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 March 31, 2021

☐ **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.)

18-19/F, Zhongshan Building A,
No. 154 Hudong Road
Fuzhou, China 350001
(Address of Principal Executive Office) (Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, $0.001 par value	PME	The NASDAQ Capital Market

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, every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of October 15, 2021, the outstanding number of shares of the registrant's ordinary shares, par value $0.001 per share, was 85,940,965.

PINGTAN MARINE ENTERPRISE LTD.
FORM 10-Q
March 31, 2021

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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, the impact of the coronavirus (COVID-19) on the Company's financial condition, business operations and liquidity; the impact of COVID-19 on our customers and distributors; anticipated growth and growth strategies; need for additional capital and the availability of financing; conducting fishing operations and locating or re-locating vessels, in foreign waters and related license requirements; actions taken by government regulators, such as the Indonesian moratorium, or reports or allegations of illegal activity by us, related parties or those with which we conduct business; operational, mechanical, climatic or other unanticipated issues that adversely affect the production capacity of the Company's vessels; delays in deploying vessels; our ability to successfully manage relationships with customers, distributors and other important relationships; technological changes; competition; demand for our products and services; the deterioration of general economic conditions, whether internationally, nationally or in the local markets in which we operate; legislative or regulatory changes that may adversely affect our business; and 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 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 I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	March 31, 2021 (Unaudited)	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,362,874	$ 691,933
Restricted cash	9,767,414	9,912,666
Accounts receivable, net of allowance for doubtful accounts	22,221,870	31,946,561
Inventories, net of reserve	70,314,394	67,611,136
Prepaid expenses	350,074	170,706
Prepaid expenses - related party	4,282,493	2,015,357
Other receivables	1,140,365	1,901,094
Total Current Assets	114,439,484	114,249,453
OTHER ASSETS:		
Cost method investment	3,195,715	3,218,440
Equity method investment	29,271,108	29,689,813
Prepayment for long-term assets	100,742,168	66,083,041
Right-of-use asset	717,132	64,220
Property, plant and equipment, net	244,946,593	250,155,011
Total Other Assets	378,872,716	349,210,525
Total Assets	$ 493,312,200	$ 463,459,978
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 22,363,055	$ 18,792,983
Accounts payable - related parties	5,192,068	9,966,708
Short-term bank loans	54,783,681	52,414,596
Long-term bank loans - current portion	40,363,729	39,987,577
Accrued liabilities and other payables	14,484,513	12,151,633
Lease liability- current	367,451	32,349
Due to related parties	18,354	18,354
Total Current Liabilities	137,572,851	133,364,200
OTHER LIABILITIES:		
Lease liability	317,210	-
Long-term bank loans - non-current portion	276,477,720	245,116,088
Total Liabilities	414,367,781	378,480,288
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Equity attributable to owners of the company:		
Preferred shares ($0.001 par value; 5,000,000 shares authorized; 1,045,466 shares issued and outstanding at March 31, 2021)	1,045	-
Ordinary shares ($0.001 par value; 125,000,000 shares authorized; 86,153,061 and 79,302,428 shares issued and outstanding at March 31, 2021 and December 31, 2020)	86,153	79,302
Additional paid-in capital	90,347,612	82,045,993
Retained earnings	(30,501,204)	(18,594,755)
Statutory reserve	15,751,712	15,751,712
Accumulated other comprehensive loss	(10,927,216)	(9,568,873)
Total equity attributable to owners of the company	64,758,102	69,713,379
Non-controlling interest	14,186,317	15,266,311
Total Shareholders' Equity	78,944,419	84,979,690
Total Liabilities and Shareholders' Equity	$ 493,312,200	$ 463,459,978

See notes to consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2021	2020
REVENUE	$ 28,307,138	$ 17,307,000
COST OF REVENUE	34,553,495	11,554,443
GROSS (LOSS) PROFIT	(6,246,357)	5,752,557
OPERATING EXPENSES:		
Selling	1,543,889	901,651
General and administrative	1,768,098	1,270,143
General and administrative - depreciation	72,286	711,433
Impairment loss	484,046	-
Subsidy	(2,029,820)	(7,773,993)
Total Operating (Income) Expenses	1,838,499)	(4,890,766)
(LOSS) INCOME FROM OPERATIONS	(8,084,856)	10,643,323
OTHER INCOME (EXPENSE):		
Interest income	28,131	1,200,126
Interest expense	(3,800,136)	(2,898,896)
Foreign currency transaction (loss)	(550,293)	(366,409)
Loss on equity method investment	(211,867)	(125,528)
Other income (expense)	102	(35,540)
Total Other Expense Income, net	(4,534,063)	(2,226,247)
(LOSS) INCOME BEFORE INCOME TAXES	(12,618,919)	8,417,076
INCOME TAXES	-	-
NET (LOSS) INCOME	$ (12,618,919)	$ 8,417,076
LESS: NET (LOSS) INCOME ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST	(972,470)	752,386
NET (LOSS) INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY BEFORE PREFERRED DIVIDENDS	(11,646,449)	$ 7,664,690
LESS: PREFERRED SHARE DIVIDENDS	(260,000)	-
NET (LOSS) INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	$ (11,906,449)	$ 7,664,690
COMPREHENSIVE (LOSS) INCOME:		
NET (LOSS) INCOME	(12,618,919)	8,417,076
OTHER COMPREHENSIVE (LOSS) GAIN		
Unrealized foreign currency translation (loss) gain	(1,465,867)	(1,688,439)
COMPREHENSIVE (LOSS) INCOME	(14,084,786)	6,728,637
LESS: COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST	(1,079,994)	617,214
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	$ (13,004,792)	$ 6,111,423
NET (LOSS) INCOME PER ORDINARY SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY		
Basic and diluted	$ (0.15)	$ 0.10
WEIGHTED AVERAGE ORDINARY SHARES OUTSTANDING:		
Basic and diluted	81,291,531	79,055,053

See condensed notes to unaudited consolidated financial statements.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2021
(IN U.S. DOLLARS)

	Equity Attributable To Owners of The Company									
	Preferred shares		Ordinary Shares							
	Number of Shares	Amount	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, 2019	-	$ -	79,055,053	$ 79,055	$ 81,682,599	$ 54,286,454	$ 15,748,751	$ (16,080,908)	$ 19,361,905	$ 155,077,856
Net income	-	-	-	-	-	7,664,690	-	-	752,386	8,417,076
Dividend declared	-	-	-	-	-	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	-	(1,553,267)	(135,172)	(1,688,439)
Balance, March 31, 2020 (Unaudited)	-	$ -	79,055,053	$ 79,055	$ 81,682,599	$ 61,951,144	$ 15,748,751	$ (17,634,175)	$ 19,979,119	$ 161,806,493
Balance, December 31, 2020	-	$ -	79,302,428	$ 79,302	$ 82,045,993	$ (18,594,755)	$ 15,751,712	$ (9,568,873)	$ 15,266,311	$ 84,979,690
Net loss	-	-	-	-	-	(11,646,449)	-	-	(972,470)	(12,618,919)
Issue of preferred shares	4,000,000	4,000	-	-	3,694,273	-	-	-	-	3,698,273
Issue of ordinary shares	-	-	3,625,954	3,626	4,347,616	-	-	-	-	4,351,242
Dividend payments for preferred shares	-	-	238,865	239	259,761	(260,000)	-	-	-	-
Converted Series A Preferred Shares into ordinary shares	(2,954,534)	(2,955)	2,985,814	2,986	(31)	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	-	(1,358,343)	(107,524)	(1,465,867)
Balance, March 31, 2021 (Unaudited)	1,045,466	$ 1,045	86,153,061	$ 86,153	$ 90,347,612	$ (30,501,204)	$ 15,751,712	$ (10,927,216)	$ 14,186,317	$ 78,944,419

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 Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (12,618,919)	$ 8,417,076
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	3,499,224	3,378,428
Increase in allowance for doubtful accounts	(95,231)	107,542
Increase (decrease) in reserve for inventories	2,820,090	(266,298)
Loss on equity method investment	211,867	125,528
Impairment loss of fishing vessels	484,046	-
Changes in operating assets and liabilities:		
Accounts receivable	9,721,649	(1,227,791)
Inventories	(6,043,375)	(20,751,500)
Prepaid expenses	(183,953)	376,068
Prepaid expenses - related party	(2,311,941)	-
Other receivables	757,321	566,339
Accounts payable	3,752,392	(4,837,739)
Accounts payable - related parties	(4,767,309)	(38,188)
Advance from customers	233,182	(821,178)
Accrued liabilities and other payables	2,217,848	(615,618)
Due from related parties	-	(1,165,502)
Due to related parties	(89,819)	(332,844)
NET CASH PROVIDED (USED IN) BY OPERATING ACTIVITIES	(2,412,928)	(17,085,677)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Prepayment made for long-term assets	(35,596,474)	
Purchase of property, plant and equipment	(484,046)	(8,709,670)
Proceeds from government subsidies for fishing vessels construction	-	21,051,727
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(36,080,520)	12,342,057
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term bank loans	44,722,719	81,960,166
Repayments of short-term bank loans	(41,946,826)	-
Proceeds from long-term bank loans	45,703,933	8,161,628
Repayments of long-term bank loans	(11,500,721)	(10,961,456)
Proceeds from issuance of ordinary shares	4,351,242	-
Proceeds from Issue of preferred shares	3,698,273	-
Advance to related party-HL	-	(45,721,566)
NET CASH PROVIDED BY FINANCING ACTIVITIES	45,024,620	33,438,772
EFFECT OF EXCHANGE RATE ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(1,009,483)	195,545
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	5,525,689	28,890,697
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - beginning of period	10,604,599	10,092,205
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - end of period	$ 16,130,288	$ 38,982,902
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	$ 4,217,799	$ 3,059,072
Income taxes	$ -	$ -
RECONCILIATION TO AMOUNTS ON CONSOLIDATED BALANCE SHEETS:		
Cash and cash equivalents	6,362,874	32,763,999
Restricted cash	9,767,414	6,218,903
TOTAL CASH, CASH EQUIVALENTS AND RESTRICTED CASH	$ 16,130,288	$ 38,982,902
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of property and equipment by decreasing prepayment for long-term assets	$ (35,596,474)	$ (15,705,688)

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 the British Virgin Islands (“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 the 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 March 31, 2021 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 Yikang Global Fishery Co., Ltd. ("Yikang Fishery")	PRC, September 14, 2017	100% held by Pingtan Fishing	Dormant
Pingtan Shinsilkroad Fishery Co., Ltd. ("Shinsilkroad Fishery")	PRC, September 14, 2017	100% held by Pingtan Fishing	Dormant
Fuzhou Howcious Investment Co., Ltd ("Howcious Investment")	PRC, September 5, 2017	100% held by Pingtan Fishing	Dormant
Pingtan Ocean Fishery Co., Ltd ("Ocean Fishery")	PRC, July 21, 2017	100% held by Pingtan Fishing	Dormant

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

The Company had a working capital deficit of $23,133,367 as of March 31, 2021. In order to mitigate its liquidity risk, the Company plans to rely on the proceeds from loans from banks and/or financial institutions to increase working capital in order to meet capital demands, and the government subsidies for modification and rebuilding project and reimbursement of certain operating expenses. In addition, Mr. Zhuo, the Chief Executive Officer and Chairman of the Board, will continue to provide financial support to the Company when necessary.

