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

FORM 10-K

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

For the fiscal year ended: December 31, 2016

Or

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

For the transition period from: _____________ to _____________

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

Cayman Islands	001-35192	N/A
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

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

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

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

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

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

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

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant was approximately $42.6 million on June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter.

The number of shares of the registrant's ordinary shares outstanding as of March 23, 2017 was 79,055,053.

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CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements in this report that are not historical facts or information are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "estimate," "project," "forecast," "plan," "believe," "may," "expect," "anticipate," "intend," "planned," "potential," "can," "expectation" and similar expressions, or the negative of those expressions, may identify forward-looking statements. Such forward-looking statements are based on management's reasonable current assumptions and expectations. Such forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, levels of activity, performance or achievement to be materially different from any future results expressed or implied by such forward-looking statements, and there can be no assurance that actual results will not differ materially from management's expectations. Such factors include, among others, the following:

- anticipated growth and growth strategies;
- need for additional capital and the availability of financing;
- 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
- other risks, including those described in the "Risk Factors" discussion of this annual report.

We undertake no obligation to update any such forward looking statement, except as required by law.

PART I

ITEM 1. BUSINESS

Our Business

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

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

In September 2013, we further increased our fleet to 106 vessels with the addition of 20 newly-built fishing trawlers. These vessels have a run-in period of 3 - 6 months, during which each is placed into the sea for testing prior to full operation. At full operation, each vessel is capable of harvesting 900 to 1,000 tons of fish.

Subsequent to our fleet expansions, in September 2013, the Ministry of Agriculture of the People's Republic of China ("MOA") issued a notification that it would suspend accepting shipbuilding applications for tuna harvesting vessels, squid harvesting vessels, Pacific saury harvesting vessels, trawlers operating on international waters, seine on international waters, and trawlers operating on the Arafura Sea, Indonesia. We believe the announcement is a positive indicator for long-term stability and balance in China's fishing industry.

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

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

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

As of December 31, 2016, we own 91 trawlers, 15 drifters, 3 light luring seine vessels, 2 squid jigging vessels and have exclusive operating license rights to 20 drifters, and we also have 4 longline fishing vessels in final process of paperwork formalities and will be put into operation upon completion. We are the second largest China based fishery company operating its vessels outside of China waters and our fleet has an average remaining useful life of approximately 13.4 years. These vessels are fully licensed to operate in their fishing territories.

Among the 135 fishing vessels, 13 are operating in Indo-Pacific waters; 12 are operating in the Bay of Bengal in India; 2 are operating in international waters of Southwest Atlantic and Southeast Pacific Oceans; 4 will be operating in international waters of Pacific Ocean upon completion of paperwork formalities, and the remaining vessels are licensed to operate in the Arafura Sea in Indonesia but temporarily not operating due to the moratorium discussed below.

Currently we catch nearly 20 different species of fish including ribbon fish, croaker fish, pomfret, Spanish mackerel, conger eel, squid and red snapper. All of our catch is shipped back to China. Our fishing vessels transport frozen catch to cold storage warehouses at nearby onshore fishing bases. We then arrange periodic charted transportation ships to deliver frozen stocks to our nine cold storage warehouses located in one of China's largest seafood trading centers, Mawei Seafood Market in Fujian Province.

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

Government Permits and Approvals

We are required to go through a series of procedures to obtain all approvals necessary to fish in the dedicated fishing areas.

<u>Step one</u>: Obtaining Vessel Building Permits

First, we have to file a vessel building application to the relevant governmental authorities in Fujian to obtain the Fishing Vessel and Net Tools Building Permits. Governmental authorities in Fujian verify Pingtan Fishing's qualifications for pelagic fishing and pass on the verified and approved application documents to affiliates of the Ministry of Agriculture for further confirmation. Once confirmed, the certificates are issued to Pingtan Fishing.

<u>Step two</u>: Vessels Building and Inspection

After obtaining the Fishing Vessel and Net Tools Building Permits, we start building the new vessels through contracting with third party vessel manufacturers. During the period of construction, inspection of the vessels is performed several times by the relevant governmental authorities. Once the construction is completed, a Vessel Inspection Certificate is issued, after which we can apply for certificates of ownership and certificates of nationality for new vessels.

<u>Step three</u>: Fishing Project Application

After obtaining all certificates in step two, we file applications to the relevant governmental authorities to obtain approvals for pelagic fishing projects in the specified fishing areas. Meanwhile, we start the application process for obtaining fishing permits from the relevant governmental authorities in the applicable fishing destination countries.

<u>Step four</u>: Preparations Before Departure

Once the approval for pelagic fishing projects is issued, we can complete all relevant departure procedures within six months from the time the notification of approval is issued. Departure procedures include obtaining visas for fishing vessels and crew members, submitting required certificates to the PRC customs in Fujian, and obtaining other relevant documents from governmental authorities, such as Vessel Departure Certificates.

