-Q for the quarter ended September 30, 2016, our management, including our principal executive officer and principal financial officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures, which are defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on this evaluation, management concluded that our internal control over financial reporting were not effective as of September 30, 2016 due to the material weakness we reported in our 2015 10-K which has not yet been remediated. In our 2015 10-K we reported that we did not maintain a sufficient complement of personnel with an appropriate level of experience and training in the application of U.S. GAAP commensurate with our financial reporting requirements.

Changes in Internal Controls over Financial Reporting

There were no changes (including corrective actions with regard to material weakness) in our internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently a party to any lawsuit or proceeding which, in the opinion of management, is likely to have a material adverse effect on us or our business.

ITEM 1A. RISK FACTORS

Factors that could cause our actual results to differ materially from those in this report are any of the risks described in Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 9, 2016. You should also carefully consider the following risk associated with an investment in our publicly traded securities. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

The Indonesian government moratorium on fishing licenses renewals

In early December 2014, the Indonesian government introduced a six-month moratorium on issuing new fishing licenses and renewals so that the country's Ministry of Maritime Affairs and Fisheries ("MMAF") could monitor the operations of existing fleets and to fight illegal fishing activities. As a result, all licensed fishing vessels operating in Indonesian waters have been informed by the Indonesian government to operate within strict guidelines and subsequently to cease operation, in order to avoid potential enforcement actions, such as boat seizures, by the Indonesian Navy. To cooperate and comply with the Indonesian government's fishing license check procedures, in January 2015, we lowered our operation to approximately half of our normal level. Since February 2015, we have ceased operations in the Indonesian waters. Since we derive a majority of our revenue from this area, this temporary ban has caused a significant drop in our production. In November 2015, the Indonesian government announced that the moratorium had concluded. Our expectation is that the MMAF will implement new fishing policies and resume the license renewal process although this has not yet occurred. In the interim, our financial results will continue to be materially adversely affected by this moratorium. To satisfy our customers' demand, we purchased fish from a third party and resold it to our customers which generated a positive gross margin. The positive gross margin in the reselling activities partially offset the decrease in our overall gross margin for the nine months ended September 30, 2016.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit	
31.1*	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2*	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).
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.
101.INS*	XBRL INSTANCE DOCUMENT
101.SCH*	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
101.CAL*	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT
101.DEF*	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT
101.LAB*	XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT
101.PRE*	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT

* Filed herewith

SIGNATURES

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

PINGTAN MARINE ENTERPRISE LTD.
(Registrant)

Date: November 8, 2016

By: /s/ Xinrong Zhuo
Xinrong Zhuo
Chairman and Chief Executive Officer

Date: November 8, 2016

By: /s/ Roy Yu
Roy Yu
Chief Financial Officer

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Xinrong Zhuo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (the "report") of Pingtan Marine Enterprise Ltd.

2. 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;

3. 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;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15 (f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2016

By: /s/ Xinrong Zhuo
Xinrong Zhuo
Chairman and Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Roy Yu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (the "report") of Pingtan Marine Enterprise Ltd;

2. 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;

3. 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;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15 (f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2016

By: /s/ Roy Yu
Roy Yu
Chief Financial Officer

Exhibit 32

Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

The undersigned, Xinrong Zhuo and Roy Yu, in their capacities as Chief Executive Officer and Chief Financial Officer, respectively, of Pingtan Marine Enterprise Ltd. (the "Registrant") do each hereby certify with respect to the Quarterly Report on Form 10-Q of the Registrant for the period ended September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), 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 as of, and for, the periods presented in this Report.

Date: November 8, 2016

/s/ Xinrong Zhuo
Xinrong Zhuo
Chairman and Chief Executive Officer

Date: November 8, 2016

/s/ Roy Yu
Roy Yu
Chief Financial Officer