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 show that the Company has adequate resources to continue in operational existence to meet its obligations in the twelve months following the date of this filing, considering operations in Indian waters and international waters and consideration of opportunities in new fishing territories. Also, in the recent years, the Company has upgraded 57 fishing vessels and 3 transport vessels, the deployment of more vessels in operation will generate more revenue and cash inflows to the Company. In addition, the Company receives subsidy for modification and rebuilding project and reimbursement of certain operating expenses from government, as an encouragement of the development of ocean fishing industry.

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 Company's unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

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, 2020 filed with the Securities and Exchange Commission on October 13, 2021.

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 three months ended March 31, 2021 and 2020 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. At March 31, 2021 and December 31, 2020, cash balances in the PRC are $5,670,273 and $468,273, respectively, and cash balances in Hong Kong are $692,601 and $223,660, 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 the Export Import Bank of China to secure short term bank loans for Hong Long. At March 31, 2021 and December 31, 2020, restricted cash amounted to $9,767,414 and $9,912,666, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments

The Company utilizes the guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 party, other receivables, other receivables – related party, accounts payable, accounts payable – related parties, short-term bank loans, accrued liabilities and other payables, accrued liabilities and other payables – related party, and due to related parties approximate their fair market value based on the short-term maturity of these instruments. The fair value of the Company's long-term bank loans under its agreements approximates its carrying value at March 31, 2021. The fair value of the Company's long-term bank loans under its agreements were estimated using Level 2 inputs based on market data. As of March 31, 2020, the Company does not have any assets or liabilities that are measured on a recurring basis at fair value.

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 March 31, 2021 and December 31, 2020, the Company has established, based on a review of its outstanding balances, an allowance for doubtful accounts in the amounts of $314,256 and $411,131, respectively.

Inventories

Inventories, consisting of frozen fish and marine catches, are stated at the lower of cost or net realizable value utilizing the weighted average method. The cost of inventories is primarily comprised of fuel, freight, depreciation, direct labor, consumables, government levied charges and taxes. Consumables include fishing nets and metal containers used by fishing vessels. The Company's fishing fleets in Indian waters and 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 net realizable value due to obsolescence or quantities in excess of expected demand or price decreases, the Company will record reserve for the difference between the cost and the market value. These reserves are recorded based on estimates. At March 31, 2021 and December 31, 2020, the Company has a reserve for inventories in the amount of $18,794,681 and $16,125,748, 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 and estimated current and future market value.

Fishing licenses

Each of the Company's fishing vessels requires an approval from the Ministry of Agriculture and Rural Affairs of the PRC ("MARA") to carry out ocean fishing projects in international waters and foreign territories, and to the extent required, a fishing license in the local fishing territory where the vessel operates. These approvals are valid for a period from 3 to 12 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 the fishing vessels' operations. Since no fishing and using in other areas after making required changes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in unconsolidated company – Global Deep Ocean

The Company uses the equity method of accounting for its investment in, and earning or loss of, companies 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. The Company reviews its investments for other-than-temporary impairment whenever events or changes in business circumstances indicate that the carrying value of the investment may not be fully recoverable. Investments identified as having an indication of impairment are subject to further analysis to determine if the impairment is other-than-temporary and this analysis requires estimating the fair value of the investment. The determination of fair value of the investment involves considering factors such as current economic and market conditions, the operating performance of the entities including current earnings trends and forecasted cash flows, and other company and industry specific information. 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 6 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.

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 the weighted-average cost of the Company's outstanding borrowings. Capitalization of interest ceases when the construction is substantially complete or the construction activity is suspended for more than a brief period. The Company capitalized interest of $0 and $1,476,240 for the three months ended March 31, 2021 and 2020, respectively, for 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. The Company evaluates the impairment by comparing carrying amount of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the Company recognizes an impairment loss based on the excess of the carrying amount of the long-lived assets over their fair value. Impairment loss represents the impairment loss on the vessels whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recovered. The impairment loss on vessels was $484,046 and nil for the three months ended March 31, 2021 and 2020, respectively.

Revenue recognition

The Company recognizes revenue from product sales in accordance with ASC Topic 606, "Revenue from Contracts with Customers." Revenue is recognized when control of the promised goods or services, through performance obligations by the Company, is transferred to the customer in an amount that reflects the consideration it expects to be entitled to in exchange for the performance obligations.

The revenue is generated from the sale of frozen fish and other marine catches. We recognize revenue at the amount we expect to be entitled to be paid, determined when control of the products is transferred to our customers, which occurs upon delivery of and acceptance of the frozen fish by the customer and we have a right to payment.

We have identified one performance obligation as the frozen fish and other marine catches identified in the contract are picked up by the customers at our cold storage warehouse, with revenue being recognized at a point in time. We initially recognize revenue in an amount which is estimated based on contractual prices. The receivables under contracts, whereby pricing is based on contractual prices, are primarily collected within 180 days. 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.

Disaggregation of revenue

The following tables disaggregate revenues under ASC 606 by species of fish. For the three months ended March 31, 2021 and 2020, our revenue by species of fish was as follows (dollars in thousands, except for average price):

	Three Months Ended March 31, 2021			
	Revenue	Volume (KG)	Average price	Percentage of revenue
Argentina squid	$ 7,554	2,294,050	$ 3.29	26.7%
Peru squid	4,545	3,394,278	1.34	16.1%
South American white shrimp	4,542	565,212	8.04	16.0%
Indian Ocean squid	3,306	3,467,580	0.95	11.7%
South American white shrimp (whole)	3,080	604,560	5.09	10.9%
Others	5,280	6,605,092	0.80	18.7%
Total	$ 28,307	16,930,772	$ 1.67	100.0%

	Three Months Ended March 31, 2020			
	Revenue	Volume (KG)	Average price	Percentage of revenue
Indian Ocean squid	$ 7,713	8,302,140	$ 0.93	44.6%
Cuttle fish	2,450	526,900	4.65	14.2%
Peru squid	1,983	1,104,450	1.80	11.5%
Chub mackerel	1,951	2,269,869	0.86	11.3%
Croaker fish	1,257	692,789	1.81	7.3%
Others	1,953	643,135	3.04	11.1%
Total	$ 17,307	13,539,283	$ 1.28	100.0%

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government subsidies

Government subsidies are recognized when there is reasonable assurance that the subsidy will be received and all attaching conditions will be satisfied. When the subsidy relates to an expense item, it is recognized as income over the periods necessary to match the subsidy on a systematic basis to the costs that it is intended to compensate. Where the subsidy 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 unaudited consolidated statements of operations and comprehensive income (loss).

The Company's subsidiary, Pingtan Fishing, is a qualified ocean fishing enterprise certified by the MARA. The qualification renews on April 1 of 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 MARA.

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 define 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 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 income (loss) in the period that includes the enactment date.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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 March 31, 2021 and December 31, 2020, 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 $333,339 and $276,141 for the three months ended March 31, 2021 and 2020, respectively.

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 $735,184 and $1,268,805 for the three months ended March 31, 2021 and 2020, respectively.

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 three months ended March 31, 2021 and 2020 was $1,009,483 and $195,545, 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.

(IN U.S. DOLLARS)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

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.

Asset and liability accounts at March 31, 2021 and December 31, 2020 were translated at 6.5713 RMB to $1.00 and at 6.5249 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 for the three months ended March 31, 2021 and 2020 were 6.4844 RMB and 6.9790 RMB to $1.00, respectively. Cash flows from the Company's operations are calculated based upon the local currencies using the average translation rate.

Earnings per share

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

Basic net (loss) income per share are computed by dividing net (loss) income available to ordinary shareholders adjusted for preferred stock dividends accumulated by the weighted average number of ordinary shares outstanding during the period. Diluted net income per share is computed by dividing net (loss) income adjusted for preferred stock dividends accumulated by the weighted average number of ordinary shares, ordinary share equivalents and potentially dilutive securities outstanding during each period. Potentially dilutive ordinary shares consist of the ordinary shares issuable upon the exercise of ordinary share warrants (using the treasury stock method). Ordinary share equivalents are not included in the calculation of diluted earnings 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 income per share:

	Three Months Ended March 31,	
	2021	2020
Net (loss) income attributable to ordinary shareholders of the Company	(11,646,449)	7,664,690
Preferred Share Dividends	(260,000)	-
Net (loss) income available to ordinary shareholders of the Company for basic and diluted net income per share of ordinary share	$ (11,906,449)	$ 7,664,690
Weighted average ordinary shares outstanding		
Basic and diluted	81,291,531	79,055,053
Net (loss) income per ordinary share attributable to ordinary shareholders of the Company		
Basic and diluted	$ (0.15)	$ 0.10

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 March 31, 2021, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive (loss) income

Comprehensive (loss) income is comprised of net income and all changes to the statements of stockholders' equity, except those due to investments by stockholders, changes in paid-in capital and distributions to stockholders. For the Company, comprehensive income for the three months ended March 31, 2021 and 2020 included net income and unrealized gain 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.

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 March 31, 2021 and December 31, 2020. 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. 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 operating rights to operate these vessels which are owned by a related company, Fuzhou Hong Long 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 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 operations in this area has had and will continue to have a significant negative impact on the Company.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Standards

Codification Improvements to Topic 842, Leases (“ASU 2018-10”) and ASU 2018-11, Leases (Topic 842), Targeted Improvements (“ASU 2018-11”). The amendments in ASU 2018-10 affect only narrow aspects of the guidance issued in the amendments in ASU 2016-02, including but not limited to lease residual value guarantee, rate implicit in the lease and lease term and purchase option. The amendments in ASU 2018-11 provide an optional transition method for adoption of the new standard, which will allow entities to continue to apply the legacy guidance in ASC Topic 840, including its disclosure requirements, in the comparative periods presented in the year of adoption.

In August 2018, the FASB issued ASU 2018-13, “Changes to the Disclosure Requirements for Fair Value Measurement.” This standard eliminates the current requirement to disclose the amount or reason for transfers between level 1 and level 2 of the fair value hierarchy and the requirement to disclose the valuation methodology for level 3 fair value measurements. The standard includes additional disclosure requirements for level 3 fair value measurements, including the requirement to disclose the changes in unrealized gains and losses in other comprehensive income during the period and permits the disclosure of other relevant quantitative information for certain unobservable inputs. The new guidance is effective for interim and annual periods beginning after December 15, 2019. We applied the new standard beginning January 1, 2020.