<u>Step five</u>: Fishing Project Approval and Departure to Fishing Areas

After we have submitted all required documents to the relevant governmental authorities and completed all procedures required for departure, we receive confirmation of pelagic fishing project approval from affiliates of the Ministry of Agriculture. Once we obtain such confirmation, our vessels can departure to the applicable fishing destination country. Fish caught at the destination may then be shipped back and be declared at the PRC customs.

In early December 2014, the Indonesian government introduced a six-month moratorium on issuing new fishing licenses and renewals so that the country's Ministry of Maritime Affairs and Fisheries ("MMAF") could monitor the operations of existing fleets and to fight illegal fishing activities. As a result, all licensed fishing vessels operating in Indonesian waters have been informed by the Indonesian government to operate within strict guidelines in order to avoid potential enforcement actions, such as boat seizures, by the Indonesian Navy. We currently operate 135 fishing vessels and have a license to operate 104 of these vessels operate in the Arafura Sea of Indonesia. To cooperate and remain in compliance with the Indonesian government's fishing license check procedures, in January 2015, we lowered our operation to approximately half of our normal level. From February 2015, we temporarily ceased operations in the Indonesian waters. Since we derive a majority of our revenue from this area, this temporary ban has caused a significant drop in our production. As a result, our sales for the year ended December 31, 2016 decreased significantly as compared to that of 2015 and 2014. In November 2015, the Indonesian government announced that the moratorium had concluded. Our expectation is that the MMAF will implement new fishing policies and resume the license renewal process although this has not yet occurred. In the interim, our financial results will continue to be materially adversely affected by this moratorium.

Operations

Harvesting Operations

The fishing vessels can carry up to one-month of supplies. The captains of the vessels utilize sophisticated technology to identify, among other things, fishing areas, time to cast and draw in the nets, vessel speed and sailing direction allowing the vessels to optimize the catch and resource value. Nearby fishing groups share real-time fishing information through wireless radio equipment. The catch is separated based on species and sizes, and is frozen immediately.

Once the storage of a fishing vessel is at capacity, it returns to the fishing base and transfers the catch to a transportation vessels docked at the fishing base port. We have entered into a contract with Avona Mina Lestari ("Avona"), which operates a fishing base owned by Mr. Xinrong Zhuo, our founder and chairman, to obtain access to the base and secure certain services including custom declaration and fishing permits registrations. We also use the fishing base to repair our vessels, if necessary.

Transportation

Transportation vessels are responsible for the shipment of fishing supplies and fish between the fishing areas and China. Pingtan Fishing ships its goods by contracting with three affiliate marine transportation firms and Avona. The transportation cycle typically takes no more than 30 days, depending mainly on the fishing seasons.

Seasonality

The peak season for the fishing industry in Indonesia is from October to January, which is when harvesting is most productive. During the low season, from May to July, there are fewer fish as they migrate to different areas. There is no off season for fishing in Pingtan Fishing's dedicated fishing zone in Indonesia.

In addition to seasonality, our annual catches are affected by a number of unpredictable factors, such as weather patterns and fish migration, which are likely to vary from year to year.

Cold Storage

Fish are stored separately according to different species and sizes for best practices of cold storage management, goods selectivity and delivery. When Pingtan Fishing unloads the fish, it places the fish on a wood pallet according to fishing vessel number, species and size. The cold storage administrator counts the number of bags on each pallet and weighs each pallet to record the weight. Pallets with bags of fish are then placed in specified positions within the cold storage facilities.

We have secured several cold storages located in one of China's largest seafood trading center, MaWei seafood market. The monthly rent for the cold storage is RMB80 (US$12) per square meter and the leases are renewable annually. The following table sets forth information regarding the cold storages we currently rent as of December 31, 2016:

Cold Storage	Storage Capacity (sq. meters)	Monthly rent (US$)
#201	1,045	$ 12,586
#203	1,045	12,586
Total	2,090	$ 25,172

Sales, Marketing and Distribution

We market, sell and distribute products all over China, including the Guangdong, Fujian and Zhejiang provinces. Ribbon fish, croaker fish and reefcod were the main types of seafood sold for the year ended December 31, 2016, representing 85.4% of the sales.

We have established long-term relationships with a number of customers, who send purchasing representatives to our cold storage facilities to select goods to purchase. The customer indicates the type, size and quantity as well as price and delivery schedules before the fish is moved into our cold storage facilities. Handling and transportation fees are borne by the customer when the goods are delivered. The proportion of these sales depends on the season and the nature of the catch including species, size and quality. Remaining products are sold out of cold storage within three months of landing.

As of December 31, 2016, we sold our fish to over 120 distributors and retailers by acting as a wholesaler. We serve a wide customer base and no customer accounted for more than 10% of our sales for the year ended December 31, 2016.

Vessels

As of December 31, 2016, we own 91 trawlers, 15 drifters, 3 light luring seine vessels, 2 squid jigging vessels and have exclusive operating license rights to 20 drifters, and we also have 4 longline fishing vessels in the final process of paperwork formalities and will be put into operation upon completion. We are the second largest China based fishery company operating its vessels outside of China waters and our fleet has an average remaining useful life of approximately 13.4 years. All these vessels are fully licensed to operate in their fishing territories.