Recent accounting pronouncements

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments”, which will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The guidance replaces the incurred loss impairment methodology with an expected credit loss model for which a company recognizes an allowance based on the estimate of expected credit loss. In November 2019, the FASB issued ASU 2019-10. Financial Instruments — Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates, finalizes effective date delays for private companies, not-for-profit organizations, and certain smaller reporting companies applying the credit losses, leases, and hedging standards. The effective date for SEC filers, excluding smaller reporting companies as defined by the SEC, remains as fiscal years beginning after December 15, 2019. The new effective date for all other entities is fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

(IN U.S. DOLLARS)

NOTE 3 – ACCOUNTS RECEIVABLE

At March 31, 2021 and December 31, 2020, accounts receivable consisted of the following:

	March 31, 2021 (Unaudited)	December 31, 2020
Accounts receivable	$ 22,536,126	$ 32,357,692
Less: allowance for doubtful accounts	(314,256)	(411,131)
	$ 22,221,870	$ 31,946,561

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.

Bad debt expense was $(95,231) and $107,542 for the three months ended March 31, 2021 and 2020, respectively.

NOTE 4 – INVENTORIES

At March 31, 2021 and December 31, 2020, inventories consisted of the following:

	March 31, 2021 (Unaudited)	December 31, 2020
Frozen fish and marine catches in warehouse	$ 47,919,372	$ 44,272,021
Frozen fish and marine catches work in progress	39,859,763	20,702,914
Frozen fish and marine catches in transit	1,329,940	18,761,950
	89,109,075	83,736,885
Less: reserve for inventories	(18,794,681)	(16,125,748)
	$ 70,314,394	$ 67,611,136

Frozen fish and marine catches in warehouse represents fish inventory in cold storage warehouses located in China.

Frozen fish and marine catches work in progress represents fish inventory in vessels' refrigerators, which has not been delivered to ports in China, nor applied for duty-exemption import into China.

Frozen fish and marine catches in transit represents fish inventory that obtained duty-exemption import permission and is in the process of being shipped to China.

As of March 31, 2021, our total inventory balance was $70,314,394 compared to $67,611,136 as of December 31, 2020. The change in the balance is mainly attributable to an increase in frozen fish and marine catches in warehouse by $3.65 million and an increase in frozen fish and marine catches work in progress by $19.16 million, a large portion of which was booked as frozen fish and marine catches in transit as of December 31, 2020.

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.

The Company recorded a provision for inventory of $2,820,090 and $(266,298) for the three months ended March 31, 2021 and 2020, respectively.

NOTE 5 – OTHER RECEIVABLES

At March 31, 2021 and December 31, 2020, other receivables consisted of the following:

	March 31, 2021 (Unaudited)	December 31, 2020
VAT recoverable (1)	$ 823,021	$ 1,520,501
Other	317,344	380,593
	$ 1,140,365	$ 1,901,094

(1) The balance of recoverable VAT represents input VAT available to offset the amount of VAT to be paid in the future.

NOTE 6 – COST METHOD INVESTMENT

At March 31, 2021 and December 31, 2020, cost method investment amounted to $3,195,715 and $3,218,440, 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 $3.0 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 March 31, 2021 and December 31, 2020.

In accordance with ASC 321, the Company elected to use the measurement alternative to measure such investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. 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 March 31, 2021 and December 31, 2020.

NOTE 7 – EQUITY METHOD INVESTMENT

At March 31, 2021 and December 31, 2020, equity method investment amounted to $29,271,108 and $29,689,813, 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. On April 12, 2017, another unrelated party, Zhen Lin, purchased shares from existing shareholders. As of March 31, 2021, Pingtan Fishing and Zhen Lin accounted for 20% and 80% of the total ownership, respectively.

Global Deep Ocean will process, cold storage, and transport Deep Ocean fishing products. Total registered capital of Global Deep Ocean is RMB 1 billion (approximately $152.2 million) and as of March 31, 2021, Pingtan Fishing had contributed its share of registered capital of RMB 200 million (approximately $30.4 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 March 31, 2021 and 2020, the Company's share of Global Deep Ocean's net loss was $211,867 and $125,528, respectively, which was included in loss on equity method investment in the accompanying consolidated statements of operations and comprehensive income (loss).

(IN U.S. DOLLARS)

NOTE 8 – PREPAYMENT FOR LONG-TERM ASSETS

At March 31, 2021 and December 31, 2020, prepayment for long-term assets consisted of prepayment for fishing vessels' construction. The Company reclassifies the prepayment for fishing vessels' construction to construction-in-progress using the percentage of completion method. During the three months ended March 31, 2021, the Company reclassified nil from prepayment for long-term assets to construction-in-progress.

For the three months ended March 31, 2021, a summary of activities in prepayment for long-term assets was as follows:

	Prepayment for fishing vessels' construction
Balance - December 31, 2020	$ 66,083,041
Prepayments made for fishing vessels' construction	35,596,474
Reclassification to construction-in-progress	-
Foreign currency fluctuation	(937,347)
Balance – March 31, 2021-unaudited	$ 100,742,168

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

	Useful life	March 31, 2021	December 31, 2020
		(Unaudited)	
Fishing vessels	10 - 20 Years	$ 302,626,346	$ 304,764,105
Vehicles	5 Years	23,171	23,336
Office and other equipment	3 – 5 Years	484,638	488,084
		303,134,155	305,275,525
Less: accumulated depreciation		(58,187,562)	(55,120,514)
		$ 244,946,593	$ 250,155,011

On January 19, 2021, the Company received government subsidy for a batch of fishing vessels amounting to RMB 13.2 million (approximately $2.0 million), the subsidy is related to assets requiring it to be deducted from the carrying amount of the asset.

For the three months ended March 31, 2021 and 2020, depreciation expense amounted to $3,499,224 and $3,378,428, respectively, of which $3,426,938 and $2,666,995, respectively, was included in cost of revenue, and the remainder was included in general and administrative expense.

(IN U.S. DOLLARS)

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT (continued)

The Company had 81 and 82 fishing vessels at March 31, 2021 and December 31, 2020, with net carrying amount of approximately $2522.7 million and $227.3 million, respectively, pledged as collateral for its bank loans.

In the first quarter of 2021, the Company assessed the recoverability of 1 krill fishing vessel that was in the building stage based on the undiscounted future cash flow that the fishing vessel is expected to generate as less than the carrying amount, and recognized an impairment loss. The impairment loss on vessels was $484,046 and nil for the three months ended March 31, 2021 and 2020, respectively.

NOTE 10 – RELATED PARTIES TRANSACTIONS

Accounts payable - related parties

At March 31, 2021 and December 31, 2020, accounts payable - related parties consisted of the following:

Name of related party	March 31, 2021 (Unaudited)	December 31, 2020
Hong Long (1)	$ 4,159,603	$ 781,225
Global Deep Ocean	-	7,602,944
Fujian Jingfu Ocean Fishery Development Co., Ltd. (2)	-	1,327
Huna Lin	1,032,465	1,581,212
	$ 5,192,068	$ 9,966,708

(1) Hong Long is an affiliate company majority owned by an immediate family member of the Company's CEO.
(2) Fujian Jingfu Ocean Fishery Development Co., Ltd. is a subsidiary of Hong Long

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 March 31, 2021 and December 31, 2020, the due to related parties amount consisted of the following:

	March 31, 2021 (Unaudited)	December 31, 2020
Accrued compensation for LiMing Yung, Chief Financial Officer	$ 15,000	$ 15,000
Accrued compensation for Xinrong Zhuo, Chief Executive Officer	3,354	3,354
	$ 18,354	$ 18,354

The balance represents accrued compensation for CEO and CFO.

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, the annual rent is RMB 84,000 (approximately $12,000) and the renewed Office Lease expires on July 31, 2021.

For the three months ended March 31, 2021 and 2020, rent expense related to the Office Lease amounted to $3,239 and $3,009, respectively. The future minimum rental payment required under the Office Lease is as follows:

Twelve-month period Ending March 31:	Amount
2022	$ 4,318

(IN U.S. DOLLARS)

NOTE 10 – RELATED PARTIES TRANSACTIONS (continued)

Purchases from related parties

During the three months ended March 31, 2021 and 2020, purchases from related parties were as follows:

		Three Months Ended March 31,		
		2021		2020
(Unaudited)		(Unaudited)		
Purchase of fuel, fishing nets and other on-board consumables				
Fuzhou Hong Long Ocean Fishery Co., Ltd	$	647,560	$	428,190
Fujian Jingfu Ocean Fishery Development Co., Ltd.		461,913		-
		1,109,473		428,190
Purchase of leasing				
Ping Lin		3,239		3,009
Purchase of labor, parking, freight and other on-board consumables service				
Huna Lin		3,080,682		2,989,329

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. The Company is in compliance with all debt covenants. At March 31, 2021 and December 31, 2020, short-term bank loans consisted of the following:

		March 31, 2021		December 31, 2020
		(Unaudited)		
Loan from The Export-Import Bank of China, due on January 21, 2021 with annual interest rate of 3.8800% at December 31, 2020, guaranteed by Pin Lin, Xinrong Zhuo and Hong Long, pledged deposits provided by Hong Long amounted to RMB 42 million, the Land Use Right of B2 plot in central business district on the north shore of Minjiang river.	$	-	$	41,686,462
Loan from Fujian Haixia Bank, due on October 29, 2021 with annual interest rate of 6.0900% at March 31, 2021 and December 31, 2020, collateralized by Hong Long's 5 fishing vessels, the Company's 1 fishing vessel and 7 real estate properties of Ping Lin and Ying Liu, the debt ratio of borrower should not be higher than or equal to 100%.		10,652,382		10,728,134
Loan from Fujian Haixia Bank, due on January 19, 2022 with annual interest rate of 6.0900% at March 31, 2021, guaranteed by Pin Lin, Xinrong Zhuo, Longxiong Zhuo, Longjie Zhuo, Longhao Zhuo and Hong Long, collateralized by three land use rights of old city reconstruction plots west of Baima Road, Gulou District, east of Liuhe Road, north of Daoshan Road, the debt ratio of borrower should not be higher than or equal to 80%.		28,913,609		-
Loan from Fujian Haixia Bank, due on January 20, 2022 with annual interest rate of 6.0900% at March 31, 2021, guaranteed by Pin Lin, Xinrong Zhuo, Longxiong Zhuo, Longjie Zhuo, Longhao Zhuo and Hong Long, collateralized by three land use rights of old city reconstruction plots west of Baima Road, Gulou District, east of Liuhe Road, north of Daoshan Road, the debt ratio of borrower should not be higher than or equal to 80%.		15,217,690		-
	$	54,783,681	$	52,414,596

(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. The Company is in compliance with all long-term bank loan covenants. At March 31, 2021 and December 31, 2020, long-term bank loans consisted of the following:

	March 31, 2021	December 31, 2020
	(Unaudited)	
Loan from The Export-Import Bank of China, due on various dates until January 30, 2023 with annual interest rate of 4.900% at March 31, 2021 and December 31, 2020, guaranteed by Xinrong Zhuo and Ping Lin and collateralized by 2 fishing vessels and collateralized by two related parties' investments in equity interest of one PRC local banks.	$ 2,282,653	$ 2,298,886
Loan from China Development Bank, due on various dates until November 27, 2023 with annual interest rate of 5.145% at March 31, 2021 and December 31, 2020, guaranteed by Xinrong Zhuo, Honghong Zhuo, Mr. and Mrs. Zhiyan Lin and 17 fishing vessels, the debt ratio of borrower should not be higher than 80%.	4,260,953	4,291,254
Loan from The Export-Import Bank of China, due on various dates until March 28, 2025 with annual interest rate of 4.949% at March 31, 2021 and December 31, 2020, guaranteed by Hong Long, Xinrong Zhuo, Ping Lin and collateralized by 20 fishing vessels.	51,740,143	58,238,440
Loan from The Export-Import Bank of China, due on various dates until August 21, 2026 with annual interest rate of 4.700% at March 31, 2021 and December 31, 2020, guaranteed by Pin Lin, Xinrong Zhuo and Yaohua Zhuo, 15 fishing vessels, the Land Use Right of B2 plot in central business district on the north shore of Minjiang river.	52,729,293	57,931,922
Loan from The Export-Import Bank of China, due on various dates until October 21, 2025 with annual interest rate of 4.700% at March 31, 2021 and December 31, 2020, guaranteed by Pin Lin, Xinrong Zhuo, Yaohua Zhuo and Hong Long, 15 fishing vessels and 1 transport vessel, the Land Use Right of B2 plot in central business district on the north shore of Minjiang river.	49,457,489	49,809,192
Loan from China Development Bank, due on various dates until July 30, 2026 with annual interest rate of 5.390% at March 31, 2021 and December 31, 2020, guaranteed by Xinrong Zhuo, 11 fishing vessels and 6 Hong Long's fishing vessels, real estate of Mingguang Wanhao Property co., LTD., totaled area 22,123.50m2, the debt ratio of borrower should not be higher than 80%.	10,309,984	10,383,301
Loan from The Export-Import Bank of China, due on various dates until April 21, 2028 with annual interest rate of 4.650% at March 31, 2021 and December 31, 2020, guaranteed by Pin Lin, Xinrong Zhuo, Yaohua Zhuo, Hong Long and Huanghai Shipbuilding Co., Ltd., the Land Use Right of B2 plot in central business district on the north shore of Minjiang river, 1 vessel.	19,782,996	19,923,677
Loan from The Export-Import Bank of China, due on various dates until December 21, 2028 with annual interest rate of 4.650% at March 31, 2021 and December 31, 2020, guaranteed by Pin Lin, Xinrong Zhuo, Yaohua Zhuo, Hong Long and Huanghai Shipbuilding Co., Ltd., the Land Use Right of B2 plot in central business district on the north shore of Minjiang river, 1 vessel.	21,304,765	21,456,268
Loan from The Export-Import Bank of China, due on various dates until January 15, 2023 with annual interest rate of 4.000% at March 31, 2021, guaranteed by Pin Lin, Xinrong Zhuo and Hong Long, and collateralized by two related parties' investments in equity interest of one PRC local banks.	33,783,270	-
Loan from The Export-Import Bank of China, due on various dates until August 21, 2022 with annual interest rate of 2.200% at March 31, 2021 and December 31, 2020, guaranteed by Hong Long, Xinrong Zhuo and Pin Lin.	20,700,000	21,000,000
Loan from The Export-Import Bank of China, due on various dates until February 21, 2023 with annual interest rate of 2.200% at March 31, 2021, guaranteed by Hong Long, Xinrong Zhuo and Pin Lin and collateralized by two related parties' investments in equity interest of one PRC local banks and the Land Use Right of B2 plot in central business district on the north shore of Minjiang river.	11,000,000	-
Loan from Bank of Communications, due on various dates until June 27, 2025 with annual interest rate of 4.650% at March 31, 2021 and December 31, 2020, guaranteed by Xinrong Zhuo, Huanghai Shipbuilding Co., Ltd. and Fujian Jingfu Ocean Fishery Development Co., Ltd.	39,489,903	39,770,725
Total long-term bank loans	$ 316,841,449	$ 285,103,665
Less: current portion	(40,363,729)	(39,987,577)
Long-term bank loans, non-current portion	$ 276,477,720	$ 245,116,088

(IN U.S. DOLLARS)

NOTE 11 – BANK LOANS (continued)

Long-term bank loans (continued)

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

Due in twelve-month periods ending March 31,	Principal
2022	$ 40,363,729
2023	118,708,329
2024	55,164,123
2025	55,011,946
2026	36,065,923
Thereafter	11,527,399
	$ 316,841,449
Less: current portion	40,363,729
Long-term liability	$ 276,477,720

The weighted average interest rate for short-term bank loans was approximately 5.7% and 4.3% for the three months ended March 31, 2021 and 2020, respectively.

The weighted average interest rate for long-term bank loans was approximately 4.1% and 4.8% for the three months ended March 31, 2021 and 2020, respectively.

For the three months ended March 31, 2021 and 2020, interest expense related to bank loans amounted to $ 4,217,799 and $3,142,755, respectively, of which $0 and $243,859 was capitalized to construction-in-progress, respectively.

NOTE 12 – ACCRUED LIABILITIES AND OTHER PAYABLES

At March 31, 2021 and December 31, 2020, accrued liabilities and other payables consisted of the following:

	March 31, 2021 (Unaudited)	December 31, 2020
Accrued salaries and related benefits	$ 13,552,896	$ 11,440,174
Accrued interest due	524,875	462,304
Other	406,742	249,155
	$ 14,484,513	$ 12,151,633

NOTE 13 – SHARE CAPITAL

	Number of shares	Total
Balance, December 31, 2020	79,302,428	$ 79,302
Issuance of shares*	3,224,679	3,225
Issuance of shares**	3,625,954	3,626
Balance, March 30, 2021	86,153,061	$ 86,153

* On January 8, 2021, the Company issued 4,000,000 of its Series A Convertible Preferred Shares, par value $0.001 per share ("Series A Preferred Shares"), at a purchase price of $1.00 per share and a stated value of $1.10 per share, in a registered direct offering. During the three months ended March 30, 2021, 2,954,534 of Series A Convertible Preferred Shares were converted to 3,224,679 ordinary shares.

** On March 8, 2021, the Company sold 3,625,954 ordinary shares at a price of $1.31 per share, and 2,719,464 five-year warrants to purchase ordinary shares at an exercise price of $1.31 per share, in a registered direct offering.

On January 8, 2021, the Company received $4 million investment through issuing 4,000,000 of its Series A Convertible Preferred Shares, par value $0.001 per share ("Series A Preferred Shares"), in a registered direct offering. Each Series A Preferred Share is convertible into the Company's ordinary shares at a conversion price per share equal to the lesser of (i) $2.00 and (ii) 90% of the lowest volume weighted average price of the ordinary shares on a trading day during the ten trading days prior to the conversion date, but not lower than $0.44, subject to certain adjustments. Holders of Series A Preferred Shares are entitled to receive dividends of 8.0% per annum. In connection with the offering, the Company engaged Spartan Capital Securities, LLC to act as its exclusive placement agent. In consideration for its placement agent services, the Company paid Spartan Capital Securities, in addition to certain other fees and expenses, a number of warrants to purchase 149,733 ordinary shares of the Company at an exercise price per share of $1.87, subject to adjustment. The warrants are exercisable, in whole or in part, commencing on a date that is six months and one day after the closing of the offering and expire on the five-year anniversary of the closing.

(IN U.S. DOLLARS)

NOTE 13 – SHARE CAPITAL (continued)

On March 8, 2021, the Company sold 3,625,954 ordinary shares at a price of $1.31 per share, and 2,719,464 five-year warrants to purchase ordinary shares at an exercise price of $1.31 per share, in a registered direct offering. The net proceeds to the Company from this offering were approximately $4.35 million. In connection with the offering, the Company engaged Spartan Capital Securities, to act as its exclusive placement agent. In consideration for its placement agent services, the Company paid Spartan Capital Securities, in addition to certain other fees and expenses, a number of warrants to purchase 253,816 ordinary shares of the Company at an exercise price per share of $1.31, subject to adjustment. The warrants are exercisable, in whole or in part, commencing on a date that is six months and one day after the closing of the offering and expire on the five-year anniversary of the closing.

NOTE 14 – CERTAIN RISKS AND CONCENTRATIONS

Credit risk

At March 31, 2021 and December 31, 2020, the Company's cash included bank deposits in accounts maintained within the PRC and Hong Kong. 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 months ended March 31, 2021 and 2020.

	Three Months Ended March 31,	
Customer	2021	2020
A	18%	*
B	16%	*
C	11%	*
D	*	14%
E	*	13%
F	*	10%
G	*	10%

* less than 10%

Six suppliers, whose outstanding accounts receivable accounted for 10% or more of the Company's total outstanding accounts receivable at March 31, 2021, accounted for 90.1% of the Company's total outstanding accounts receivable at March 31, 2021.

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 months ended March 31, 2021 and 2020.

	Three Months Ended March 31,	
Supplier	2021	2020
A	71%	46%
B	*	30%

* less than 10%

Two suppliers, whose outstanding accounts payable accounted for 83.5% or more of the Company's total outstanding accounts payable and accounts payable – related parties at March 31, 2021, accounted for 83.5% of the Company's total outstanding accounts payable and accounts payable – related parties at March 31, 2021.

Four suppliers, whose outstanding accounts payable accounted for 10% or more of the Company's total outstanding accounts payable and accounts payable – related parties at March 31, 2020, accounted for 89.0% of the Company's total outstanding accounts payable and accounts payable – related parties at March 31, 2020.

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 March 31, 2021 and December 31, 2020, which have not been reflected in its consolidated financial statements.

Operating lease

See note 10 for related party operating lease commitment.

NOTE 16 – SUBSEQUENT EVENTS

On April 21, 2021, the Company repaid a long-term bank loan of $4.9 million to The Export-Import Bank of China in accordance with the loan repayment schedule.

On May 12, 2021, the Company repaid a long-term bank loan of $0.8 million to The China Development Bank in accordance with the loan repayment schedule.

From January 8, 2021 until May 27, 2021, the purchaser converted 3,409,078 Series A Preferred Shares into 3,805,775 ordinary shares of the Company pursuant to the terms of the certificate of designation of the Preferred Shares (the “Certificate of Designation”).

On May 27, 2021, the Company redeemed 590,922 Series A Preferred Shares and repurchased 793,192 ordinary shares that were converted following the failure to file the 10-K from the purchaser. The total consideration was $1,450,000, which includes the dividend payable of the preferred shares redeemed. On May 28, 2021, the Company sent an instruction letter to its transfer agent to retire the repurchased ordinary shares and resume the preferred shares to authorized but unissued preferred shares of the Company.