Among the 135 fishing vessels, 13 are operating in Indo-Pacific waters; 12 are operating in the Bay of Bengal in India; 2 are operating in international waters of Southwest Atlantic and Southeast Pacific Oceans; 4 are in the final process of paperwork formalities and will be operating in international waters of Pacific Ocean upon completion, and the remaining vessels are licensed to operate in the Arafura Sea in Indonesia but temporarily not operating due to the moratorium discussed below.

Single trawling vessels drag pocket-shaped nets and therefore force the fish into the nets. The trawl net on a trawling vessel is drawn by a winch on the deck of the vessel. Fish are sorted and stored in the cold storage on board the vessel. Single trawling vessels can catch species living in the upper layer of water. It has the advantage of catching multiple species of fish, which leads to a varied catch. Single trawling vessels are the majority of fishing vessels we currently use. As of December 31, 2016, we own 91 trawling vessels. 12 of the trawling vessels are currently operating in Indian waters.

Drifter vessels, as known as drifter netter vessels, have a gill net that is tied to the drift netter floats with weights attached to the net to keep it vertical, so that fish crossing the path of a drift net gets caught in it. Operations are generally carried out at night and the position of gill nets can be adjusted according to the water depth in which the fish move at any time. Drifter netter vessels are mainly used to catch dispersed fish or fish swimming in the upper layer of water. We own 15 drifters and had operating license rights to 20 drifters as of December 31, 2016. 13 of the drifter vessels are currently operating in Indo-Pacific waters.

Business Strategy

We are committed to developing our business to become a global, integrated seafood company. We plan to enlarge our fishing fleet in the next few years through organic growth and acquisition opportunities of potential targets, domestically and abroad.

We are actively seeking opportunities to expand to other fishing grounds worldwide including North America, South America and the High Sea, which will further diversify the fish types we harvest as well as decrease our dependence on Indonesia. We are also planning to extend to fish processing business. If we operate fish processing plants, our goal is to market processed food products throughout China and in international markets while achieving forward integration of the industrial chain.

Competition

We engage in the fishing business in the Indian Exclusive Economic Zone, Indo-Pacific waters, the Arafura Sea of Indonesia and international waters of Atlantic and Pacific Oceans. We believe that competition within our dedicated fishing areas is not significant, as we believe the region is not currently overfished.

Competition in the consumer market in China is high as fish compete with other sources of protein. We compete with other fishing companies which offer similar and varied products. There is significant demand for fish in the Chinese market. Our catch appeals to a wide segment of consumers because of the low price points of our products. We have generally been able to sell our catch at market prices.

Employees

As of December 31, 2016, we had 373 employees. The following table sets forth the number of employees by function as of December 31, 2016:

	Number of Employees	% of Total
Management and administrative staff	64	17.2%
Crew members	309	82.8%
Total	373	100.0%

We also use local Indonesian contract labor to supplement the Chinese crew, which varies based on seasons. In addition, we engage Avona as our agent to contract with third party labor companies to hire local crew members and we pay the hiring costs based on the actual fees incurred. Our company and Avona settle this payment on a quarterly basis. Welfare and benefit payments for such personnel are covered by the company supplying the crew members.

Company History

China Equity Growth Investment Ltd. (“CGEI”) was 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 PRC. In connection with its initial business combination, CGEI changed its name to Pingtan Marine Enterprise Ltd. in February 2013.

China Dredging Group Co., Ltd (“CDGC” or “China Dredging”) and Merchant Supreme Co., Ltd (“Merchant Supreme”) are limited liability companies incorporated on April 14, 2010 and June 25, 2012, respectively, in the British Virgin Islands (“BVI”).

China Dredging, through its PRC Variable Interest Entity (“VIE”), Fujian Xinggang Port Service Co., Ltd (“Fujian Service”), provided specialized dredging services exclusively to the PRC marine infrastructure market and is, based on the number and capacity of the dredging vessels it operates, one of the leading independent (not state-owned) providers of such services in the PRC. Since its inception, China Dredging has functioned exclusively as a specialist subcontractor, performing dredging services for other companies licensed to function as general contractors. China Dredging engages in capital dredging (dredging carried out to create a new harbor, berth or waterway or to deepen existing facilities in order to allow larger ships access), maintenance dredging and reclamation dredging projects and primarily sources its projects by subcontracting projects from general contractors.

Merchant Supreme, through its PRC VIE, Fujian Provincial Pingtan County Ocean Fishing Group Co., Ltd. (“Pingtan Fishing”) engages in ocean fishery with its fleet of self- owned vessels and vessels with exclusive operating license rights within Indian EEZ and Arafura Sea of Indonesia. Pingtan Fishing is ranked highly as one of the leading private (not state-owned) supplier and trader of oceanic aquatic products in PRC.