On June 18, 2021, the Company repaid a long-term bank loan of $1.0 million to The China Development Bank in accordance with the loan repayment schedule.

On June 17, 2021, the Company received a government subsidy of $386,529.

On June 21, 2021, the Company repaid a long-term bank loan of $3.7 million to The Bank of Communications in accordance with the loan repayment schedule.

On June 29, 2021, the Company received a loan of $22.4 million from The Export-Import Bank of China. The loan is due on June 21, 2028 with interest of 4.65%.

On July 21, 2021, the Company repaid a long-term bank loan of $0.1 million to The Bank of Communications in accordance with the loan repayment schedule.

On August 19, 2021, the Company received a subsidy of $228,265.

On August 21, 2021, the Company repaid a short-term loan and a long-term bank loan of $0.4 million and $4.8 million to The Export-Import Bank of China in accordance with the loan repayment schedule, respectively.

On September 2, 2021, the Company received a loan of $4.3 million from The Export-Import Bank of China. The loan is due on July 1, 2023 with annual interest rate of 2.20%.

On September 10, 2021, the Company received a loan of $1.1 million from The Export-Import Bank of China. The loan is due on July 1, 2023 with annual interest rate of 2.20%.

On September 10, 2021, the Company repaid a long-term bank loan of $1.2 million to The Export-Import Bank of China in accordance with the loan repayment schedule.

On September 15, 2021, the Company received a loan of $4.4 million from The Export-Import Bank of China. The loan is due on July 1, 2023 with annual interest rate of 2.20%.

On September 15, 2021, the Company repaid a long-term bank loan of $4.4 million to The Export-Import Bank of China in accordance with the loan repayment schedule.

On September 21, 2021, the Company repaid a long-term bank loan of $6.1 million to The Export-Import Bank of China in accordance with the loan repayment schedule.

On September 8, 2021, the Company’s Board of Directors consented the Unanimous Written Resolutions for the suspension of the construction of a krill fishing vessel and the initiation of negotiations with the shipbuilding company for the purpose of vessel construction contract termination on the basis that the construction progress of the vessel continued to be behind schedule during 2021 and the shipbuilding company may not be able to deliver the vessel as agreed. The Company recorded an impairment charge associated with the construction-in-progress of approximately $24,472,000 from this vessel in December 2020, which was included in the total impairment of assets of approximately $66,694,000. Through September 30, 2021, the Company has impaired approximately $1,471,000 of the construction costs related to the krill vessel. Although management believes this amount should be adequate, based upon further negotiation with Huanghai Shipbuilding Co., Ltd, an additional impairment charge might be necessary.

On September 30, 2021, the Company received a subsidy of $17,382,557.

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 three months ended March 31, 2021 and 2020 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 for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on October 12, 2021. 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 enterprise group primarily engaging in ocean fishing through our operating subsidiary, Fujian Provincial Pingtan County Ocean Fishing Group Co., Ltd., or Pingtan Fishing, which is organized in the People's Republic of China ("PRC"). We carry out marine fishing operations in the international waters and the approved waters in access fishing countries with many of our owned vessels or licensed vessels for which we have exclusive operating license rights. We provide high quality seafood to a diverse group of customers including distributors, restaurant owners and exporters in the PRC.

We initially had a fishing fleet of 40 vessels in 2013. By June 2015, we expanded the number of vessels to 135 through construction of 3 new vessels, purchase of 72 licensed vessels and acquisition of 20-year exclusive operation rights to 20 vessels. Our fishing fleet consists of vessels of diversified fishing methods ranging from trawling, drift netting, light luring seine, long line fishing to squid jigging.

From 2017 to 2018, we purchased 2 refrigerated transport vessels and 4 squid jigging vessels. Of those vessels, 2 transport vessels and 2 squid jigging vessels finished renovation in subsequent years and were deployed to international waters. The remaining 2 vessels' ownership transfer was not yet completed, but the Company is entitled to 100% of the operations and net profits (losses) from the vessels.

In April 2018, 27 vessels received approval from the Ministry of Agriculture and Rural Affairs of the PRC ("MARA") to operate in the international waters after the completion of modification and rebuilding projects. The 27 fishing vessels were modified and rebuilt into 20 squid jigging vessels and 7 light luring seine vessels and have been deployed to sea for operation in late 2018 and early 2019.

In 2019, the Company had 30 fishing vessels that received approval from the MARA to operate in the international waters after completion of modification and rebuilding. The 30 vessels were rebuilt and modified into 15 squid jigging vessels and 15 seine vessels. The renovation of the 30 vessels was completed in 2019 and these vessels were deployed to international waters for operation.

In 2020, the Company had 11 fishing vessels that received approval from the MARA to operate in the international waters after completion of modification and rebuilding. The 11 vessels were rebuilt and modified into 10 squid jigging vessels and 1 refrigerated transport vessel. The renovation of the 11 vessels was completed in 2020 and these vessels were deployed to international waters for operation.

As of March 31, 2021, we owned 51 squid jigging vessels, 26 trawlers, 25 seine vessels, 13 drifters, 4 longline fishing vessels, and 3 transport vessels and had exclusive operating license rights to seine vessels that were in modification and rebuilding. Additionally, 1 new krill fishing vessel was in the building stage.

Among the 142 vessels, 80 were located in international waters, 12 were located in the Bay of Bengal in India, 13 were located in the PRC, 17 were located in the Arafura Sea in Indonesia, 20 were in modification and rebuilding and 1 krill fishing vessel was in the building stage.

We catch nearly 30 different species of fish, including squid, ribbon fish, croaker fish and cuttle fish. All of our catch is shipped back to the PRC. We arrange chartered transportation ships to deliver frozen stocks to cold storage warehouses located in one of the PRC's largest seafood trading centers, the 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 seafood processors, 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. In July 2017, we started strategic cooperation with e-commerce platform to sell our fish products directly to consumers online. Based on past experiences, demand for seafood products is the highest from December to January, during the Chinese New Year. We believe that our profitability and growth are dependent on our ability to deploy our vessels to new fishing grounds and our ability to expand our customer base.

Significant factors affecting our results of operations

- *COVID-19 pandemic: In December 2019, a novel strain of coronavirus (COVID-19) surfaced in the PRC. In reaction to this outbreak, many provinces and municipalities in the PRC activated the highest Level-I Response to the emergency public health incident. As a result, business activities in the PRC were significantly affected.*

  Emergency quarantine measures and travel restrictions have had a significant impact on many sectors across the PRC, which has also adversely affected our operations. To reduce the impact on our production and operation, we implemented certain safety measures to allow us to gradually resume work in mid-February. For the employees who left Fuzhou during the Spring Festival holiday and could not return to Fuzhou as scheduled, or those who could only resume work after satisfying the 14-day quarantine requirement, we provided paid leave. Since resuming work in mid-February 2020, we have been using a shift system and adopted additional health and safety procedures to protect our employees. With these measures, we were able to maintain sales and operations from mid-February to mid-March 2020. On March 23, 2020, we resumed normal operations and is conducting business as usual with health and safety procedures to protect employees. Management is focused on mitigating the effects of COVID-19 on our business operations while protecting the employees' health and safety. We will continue to actively monitor the situation and may take further actions that alter our business operations, as may be required by local authorities or that we determine are in the best interests of our employees, customers, partners, suppliers and other stakeholders.

  Some of our customers are fish processing plants that export processed fish products to foreign countries. These customers reduced or postponed their purchases from us in the initial stage of the pandemic, but since the middle of the second quarter, they have adjusted their business strategies in relation to exportation or domestic sale. Because of the reduction or postponement, our unit selling price decreased, our inventory levels increased and our accounts receivables were not timely paid as anticipated.

The COVID-19 pandemic continues to cause major disruptions to businesses and markets worldwide as the virus spreads or a resurgence in certain jurisdictions. The effects of the outbreak are still evolving, and the ultimate severity and duration of the pandemic and the implications on global economic conditions remains uncertain. Therefore, the extent of the impact of the pandemic on our financial condition and results of operations is still highly uncertain and will depend on future developments, such as the ultimate duration and scope of the outbreak, its impact on our customers and exporters, how quickly normal economic conditions, operations, and the demand for our products can resume and whether the pandemic leads to recessionary conditions in the PRC, United States, or globally.

While we anticipate that our results of operations will continue to be impacted by this pandemic for the remainder of the year, we are unable to reasonably estimate the extent of the impact on our full-year results of operations, our liquidity or our overall financial position.

- *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 the EEZ, the international waters and the Arafura Sea of Indonesia. Any earthquake, tsunami, adverse weather or oceanic conditions, or other disasters 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 Niño, which in the past has caused significant decreases in seafood catch worldwide. Besides weather patterns, other unpredictable factors, such as fish migration, may also 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 EEZ, the international waters, and the Arafura Sea of Indonesian. Competition within our designated 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 the PRC, however, is high as fish compete with other sources of protein. We also compete with other fishing companies that 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 MARA to carry out ocean fishing projects in international waters and foreign territories. Different countries may have different policies for foreign cooperation in fisheries. Some countries require fishing licenses issued by the accessed country; some others may require establishment of a joint venture or sole proprietorship to obtain local licenses.

  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 combat illegal fishing and rectify ocean fishing order. In February 2015, we ceased all fishing operations in Indonesia. During the moratorium, we were informed that the fishing licenses of four vessels operated through PT. Avona, one of the local companies through which we conduct business in Indonesia, and the fishery business license of PT. Dwikarya, the other local company through which we conduct business in Indonesia, were revoked. Although, in November 2015, the Indonesian government announced that the moratorium had concluded, the MMAF has neither implemented new fishing policies nor resumed the license renewal process. As a result of the above, all local fishing licenses of our vessels in Indonesia are presently inactive.

  In October 2016, we deployed 13 vessels, which were granted fishing licenses by the Ministry of Agriculture and Fisheries of the Democratic Republic of Timor-Leste ("MAF"), to operate in the Indo-Pacific waters of the country. In September 2017, we were informed that the fishing licenses of these 13 vessels were suspended and the vessels were docked in the port by the MAF. The 13 vessels have returned to the PRC.

RESULTS OF OPERATIONS

Comparison of results of operations for the three months ended March 31, 2021 and 2020

Revenue

We catch different species of fish, ship them back to China and sell the catches to distributors and retailers by acting as a wholesaler. Marine catch is our one and only product line. The product type, contractual price and quantities are identified in contracts. We do not offer promotional payments, customer coupons, rebates or other cash redemption offers to our customers, and we do not accept returns from customers. Our revenues are recorded at a point in time. All of our operations are considered by the Company's Chief Operating Decision Maker to be aggregated in one reportable operating segment and our revenue is disaggregated by product type in terms of species of fish sold pursuant to ASC 606-10-55-91(a).