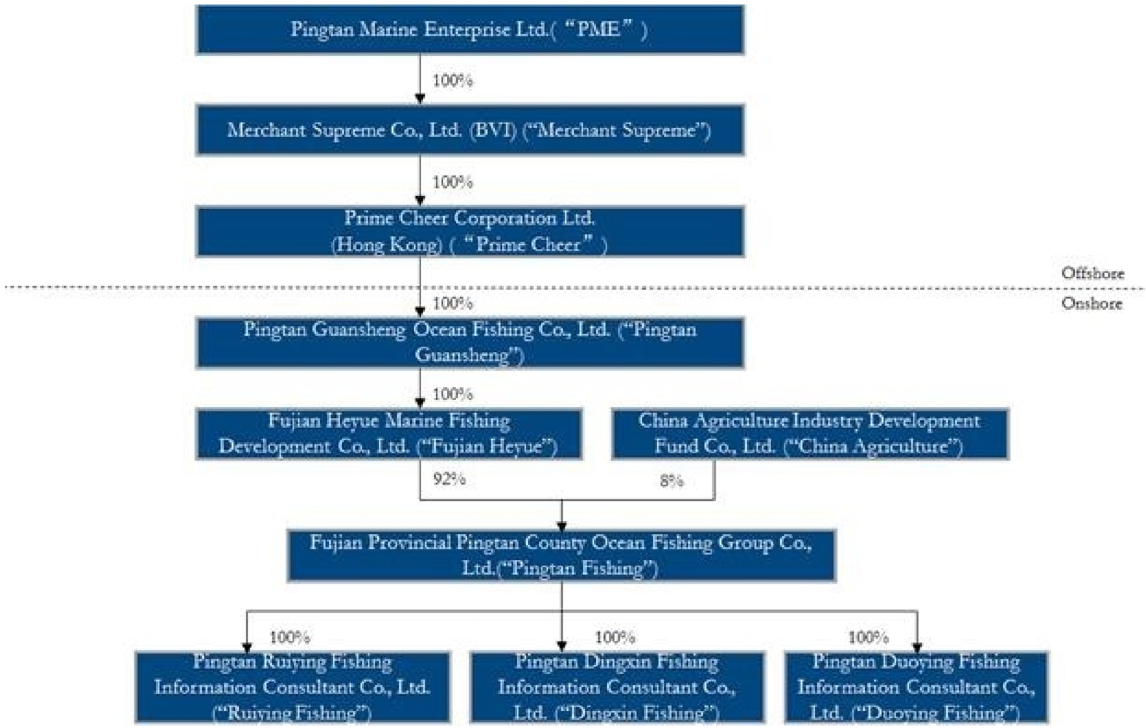
CGEI and CDGC entered into the Merger Agreement dated October 24, 2012, providing for the combination of CGEI and CDGC. Pursuant to the Merger Agreement, CDGC would continue as the surviving company and a wholly-owned subsidiary of CGEI. CGEI also acquired all of the outstanding capital shares and other equity interests of Merchant Supreme as per Share Purchase Agreement dated October 24, 2012. Following the completion of the business combination on February 25, 2013, CDGC and Merchant Supreme became the wholly-owned subsidiaries of the Company (the “Business Combination”). The ordinary shares, par value $0.001 per share were listed on The NASDAQ Capital Market under the symbol “PME”. The merger among CGEI, CDGC and Merchant Supreme has been accounted for as a “reverse merger”. CDGC and Merchant Supreme jointly are deemed the accounting acquirer and consequently, the transaction is treated as recapitalization of CDGC and Merchant Supreme.

On June 19, 2013, the Company entered into a master agreement (“Master Agreement”) with a related party, Fuzhou Honglong Ocean Fishery Co., Ltd (“Hong Long”) to acquire 46 fishing vessels with total consideration of $410.1 million. The major shareholder of Hong Long is Ms. Ping Lin, spouse of Xinrong Zhuo, the Company’s Chairman and CEO, who holds 66.5% of Hong Long. Mr. Zhuo currently holds about 56.2% of PME. On September 1, 2013, the Company further entered into a Memorandum with Hong Long to clarify the procedure of delivery of such 46 vessels to Pingtan Fishing. Due to additional time required prepare the vessels for operations, the parties agreed under the Memorandum to deliver the vessels for operation on September 1, 2013. Since June 2013, the Company has had full ownership of the vessels and the full right to operate the vessels and is in the process of registering the vessels under the name of the Company’s PRC operating company. Currently, 20 of the 46 vessels are formally registered to the Company. The vessels are in the process of being registered under the name of the Company’s PRC operating company and it will obtain the entire title registration document for the vessels, as required by Chinese laws and regulations according to the terms of the Master Agreement.

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

On February 9, 2015, we terminated our 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 our company and our VIE structure was terminated.

The following diagram illustrates our corporate structure as of December 31, 2016:



Available Information

Our website address is www.ptmarine.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), are filed with the U.S. Securities and Exchange Commission (SEC). We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements, and other information with the SEC. Such reports and other information filed by the Company with the SEC are available free of charge on our website at ir.ptmarine.com when such reports are available on the SEC's website. We use our ir.ptmarine.com website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor such portions of ir.ptmarine.com, in addition to following SEC filings and public conference calls and webcasts.

The public may read and copy any materials filed by Pingtan Marine with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov.

The contents of the websites referred to above are not incorporated into this filing. Further, our references to the URLs for these websites are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

You should carefully consider each of the following risks associated with an investment in our publicly traded securities and all of the other information in our 2016 Annual Report. Our business may also be adversely affected by risks and uncertainties not presently known to us or that we currently believe to be immaterial. If any of the events contemplated by the following discussion of risks should occur, our business, prospects, financial condition and results of operations may suffer.

Risks Relating to Our Business

The Indonesian government's moratorium on fishing license renewals in 2014 has had and will continue to have a significant negative impact on our results of operations and financial condition.

In early December 2014, the Indonesian government introduced a six-month moratorium on issuing new fishing licenses and renewals so that the country's Ministry of Maritime Affairs and Fisheries ("MMAF") could monitor the operations of existing fleets and to fight illegal fishing activities. As a result, all licensed fishing vessels operating in Indonesian waters have been informed by the Indonesian government to operate within strict guidelines in order to avoid potential enforcement actions, such as boat seizures, by the Indonesian Navy. We currently operate 135 fishing vessels and have a license to operate 104 of these vessels operate in the Arafura Sea of Indonesia. To cooperate and remain in compliance with the Indonesian government's fishing license check procedures, in January 2015, we lowered our operation to approximately half of our normal level. From February 2015, we have temporarily ceased operations in the Indonesian waters. Since we derive a majority of our revenue from this area, this temporary ban has caused a significant drop in our production. As a result, our sales for the year ended December 31, 2016 decreased significantly as compared to that of 2015 and 2014. In November 2015, the Indonesian government announced that the moratorium had concluded. Our expectation is that the MMAF will implement new fishing policies and resume the license renewal process although this has not yet occurred. In the interim, our financial results will continue to be materially adversely affected by this moratorium.

We depend significantly on our Chief Executive Officer.

We are dependent on the principal members of our management staff, and in particular Xinrong Zhuo, our Chief Executive Officer. While we have entered into a three-year employment agreement with Mr. Zhuo, there are circumstances under the agreement in which Mr. Zhuo may elect to terminate his employment. Even if Mr. Zhuo were to terminate employment in breach of his agreement, we would have little or no practical recourse against Mr. Zhuo under PRC law. Mr. Zhuo may not continue to be employed by us for as long as we require his services. In addition, we rely on members of our senior management team with industry experience for important aspects of our operations, and we believe that losing the services of these executive officers could be detrimental to our operations, and our operations because they would be difficult to replace. We do not have key-man life insurance for any of our executive officers or other employees.

We will need additional financing in order to execute our business plan, which may not be available to us.

We will need to obtain additional capital in order to execute our business plan to expand our operations by enlarging the fishing vessel fleet, expanding fishing ground worldwide and extending our business to fishmeal processing. Such additional capital may be raised by issuing securities through various financing transactions or arrangements, including joint ventures of projects, debt financing, equity financing or other means. Additional financing may not be available when needed on commercially reasonable terms or at all. The inability to obtain additional capital may reduce our ability to continue to conduct our business operations as currently contemplated.

Regulation of the fishing industry may have an adverse impact on our business.

For years, the international community has been aware of and concerned with the worldwide problem of depletion of natural fish stocks. In the past, these concerns have resulted in the imposition of quotas that subject individual countries to strict limitations on the amount of fish they are allowed to catch. Environmental groups have been lobbying to have additional limitations on fishing imposed and have even made suggestions that would limit the activities of fish farms. If international organizations or national governments were to impose additional limitations on fishing, this could have a negative impact on our results of operations.

The growth of our business depends on our ability to secure fishing licenses directly or through third parties.

Fishing is a highly regulated industry. Our operations require licenses, permits and in some cases renewals of licenses and permits from various governmental authorities. For example, commercial fishing operations are subject to government license requirements that permit them to make their catch. Our ability to obtain, sustain or renew such licenses and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governments, among other factors. Our inability to obtain, or a loss or denial of extensions, to any of these licenses or permits could hamper our ability to produce revenues from fishing operations. We operate 20 of our fishing vessels under 20-year exclusive operating license rights from our related party, Hong Long. The fishing licenses for such 20 leased fishing vessels are held in the name of Hong Long and are therefore renewed by Hong Long. If Hong Long for any reason fails to renew such licenses, it may have a negative impact on our business.

We are dependent on affiliates and third parties for our operations.

A large portion of our transportation operations are conducted by three of our related parties, Haifeng Dafu Enterprise Company Limited, Hai Yi Shipping Limited and Hong Fa Shipping Limited. If for any reason these three companies became unable or unwilling to continue to provide services to us, this would likely lead to a temporary interruption in transportation at least until we found another entity that could provide these services. Failure to find a suitable replacement, even on a temporary basis, may have an adverse effect on our results of operations.

A large portion of our operations are conducted from a base owned by our related party PT. Avona Mina Lestari, or Avona. We contract with Avona for the right to use the base. Avona also handles certain agency services, including customs applications and fees for Merchant Supreme. If for any reason Avona became unable or unwilling to continue to provide its services to us, this would likely lead to a temporary interruption in our operations, at least until we found another entity that could provide these services. Failure to find a suitable replacement for Avona, even on a temporary basis, may have an adverse effect on our results of operations.