The revenue is generated from the sale of frozen fish and other marine catches. We recognize revenue at the amount we expect to be entitled to be paid, determined when control of the products is transferred to our customers, which occurs upon delivery of and acceptance of the frozen fish by the customer and we have a right to payment.

We have identified one performance obligation as when the frozen fish and other marine catches identified in the contract are picked up by the customers at our cold storage warehouse, with revenue being recognized at a point in time. We initially recognize revenue in an amount which is estimated based on contractual prices. The receivables under contracts, whereby pricing is based on contractual prices, are primarily collected within 180 days.

For the three months ended March 31, 2021 and 2020, our revenue by species of fish was as follows (dollars in thousands, except for average price):

	Three Months Ended March 31, 2021			
	Revenue	Volume (KG)	Average price	Percentage of revenue
Argentina squid	$ 7,554	2,294,050	$ 3.29	26.7%
Peru squid	4,545	3,394,278	1.34	16.1%
South American white shrimp	4,542	565,212	8.04	16.0%
Indian Ocean squid	3,306	3,467,580	0.95	11.7%
South American white shrimp (whole)	3,080	604,560	5.09	10.9%
Others	5,280	6,605,092	0.80	18.7%
Total	$ 28,307	16,930,772	$ 1.67	100.0%

	Three Months Ended March 31, 2020			
	Revenue	Volume (KG)	Average price	Percentage of revenue
Indian Ocean squid	$ 7,713	8,302,140	$ 0.93	44.6%
Cuttle fish	2,450	526,900	4.65	14.2%
Peru squid	1,983	1,104,450	1.80	11.5%
Chub mackerel	1,951	2,269,869	0.86	11.3%
Croaker fish	1,257	692,789	1.81	7.3%
Others	1,953	643,135	3.04	11.1%
Total	$ 17,307	13,539,283	$ 1.28	100.0%

For the three months ended March 31, 2021, we had revenue of $28,307,138, as compared to revenue of $17,307,000 for the three months ended March 31, 2020, an increase of $11,000,138, or 63.6%. Sales volumes in the three months ended March 31, 2021 increased 25.0% to 16,930,772 kg from 13,539,283 kg in the three months ended March 31, 2020. Average unit sale price increased 30.5% in the three months ended March 31, 2021 as compared to the three months ended March 31, 2020. The increase in revenue was mainly attributable to the different sales mix, average unit sale price increased, and increase in sales volume as more vessels in operations, as compared to the three months ended March 31, 2020.

Cost of revenue

Our cost of revenue primarily consists of fuel cost, depreciation, direct labor cost, fishing vessels maintenance fees, other overhead costs, and reserve for inventories. Fuel cost, depreciation, and labor cost generally accounted for the majority of our cost of revenue for the three months ended March 31, 2021 and March 30, 2020. The following table sets forth our cost of revenue information, both in amounts and as a percentage of revenue for the three months ended March 31, 2021 and 2020 (dollars in thousands):

	Three Months Ended March 31,					
	2021			2020		
	Amount	% of cost of revenue	% of revenue	Amount	% of cost of revenue	% of revenue
Fuel cost	$ 16,811	48.7%	59.4%	$ 7,356	63.7%	42.5%
Purchase cost	6,804	19.7%	24.0%	-	-	-
Labor cost	4,520	13.1%	16.0%	1,758	15.2%	10.2%
Depreciation	2,858	8.3%	10.1%	980	8.5%	5.7%
Freight	2,479	7.2%	8.8%	964	8.3%	5.6%
Spare parts	1,005	2.9%	3.5%	308	2.7%	1.8%
Maintenance fee	25	0.0%	0.0%	(3)	0.0%	0.0%
Others*	52	0.1%	0.2%	191	1.6%	1.1%
Total cost of revenue	$ 34,554	100.0%	122.0%	$ 11,554	100.0%	66.9%

* Represents the reserve for inventories and the cost of foods onboard.

Cost of revenue for the three months ended March 31, 2021 was $34,553,495, representing an increase of $22,999,052 or 199.0%, as compared to $11,554,443 for the three months ended March 31, 2020, which was primarily due to increase in fuel price and other related costs of revenue. Purchase cost represents purchase cost of fishery products incurred by Fujian Heyue. As an effort to further penetrate fishery products market, Fujian Heyue commenced trading of fishery products in the first quarter of 2021.

Gross profit

Our gross profit is affected primarily by changes in production costs. Fuel cost, labor cost and depreciation together accounted for about 70.1% and 87.4% of cost of revenue for the three months ended March 31, 2021 and 2020, respectively. The fluctuation of fuel price and change in depreciation may significantly affect our cost level and gross profit.

The following table sets forth information as to our revenue, cost of revenue, gross profit and gross margin for the three months ended March 31, 2021 and 2020.

	Three Months Ended March 31,	
	2021	2020
Revenue	$ 28,307,138	$ 17,307,000
Cost of revenue	$ 34,553,495	$ 11,554,443
Gross (loss) profit	$ (6,246,357)	$ 5,752,557
Gross (loss) profit margin	(22.1)%	33.2%

Gross loss for the three months ended March 31, 2021 was $6,246,357, representing a decrease of $11,998,914 or 208.6%, as compared to gross profit of $5,752,557 for the three months ended March 31, 2020 due to the increase in our unit production cost of fish.

Gross margin changed to gross loss margin 22.1% for the three months ended March 31, 2021 from gross profit margin 33.2% for the three months ended March 31, 2020. The decrease in gross margin for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020 was primarily attributable to a combined effect of increase in fuel price and cost for raw materials resulting from the pandemic, and there were 11 ships that finished modification and rebuilding, and put to water in late 2020 and just arrived designated fishing destination that not yet operating in full efficiency in first quarter of 2021.

Selling expense

Our selling expense mainly includes shipping and handling fees, insurance, customs clearance charge, storage fees and advertising expenses. Our sales activities are conducted through direct selling by our internal sales staff. Because of the strong demand for our products and services, we typically do not aggressively market and distribute our products.

Selling expense totaled $1,543,889 for the three months ended March 31, 2021, as compared to $901,651 for the three months ended March 31, 2020, an increase of $642,238 or 71.2%. Selling expense as a percentage of revenue for the three months ended March 31, 2021 increased to 5.5% from 5.2% for the three months ended March 31, 2020. Selling expense for the three months ended March 31, 2021 and 2020 consisted of the following:

	Three Months Ended March 31,	
	2021	2020
Insurance	$ 632,270	$ 412,674
Storage fees	458,933	182,244
Customs clearance charge	333,339	12,630
Shipping and handling fees	3,956	276,141
Other	115,391	17,962
	$ 1,543,889	$ 901,651

- For the three months ended March 31, 2021, insurance increased by $219,596, or 53.2%, as compared to the three months ended March 31, 2020. The change was mainly attributable to the different insured fishing vessels mix.

- For the three months ended March 31, 2021, storage fees increased by $276,689, or 151.8%, as compared to the three months ended March 31, 2020. The increase was mainly attributable to larger warehouses being rented as more fish were delivered for inventory.

- For the three months ended March 31, 2021, customs clearance charge increased by $320,709, or 2,539.3%, as compared to the three months ended March 31, 2020. The change was mainly attributable to the numbers of customs declaration.

- For the three months ended March 31, 2021, shipping and handling fees decreased by $272,185, or 98.6%, as compared to the three months ended March 31, 2020.

- Other miscellaneous selling expense for the three months ended March 31, 2021 increased by $97,429, or 542.4%, as compared to the three months ended March 31, 2020.

General and administrative expense

General and administrative expense totaled $1,840,384 for the three months ended March 31, 2021, as compared to $1,981,576 for the three months ended March 31, 2020, a decrease of $141,192, or 7.1%. General and administrative expense for the three months ended March 31, 2021 and 2020 consisted of the following:

	Three Months Ended March 31,	
	2021	2020
Professional fees	$ 1,115,450	$ 698,596
Compensation and related benefits	405,333	314,881
Rent and related administrative service charge	118,697	118,209
Depreciation	72,286	711,433
Travel and entertainment	70,970	4,481
Bad debt (recovery) expense	(95,231)	107,542
Other	152,879	26,434
	$ 1,840,384	$ 1,981,576

- Professional fees, which primarily consist of legal fees, accounting fees, investor relations services charge, valuation service fees, consulting fees, and other fees associated with being a public company increased by $416,854, or 59.7%, for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. The increase was primarily attributable to an increase in consulting fees of approximately $45,000, an increase in legal fees of approximately $226,000 and an increase in investor relations expense of approximately $153,000.

- Compensation and related benefits increased by $90,452, or 28.7%, for the three months ended March 31, 2021, compared to the three months ended March 31, 2020.

- Rent and related administrative service charge increased by $488, or 0.4% for the three months ended March 31, 2021, compared to the three months ended March 31, 2020.

- We recorded the depreciation in relation to vessels that are not operating as operation expense rather than cost of revenue. For the three months ended March 31, 2021, depreciation expense decreased by $639,147, or 89.8%, as compared to the three months ended March 31, 2020.

- For the three months ended March 31, 2021, travel and entertainment expense increased by $66,489, or 1,483.8%, as compared to the three months ended March 31, 2020. The increase was mainly attributable to an increase in entertainment expense of approximately $54,000 and an increase in travel expense of approximately $12,000.

- For the three months ended March 31, 2021, we recorded bad debt recovery of $95,231 as compared to bad debt of $107,542 for the three months ended March 31, 2020. Based on our periodic review of accounts receivable balances, we adjusted the allowance for doubtful accounts after considering management's evaluation of the collectability of individual receivable balances, including the analysis of subsequent collections, the customers' collection history, and recent economic events.

- Other general and administrative expense primarily consist of insurance, communication fees, office supply, miscellaneous taxes, bank service charge and NASDAQ listing fee. For the three months ended March 31, 2021, other general and administrative expense decreased by $126,445, or 478.3%, as compared to the three months ended March 31, 2020.

Subsidy

The subsidy mainly consists of an incentive granted by the Chinese government to encourage the development of the ocean fishing industry in order to satisfy the demand of natural seafood in the PRC and other miscellaneous subsidy from the Chinese government. For the three months ended March 31, 2021, subsidy decreased by $5,744,173, or 73.9% as compared to the three months ended March 31, 2020. The change was mainly due to the government's subsidy disbursement schedule.

Impairment

Impairment loss represents the impairment loss on the vessels whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recovered. The impairment loss on vessels was $484,046 and nil for the three months ended March 31, 2021 and 2020, respectively.

(Loss) income from operations

As a result of the factors described above, for the three months ended March 31, 2021, loss from operations amounted to $8,084,856 as compared to income from operations of $10,643,323 for the three months ended March 31, 2020, a decrease of $18,728,179, or 176.0%.

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 gain, and loss on equity method investment.