We may be adversely affected by fluctuations in raw material prices and selling prices of products.

The products and raw materials we use may experience price volatility caused by events such as market fluctuations, weather conditions or changes in governmental programs. Raw materials consist primarily of bait, including sardines, anchovies, mackerel and other small fish. The market price of these raw materials may also experience significant upward adjustment, if, for instance, there is a material under-supply or over-demand in the market. These prices changes may ultimately result in increases in the selling prices of products, and may, in turn, adversely affect our sales volume, revenue and operating profit.

We may not be able to effectively manage our growth, which may harm our profitability.

Our strategy is to expand our business. If we fail to effectively manage this growth, our financial results could be adversely affected. Growth may place a strain on management systems and resources, including business development capabilities, systems and processes and access to financing sources. As we grow, we must continue to hire, train, supervise and manage new employees. In connection with our fishing business, we may not be able to:

- meet capital needs;
- expand systems effectively or efficiently, or in a timely manner;
- allocate human resources optimally;
- identify and hire qualified employees or retain valued employees; or
- incorporate effectively the components of any business that may be acquired in our effort to achieve growth.

If we are unable to manage growth, our operations and financial results could be adversely affected by inefficiency, which could diminish our profitability.

Our business requires talented personnel who we may not be able to attract and retain.

We depend in large measure on the abilities, expertise, judgment, discretion, integrity and good faith of our management and other personnel in conducting the business of the company. We have a small management team, and the loss of a key individual or inability to attract suitably qualified staff could materially adversely impact the fishing business.

The key personnel of our fishing business are Mr. Deming Chen, vice general manager, Mr. Dong Wang, general coordinator of the shipping department, Mr. Qing Lin, assistant of the chairman of the board of directors, Mr. Longhao Zhuo, chief supervisor of the sales department, who is mainly responsible for wholesale and fresh sea food retail business. Mr. Lin assists the chairman in dealing with daily operating matters, such as developing business plans and managing and supervising related projects.

Our success depends on the ability of our management and employees to interpret and respond to economic, market and environmental conditions in its operating areas correctly. Further, our key personnel may not continue their association or employment, which and replacement personnel with comparable skills may not be available, which may adversely affect our business.

Our insurance coverage may be inadequate to cover we may incur or to fully replace a significant loss of assets.

Our involvement in the fishing industry may result in liability for pollution, property damage, personal injury or other hazards. Although we believe we have obtained insurance in accordance with PRC industry standards to address such risks, such insurance has limitations on liability and/or deductible amounts that may not be sufficient to cover the full extent of such liabilities or losses. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, we may choose not to obtain insurance to protect against specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to us. If we suffer a significant event or occurrence that is not fully insured, or if the insurer of such event is not solvent, we could be required to divert funds from capital investment or other uses towards covering any liability or loss for such events.

Earthquakes, tsunamis, adverse weather or oceanic conditions or other calamities may disrupt our operations and could adversely affect sales.

Our fishing expeditions are based out of the Arafura Sea, Indonesia, and Merchant Supreme has cold storages located in MaWei in the Fujian province on the southeast coast of China. In 2004, an undersea earthquake occurred off the west coast of Sumatra Indonesia. This earthquake triggered a series of devastating tsunamis along the costs of most landmasses boarding the Indian Ocean. More than 225,000 people in 11 countries were killed, and coastal communities were inundated with waves up to 100 feet. Due to the location of our business, it may be at risk of experiencing another tsunami, earthquake or other adverse weather or oceanic conditions. This may result in the breakdown of facilities, such as its cold storage facilities, which could lead to deterioration of products with the potential for spoilage. This could also adversely affect the ability to fulfill sales orders and, accordingly, adversely affect profitability. Adverse weather conditions affecting the fishing grounds where our fishing vessels operate, such as storms, cyclones and typhoons, or cataclysmic events such as tsunamis, may also decrease the volume of fish catches or hamper fishing operations. Our operations may also be adversely affected by major climatic disruptions such as El Nino which in the past has caused significant decreases in seafood catches worldwide.

We may be affected by global climate change or by legal, regulatory or market responses to such changes.

The growing political and scientific sentiment is that increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere are influencing global weather patterns. Fresh products, including seafood products, are vulnerable to adverse weather conditions, including windstorms, floods, drought and temperature extremes, which are quite common but difficult to predict and may be influenced by global climate change. Similarly, changing weather patterns, along with the increased frequency or duration of extreme weather conditions, could impact the availability of the fish species we catch.

Concern over climate change, including global warming, has led to legislative and regulatory initiatives directed at limiting greenhouse gas, or GHG, emissions. For example, proposals that would impose mandatory requirements on GHG emissions may be considered by policy makers in the territories in which we operate. Laws enacted that directly or indirectly affect fishing, distribution, packaging, cost of raw materials, fuel, and water could all adversely impact our business and financial results.

A dramatic reduction in fish resources may adversely affect our business.

We are in the business of catching and selling marine catch. Due to over-fishing, the stocks of certain species of fish may be dwindling and to counteract such over-fishing, governments may take action that may be detrimental to our ability to conduct operations. If the solution proffered or imposed by the governments controlling the fishing grounds were to limit the types, quantities and species of fish that we are able to catch, our operations and prospects may be adversely affected.

Changes in the policies of the PRC government impacting the fishing industry may adversely affect our business.

The fishing industry in the PRC is subject to policies implemented by the PRC government. The PRC government may impose restrictions on aspects of our business such as regulations for the management and ownership of vessels. If the raw materials used by us or our products become subject to any form of government control, then depending on the nature and extent of the control and our ability to make corresponding adjustments, we may face a material adverse effect on our business and operating results.

Separately, our business and operating results also could be adversely affected by changes in policies of the Chinese government such as: changes in laws, regulations or the interpretation thereof; confiscatory taxation; restrictions on currency conversion, imports on sources of supplies; or the expropriation or nationalization of private enterprises. Although the Chinese government has been pursuing economic reform policies for approximately two decades to liberalize the economy and introduce free market aspects, the government may not continue to pursue such policies and such policies may be significantly altered, especially in the event of a change in leadership, social or political disruption, or other circumstances affecting China’s political, economic and social life.

We have entered into certain pledge agreements pledging 12 fishing vessels as collateral to secure loans to Hong Long, a fishing company controlled by spouse of Mr. Xinrong Zhuo. The pledge has no beneficial purpose for us and we could lose our fishing vessels if Hong Long were to default on the loans, which could be detrimental for our operations.

In December 2015, we entered into one pledge contract with The Export Import Bank of China pursuant to which we pledged 12 fishing vessels with carrying amounts of approximately $8,500,000, as collateral to secure Hong Long's $6,054,450 in long-term loans from the financial institution, which are due on November 21, 2021.

Consequently, if Hong Long was to default on the loans and we would lose the vessels, it could be detrimental for our operations. As of March 23, 2017, no accrual is established because we have assessed our risk of loss on the default on the loans to be remote.

Risks Relating to Doing Business in the PRC

Certain political and economic considerations relating to PRC could adversely affect us.

The PRC is passing from a planned economy to a market economy. The Chinese government has confirmed that economic development will follow a model of market economy under socialism. While the PRC government has pursued economic reforms since its adoption of the open-door policy in 1978, a large portion of the PRC economy is still operating under five-year plans and annual state plans adopted by the government that set down national economic development goals. Through these plans and other economic measures, such as control on foreign exchange, taxation and restrictions on foreign participation in the domestic market of various industries, the PRC government exerts considerable direct and indirect influence on the economy. Many of the economic reforms are unprecedented or experimental for the PRC government, and are expected to be refined and improved. Other political, economic and social factors can also lead to further readjustment of such reforms. This refining and readjustment process may not necessarily have a positive effect on our operations or our business development. Our operating results may be adversely affected by changes in the PRC's economic and social conditions as well as by changes in the policies of the PRC government, which we may not be able to foresee, such as changes in laws and regulations (or the official interpretation thereof), measures which may be introduced to control inflation, changes in the rate or method of taxation, and imposition of additional restrictions on currency conversion.

The recent nature and uncertain application of many PRC laws applicable to us create an uncertain environment for business operations and they could have a negative effect on us.

The PRC legal system is a civil law system. Unlike the common law system, such as the legal system used in the United States, the civil law system is based on written statutes in which decided legal cases have little value as precedents. In 1979, the PRC began to promulgate a comprehensive system of laws and has since introduced many laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. The promulgation of new laws, changes of existing laws and the abrogation of local regulations by national laws could have a negative impact on our, business and prospects. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement involve significant uncertainty.

The political and economic policies of the PRC government could affect our businesses and results of operations.

The economy of the PRC differs from the economies of most developed countries in a number of respects, including the degree of government involvement, control of capital investment, and the overall level of development. Before its adoption of reform and open up policies in 1978, China was primarily a planned economy. In recent years the PRC government has been reforming the PRC economic system and the government structure. These reforms have resulted in significant economic growth and social progress. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not continue to benefit from all, or any, of these measures. In addition, it cannot be predicted whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our business, financial condition and results of operations.

The PRC legal system is evolving and has inherent uncertainties regarding interpretation and enforcement of PRC laws and regulations that could limit the legal protections available to you.

Pingtan Fishing, our PRC operating company, is organized under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited weight as precedents. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited number and non-binding nature of published cases, the interpretation and enforcement of these laws and regulations involve uncertainties.

Our operations and assets in the PRC are subject to significant political and economic uncertainties.

Changes in PRC laws and regulations, or their interpretation, or the imposition of confiscatory taxation, restrictions on currency conversion, imports and sources of supply, devaluations of currency or the nationalization or other expropriation of private enterprises could have a material adverse effect on our business, results of operations and financial condition. The PRC government has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization. The PRC government may continue to pursue these policies, and it may significantly alter these policies from time to time without notice.