For the three months ended March 31, 2021, other expense, net, amounted to $4,534,063 as compared to other expense, net, of $2,226,247 for the three months ended March 31, 2020, a change of $2,307,816, or 103.7%, which was primarily attributable to an increase in interest expenses of approximately $901,000, an increase in foreign currency transaction loss of approximately $184,000, an increase in loss on equity method investment of approximately $86,000 and a decrease in interest income of approximately $1,172,000, offset by a decrease in other expenses of approximately $36,000.

Income taxes

We are exempted from income taxes for income generated from our ocean fishing operations in China for the three months ended March 31, 2021 and 2020.

Net (loss) income

As a result of the factors described above, our net loss was $12,618,919 for the three months ended March 31, 2021, compared to net income of $8,417,076 for the three months ended March 31, 2020, a decrease of $21,035,995 or 249.9%.

Net (loss) income attributable to ordinary shareholders of the Company

The net loss attributable to ordinary shareholders of the Company was $11,906,449, or $0.15 per ordinary share (basic and diluted), for the three months ended March 31, 2021, compared to net income attributable to ordinary shareholders of the Company of $7,664,690, or $0.10 per ordinary share (basic and diluted), for the three months ended March 31, 2020, a decrease of $19,571,139 or 255.3%.

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 incorporated in China is the Chinese Renminbi ("RMB"). The financial statements of our subsidiaries 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. As a result of foreign currency translations, which are a non-cash adjustment, we reported a foreign currency translation loss of $1,465,867 for the three months ended March 31, 2021, as compared to a foreign currency translation loss of $1,688,439 for the three months ended March 31, 2020. This non-cash gain had the effect of increasing/decreasing our reported comprehensive income/loss.

Comprehensive (loss) income

As a result of our foreign currency translation adjustment, we had comprehensive loss for the three months ended March 31, 2021 of $14,084,786, compared to comprehensive income of $6,728,637 for the three months ended March 31, 2020.

Cash flows for the three months ended March 31, 2021 compared to the three months ended March 31, 2020

The following summarizes the key components of our cash flows for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
Net cash used in operating activities	$ (2,412,928)	$ (17,085,677)
Net cash (used in) provided by investing activities	(36,080,520)	12,342,057
Net cash provided by financing activities	45,024,620	33,438,772
Effect of exchange rate on cash	(1,009,483)	195,545
Net increase in cash, cash equivalents and restricted cash	$ 5,525,689	$ 28,890,697

Net cash flow used in operating activities was $2,412,928 for the three months ended March 31, 2021 as compared to net cash used in operating activities of $17,085,677 for the three months ended March 31, 2020, a change of $14,672,749.

- Net cash flow used in operating activities for the three months ended March 31, 2021 primarily reflected our net loss of approximately $12,618,919, and the add-back of non-cash items, mainly consisting of depreciation of approximately $3,499,000, a decrease in allowance for doubtful accounts of approximately $95,000, an increase in reserve for inventories of approximately $2,820,000, loss on equity method investment of approximately $212,000 and impairment loss of fishing vessels of approximately $484,000, and changes in operating assets and liabilities primarily consisting of an increase in inventories of approximately $6,043,000 due to additional fishery products purchased by Fujian Heyue and the slowdown in sales deliveries as a result of strict measures taken by the government to address prevention and control of COVID-19, an increase in prepaid expenses of approximately $184,000, an increase in prepaid expenses - related party of approximately $2,312,000, a decrease in accounts payable - related parties of approximately $4,767,000 and a decrease in due to related parties of approximately $90,000, offset by a decrease in accounts receivable of approximately $9,722,000, a decrease in other receivables of approximately $757,000, an increase in accounts payable of approximately $3,752,000, an increase in advance from customers of approximately $233,000, an increase in accrued liabilities and other payables of approximately $2,218,000.

- Net cash flow used in operating activities for the three months ended March 31, 2020 primarily reflected our net income of approximately $8,417,000, and the add-back of non-cash items, mainly consisting of depreciation of approximately $3,378,000, an increase in allowance for doubtful accounts of approximately $108,000, a decrease in reserve for inventories of approximately $266,000 and loss on equity method investment of approximately $126,000, and changes in operating assets and liabilities primarily consisting of an increase in accounts receivable of approximately $1,228,000, an increase in inventories of approximately $20,752,000 due to our business expansion resulting from more fishing vessels put in operations, a decrease in accounts payable of approximately $4,838,000, a decrease in accounts payable-related parties of approximately $38,000, a decrease in advance from customers of approximately $821,000, a decrease in accrued liabilities and other payables of approximately $616,000, an increase in due from related parties of approximately $1,166,000 and a decrease in due to related parties of approximately $333,000, offset by a decrease in prepaid expenses of approximately $376,000 and a decrease in other receivables of approximately $566,000.

Net cash flow used in investing activities was $36,080,520 for the three months ended March 31, 2021 as compared to net cash flow provided by investing activities of $12,342,057 for the three months ended March 31, 2020. During the three months ended March 31, 2021, we made prepayment for long-term assets of approximately $35,596,000 and payments made for purchase of property, plant and equipment of approximately $484,000. During the three months ended March 31, 2020, we received proceeds from government subsidies for fishing vessels construction of approximately $21,052,000, offset by payments made for purchase of property, plant and equipment of approximately $8,710,000.

Net cash flow provided by financing activities was $45,024,620 for the three months ended March 31, 2021 as compared to net cash flow used in financing activities of $33,438,772 for the three months ended March 31, 2020. During the three months ended March 31, 2021, we received proceeds from short-term bank loans of approximately $44,723,000, proceeds from long-term bank loans of approximately $45,704,000 and proceeds from issuance of new shares of approximately $8,050,000, offset by the repayments of short-term bank loans of approximately $41,947,000 and repayments of long-term bank loans of approximately $11,500,721. During the three months ended March 31, 2020, we received proceeds from short-term bank loans of approximately of $81,960,000 and proceeds from long-term bank loans of approximately of $8,162,000, offset by the repayments of long-term bank loans of approximately $10,961,000, loans issued to related parties of approximately $45,722,000.

Cash flows for the three months ended March 31, 2020 compared to the three months ended March 31, 2019

The following summarizes the key components of our cash flows for the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31,	
	2020	2019
Net cash (used in) provided by operating activities	$ (17,085,677)	$ 10,390,185
Net cash provided by (used in) investing activities	12,342,057	(23,551,607)
Net cash provided by financing activities	33,438,772	87,610,178
Effect of exchange rate on cash	195,545	477,710
Net increase in cash, cash equivalents and restricted cash	$ 28,890,697	$ 74,926,466

Net cash flow used in operating activities was $17,085,677 for the three months ended March 31, 2020 as compared to net cash provided by operating activities of $10,390,185 for the three months ended March 31, 2019, a change of $27,475,862.

- Net cash flow used in operating activities for the three months ended March 31, 2020 primarily reflected our net income of approximately $8,417,000, and the add-back of non-cash items, mainly consisting of depreciation of approximately $3,378,000, an increase in allowance for doubtful accounts of approximately $108,000, a decrease in reserve for inventories of approximately $266,000 and loss on equity method investment of approximately $126,000, and changes in operating assets and liabilities primarily consisting of an increase in accounts receivable of approximately $1,228,000, an increase in inventories of approximately $20,752,000 due to our business expansion resulting from more fishing vessels put in operations, a decrease in accounts payable of approximately $4,838,000, a decrease in accounts payable-related parties of approximately $38,000, a decrease in advance from customers of approximately $821,000, a decrease in accrued liabilities and other payables of approximately $616,000, an increase in due from related parties of approximately $1,166,000 and a decrease in due to related parties of approximately $333,000, offset by a decrease in prepaid expenses of approximately $376,000 and a decrease in other receivables of approximately $566,000.

- Net cash flow provided by operating activities for the three months ended March 31, 2019 primarily reflected our net loss of approximately $1,968,000, and the add-back of non-cash items, mainly consisting of depreciation of approximately $2,740,000, an increase in reserve for inventories of approximately $213,000, loss on equity method investment of approximately $111,000 and impairment loss of fishing vessels of approximately $2,230,000, and changes in operating assets and liabilities primarily consisting of a decrease in prepaid expenses of approximately $391,000, a decrease on other receivables of approximately $592,000, an increase in accounts payable of approximately $5,445,000, an increase in accrued liabilities and other payables of approximately $951,000 and an increase due to related parties of approximately $5,223,000 due to the increase in the advance from Hong Long and Xinrong Zhuo for working capital purposes, offset by an increase in accounts receivable of approximately $815,000, an increase in inventories of approximately $4,499,000 due to our business expansion resulting from more fishing vessels put in operations and a decrease in accounts payable-related parties of approximately $319,000.

Net cash flow provided by investing activities was $12,342,057 for the three months ended March 31, 2020 as compared to net cash flow used in investing activities was $23,551,607 for the three months ended March 31, 2019. During the three months ended March 31, 2020, we received proceeds from government subsidies for fishing vessels construction of approximately $21,052,000, offset by payments made for purchase of property, plant and equipment of approximately $8,710,000. During the three months ended March 31, 2019, we made payments for the purchase of property, plant and equipment of approximately $21,353,000, made payments for the purchase of intangible assets of approximately $4,358,000, offset by proceeds from government subsidies for fishing vessels construction of approximately $2,159,000.

Net cash flow provided by financing activities was $33,438,772 for the three months ended March 31, 2020 as compared to net cash flow used in financing activities of $87,610,178 for the three months ended March 31, 2019. During the three months ended March 31, 2020, we received proceeds from short-term bank loans of approximately of $81,960,000 and proceeds from long-term bank loans of approximately of $8,162,000, offset by the repayments of long-term bank loans of approximately $10,961,000, loans issued to related parties of approximately $45,722,000. During the three months ended March 31, 2019, we received long-term bank loans of approximately of $83,002,000, and received advances from related parties of approximately $5,534,000, offset by the repayments of long-term bank loans of approximately $926,000.

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 subsidies as a government incentive for encouraging development of ocean fishing industry. Since the outbreak of COVID-19, we have been paying close attention to the operation of our customers and optimizing the collection of accounts receivable. For new customers, we have adopted a policy of receiving payment before pick-up. At March 31, 2021 and December 31, 2020, we had cash balances of approximately $6,362,874 and $691,933, 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.

On January 8, 2021, the Company issued 4,000,000 of its Series A Convertible Preferred Shares, par value $0.001 per share ("Series A Preferred Shares"), at a purchase price of $1.00 per share and a stated value of $1.10 per share, in a registered direct offering. Each Series A Preferred Share is convertible into the Company's ordinary shares at a conversion price per share equal to the lesser of (i) $2.00 and (ii) 90% of the lowest volume weighted average price of the ordinary shares on a trading day during the ten trading days prior to the conversion date, but not lower than $0.44, subject to certain adjustments. Holders of Series A Preferred Shares are entitled to receive dividends of 8.0% per annum. The net proceeds from this offering were approximately $3.43 million. From January 8, 2021 until May 27, 2021, the purchaser converted 3,409,078 Series A Preferred Shares into 3,805,775 ordinary shares of the Company pursuant to the terms of the certificate of designation of the Preferred Shares (the "Certificate of Designation"). The Company failed to timely file its Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the "10-K") with the SEC, which ultimately resulted in the registration statement registering the Series A Preferred Shares and ordinary shares sold in the offering no longer being effective, which is a "Triggering Event" as defined in the Certificate of Designation, and triggered certain redemption rights of the purchaser as set forth in the Certificate of Designation. On May 27, 2021, the Company redeemed 590,922 Series A Preferred Shares and repurchased 793,192 ordinary shares that were converted following the failure to file the 10-K from the purchaser. The total consideration was $1,450,000, which includes the dividend payable of preferred shares. On the same day, the Company cancelled the redeemed preferred shares and the repurchased ordinary shares.

On March 8, 2021, the Company sold 3,625,954 ordinary shares at a price of $1.31 per share, and 2,719,464 five-year warrants to purchase ordinary shares at an exercise price of $1.31 per share, in a registered direct offering. The net proceeds to the Company from this offering were approximately $4.35 million.

The following table sets forth a summary of changes in our working capital from December 31, 2020 to March 31, 2021:

	March 31, 2021	December 31, 2020	December 31, 2020 to March 31, 2021 Change	Percentage Change
Working capital deficit:				
Total current assets	$ 114,439,484	$ 114,249,453	$ 190,031	0.2%
Total current liabilities	137,572,851	133,364,200	4,208,651	3.2%
Working capital deficit:	$ (23,133,367)	$ (19,114,747)	$ (4,018,620)	21.0%

Our working capital deficit increased by $4,018,620 to a working capital deficit of $23,133,367 at March 31, 2021 from a working capital deficit of $19,114,747 at December 31, 2020. This increase in working capital deficit is primarily attributable to a decrease in restricted cash of approximately $145,000, a decrease in accounts receivable, net of allowance for doubtful accounts, of approximately $9,725,000, a decrease in other receivables of approximately $761,000, an increase in accounts payable of approximately $3,570,000, an increase in short-term bank loans of approximately $2,369,000, an increase in long-term bank loans - current portion approximately of $376,000 due to the repayment schedule, an increase in accrued liabilities and other payables of approximately $2,333,000andan increase in lease liability of approximately $335,000, offset by an increase in inventories, net of reserve for inventories, of approximately $2,703,000 due to additional fishery products purchased by Fujian Heyue and the slowdown in sales deliveries as a result of strict measures taken by the government to address prevention and control of COVID-19, an increase in prepaid expenses of approximately $179,000, an increase in prepaid expenses-related party of approximately $2,267,000 and a decrease in accounts payable- related parties of approximately $4,774,640.

In order to mitigate our liquidity risk, we plan to rely on the proceeds from loans from banks and/or financial institutions to increase working capital in order to meet capital demands, and the government subsidies for modification and rebuilding project and reimbursement of certain operating expenses. In addition, Mr. Zhuo, our Chief Executive Officer and Chairman of the Board, will continue to provide financial support to the Company when necessary.

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 show that the Company has adequate resources to continue in operational existence to meet its obligations in the twelve months following the date of this filing, considering operations in Indian waters and international waters and consideration of opportunities in new fishing territories. Also, in the recent years, the Company has upgraded 57 fishing vessels and 3 transport vessels, the deployment of more vessels in operation will generate more revenue and cash inflows to the Company. In addition, the Company receives subsidies for modification and rebuilding project and reimbursement of certain operating expenses from government, as an encouragement of the development of ocean fishing industry.

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 to the comparable changes reflected on consolidated balance sheets.

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 March 31, 2021 (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	$ 4	$ 4	$ -	$ -	$ -
Short-term bank loans (1)	54,784	54,784	-	-	-
Office lease obligation	710	710	-	-	-
Long-term bank loans	316,841	40,364	173,872	91,078	11,527
Total	$ 372,339	$ 95,862	$ 173,872	$ 91,078	$ 11,527

(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.

Recently Adopted Accounting Standards

Codification Improvements to Topic 842, Leases (“ASU 2018-10”) and ASU 2018-11, Leases (Topic 842), Targeted Improvements (“ASU 2018-11”). The amendments in ASU 2018-10 affect only narrow aspects of the guidance issued in the amendments in ASU 2016-02, including but not limited to lease residual value guarantee, rate implicit in the lease and lease term and purchase option. The amendments in ASU 2018-11 provide an optional transition method for adoption of the new standard, which will allow entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption.

Effective January 1, 2019 we adopted the new standard using the modified retrospective approach and implemented internal controls to enable the preparation of financial information upon adoption. We elected to adopt both the transition relief provided in ASU 2018-11 and the package of practical expedients which allowed us, among other things, to retain historical lease classifications and accounting for any leases that existed prior to adoption of the standard. Additionally, we elected the practical expedients allowing us not to separate lease and non-lease components and not record leases with an initial term of twelve months or less (“short-term leases”) on the balance sheet across all existing asset classes.

Adoption of the new standard resulted in the recording of right use asset and lease liability of $0.77 million as of January 1, 2019, which primarily relates to our corporate office leases. The standard did not materially impact our condensed consolidated statements of operations or cash flows. Adopting the new standard did not have a material impact on the accounting for leases under which we are the lessee.

In August 2018, the FASB issued ASU 2018-13, “Changes to the Disclosure Requirements for Fair Value Measurement.” This standard eliminates the current requirement to disclose the amount or reason for transfers between level 1 and level 2 of the fair value hierarchy and the requirement to disclose the valuation methodology for level 3 fair value measurements. The standard includes additional disclosure requirements for level 3 fair value measurements, including the requirement to disclose the changes in unrealized gains and losses in other comprehensive income during the period and permits the disclosure of other relevant quantitative information for certain unobservable inputs. The new guidance is effective for interim and annual periods beginning after December 15, 2019. We applied the new standard beginning January 1, 2020.

Recent accounting pronouncements

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments”, which will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The guidance replaces the incurred loss impairment methodology with an expected credit loss model for which a company recognizes an allowance based on the estimate of expected credit loss. In November 2019, the FASB issued ASU 2019-10. Financial Instruments — Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates, finalizes effective date delays for private companies, not-for-profit organizations, and certain smaller reporting companies applying the credit losses, leases, and hedging standards. The effective date for SEC filers, excluding smaller reporting companies as defined by the SEC, remains as fiscal years beginning after December 15, 2019. The new effective date for all other entities is fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

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 March 31, 2021, 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 disclosure controls and procedures were not effective as of as of March 31, 2021 as a result of the material weaknesses in our internal control over financial reporting discussed below.

A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. In connection with management's assessment of our internal control over financial reporting described above, management has identified the material weakness in our internal control over financial reporting as of December 31, 2020 that we did not maintain a sufficient complement of personnel with an appropriate level of experience and training in the application of US GAAP commensurate with our financial reporting requirements. We concluded that our internal control over financial reporting was not effective as of March 31, 2021.

Nonetheless, management believes that our consolidated financial statements included in this Quarter Report on Form 10-Q have been prepared in accordance with generally accepted accounting principles. Our Chief Executive Officer and Chief Financial Officer have certified that, based on such officer's knowledge, the financial statements and other financial information included in this Quarter Report on Form 10-Q fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report. In addition, we are determining a remediation plan for the material weaknesses, which plan is described below.

Material Weakness Remediation Activities

We are currently in the process of remediating the material weakness and have taken and will continue to take steps that we believe will address the underlying causes of the material weakness. We are committed to continuing to improve our financial organization. The remediation efforts include:

- performing an assessment of our financial organization to determine the sufficiency of resources with the appropriate level of knowledge, experience and training commensurate with our internal controls and executing any recommendations arising from the assessment;

- evaluating the need for the establishment of effective internal audit functions, however, due to the scarcity of qualified candidates with extensive experience in US GAAP reporting and accounting in the region, we might decide to outsource the function to an outside party;

- expanding our accounting staff through actively recruiting for open positions and anticipate hiring additional qualified accounting and financial reporting personnel in 2021; and

- re-training our current accounting staff regarding risks, controls and maintaining adequate evidence.

While progress has been made to enhance our internal control over financial reporting, we are still in the process of implementing, documenting and testing these processes, procedures and controls. We will continue to devote significant time and attention to these remediation efforts. However, the material weaknesses cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Controls over Financial Reporting

The changes in the aforementioned internal controls over financial reporting and the remediation efforts expected to be undertaken have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. No other changes in the Company's internal control over financial reporting occurred during the first quarter of its 2021 fiscal year

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of legal proceedings, refer to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on October 13, 2021.

ITEM 1A. RISK FACTORS

Factors that could cause our actual results to differ materially from those in this report are described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on October 13, 2021.

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	
3.1	Certificate of Designation for Series A Convertible Preferred Shares (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with the Securities and Exchange Commission on January 7, 2021).
4.1	Form of Ordinary Share Purchase Warrant, dated January 7, 2021 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with Securities and Exchange Commission on January 7, 2021).
4.2	Form of Ordinary Share Purchase Warrant, dated March 3, 2021 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with Securities and Exchange Commission on March 8, 2021).
4.3	Form of Placement Agent Ordinary Share Purchase Warrant, dated March 3, 2021 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with Securities and Exchange Commission on March 8, 2021).
10.1	Form of Securities Purchase Agreement by and between Pingtan Marine Enterprise Ltd. and purchaser named therein, dated January 7, 2021 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with Securities and Exchange Commission on January 7, 2021).
10.2	Placement Agent Agreement by and between Pingtan Marine Enterprise Ltd. and Spartan Capital Securities, LLC, dated January 7, 2021 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with Securities and Exchange Commission on January 7, 2021).
10.3	Form of Securities Purchase Agreement by and between Pingtan Marine Enterprise Ltd. and purchasers named therein, dated March 3, 2021 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with Securities and Exchange Commission on March 8, 2021).
10.4	Placement Agent Agreement by and between Pingtan Marine Enterprise Ltd. and Spartan Capital Securities, LLC, dated March 3, 2021 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with Securities and Exchange Commission on March 8, 2021).
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: October 19, 2021	By:	/s/ Xinrong Zhuo
		Xinrong Zhuo Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
Date: October 19, 2021	By:	/s/ LiMing Yung
		LiMing Yung Chief Financial Officer (Principal Financial and Accounting 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 control 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: October 19, 2021

By: /s/ Xinrong Zhuo
Xinrong Zhuo
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, LiMing Yung, 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 control 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.

Dated: October 19, 2021

By: /s/ LiMing Yung
LiMing Yung
Chief Financial Officer (Principal Financial and Accounting 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 LiMing Yung, 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 March 31, 2021, 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: October 19, 2021	/s/ Xinrong Zhuo
	Xinrong Zhuo Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
Date: October 19, 2021	/s/ LiMing Yung
	LiMing Yung Chief Financial Officer (Principal Financial and Accounting Officer)