The consummation of the acquisition by the Pingtan Fishing share purchase agreement and the reorganization plan carried out by Pingtan Fishing may require prior approval from MOFCOM or the CSRC, which may subject us to sanctions or adversely affect our business, results of operations, reputation and prospects.

On August 8, 2006, six PRC regulatory authorities, including the Ministry of Commerce, or MOFCOM, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the China Securities Regulatory Commission, or the CSRC, and the State Administration of Foreign Exchange, or SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, which became effective on September 8, 2006 and was amended on June 22, 2009 by the MOFCOM, or the M&A Regulations. The M&A Regulations, among other things, require that the approval from MOFCOM be obtained for acquisitions of affiliated domestic entities by foreign entities established or controlled by domestic natural persons or enterprises, and also require that an offshore special purpose vehicle, or SPV, formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals, obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by SPVs. The CSRC approval procedures require the filing of a number of documents with the CSRC.

The application of the M&A Regulations remains unclear as of the date of this 10-K submission, with no consensus among leading PRC law firms regarding the scope and applicability of the CSRC approval requirement. Pingtan Fishing's PRC legal counsel has advised, based on its understanding of current PRC laws, regulations and rules, that the M&A Regulations are not applicable to the consummation of the acquisition by the Pingtan Fishing share purchase agreement and the reorganization plan carried out by Pingtan Fishing because Merchant Supreme's founder and controlling shareholder, Mr. Xinrong Zhuo, is not a mainland PRC natural person. However, the relevant PRC government authorities, including MOFCOM and the CSRC, may reach a different conclusion. If it is decided that the prior approval from MOFCOM or the CSRC is required, we may face sanctions by MOFCOM, the CSRC or other PRC regulatory agencies. Consequently, it is possible that MOFCOM, the CSRC or other PRC regulatory agencies may impose fines and penalties on our operations in the PRC, limit such operations, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects.

The Circular of Security Review and the Regulations of Security Review provide that any foreign investor should file an application with MOFCOM for the merger and acquisition of domestic enterprises in sensitive sectors or industries. Further, MOFCOM has, for its inner review process, stipulated a range of the business operation items which are required to be reviewed. With reference to such business items, Pingtan Fishing believes that the Regulations of Security Review do not apply to the business operations of Pingtan Fishing. However, the relevant PRC regulatory authorities may have a different view or interpretation in this regard when implementing the Regulations of Security Review. If it is decided that the acquisition by the Pingtan Fishing share purchase agreement may materially affect the state security of the PRC, we may be ordered to restore the shareholding structure to the status before the consummation of the said acquisition, which could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects.

If SAFE determines that its foreign exchange regulations concerning "round-trip" investment apply to our shareholding structure, a failure by our shareholders or beneficial owners to comply with these regulations may restrict our ability to distribute profits, restrict our overseas and cross-border investment activities or subject us to liability under PRC laws, which may materially and adversely affect our business and prospects.

SAFE Circular No. 75 provides that those domestic individuals who hold a PRC identity card, passport or other legal identity supporting document, or who have no such legal identity in mainland PRC but are habitually residing in PRC for the sake of economic interest, whether they hold a PRC identity supporting document or not, should register with the local SAFE branch prior to their establishment or control of an offshore SPV. In addition, any PRC citizen, resident, or entity which is a direct or indirect shareholder of an SPV is required to update the previously filed registration with the local branch of SAFE, with respect to that SPV, to reflect any material change. Moreover, a PRC subsidiary of an SPV is required to urge its shareholders who are PRC citizens, residents, or entities to update their registration with the local branch of SAFE. If a PRC shareholder with a direct or indirect equity interest in an offshore parent company fails to make the required SAFE registration, the PRC subsidiaries of such offshore parent company may be prohibited from paying the offshore parent proceeds from any reduction in capital, share transfer or liquidation in respect of the PRC subsidiaries. Failure to comply with the SAFE Circular No. 75 could result in liability under PRC law for violation of the relevant rules relating to transfers of foreign exchange.

Our founder and controlling shareholder, Mr. Xinrong Zhuo, obtained his Hong Kong identity card in 2005 and surrendered his PRC identity card subsequently thereto. SAFE Circular No. 75 provides that individuals without PRC identities that habitually reside in mainland China for the sake of economic interest should be considered PRC residents, who are required to register their direct or indirect investments in offshore SPVs with the local branch of SAFE. SAFE Circular No. 75 further provides that individuals who have their permanent domicile in mainland China and have been permanently residing in mainland China after temporary departure should be considered PRC residents, no matter whether they have a PRC identity or not. Although he leaves the PRC from time to time and maintains his Hong Kong identity card, Mr. Xinrong Zhuo has been residing in mainland China for most of the time since the SAFE Circular No. 75 became effective. Accordingly, it is possible that PRC authorities may consider Mr. Zhuo to be PRC resident. As of the date of this 10-K submission, Mr. Zhuo has not made registrations or filings according to SAFE Circular No. 75. Due to uncertainty over how SAFE Circular No. 75 will be interpreted and implemented, we cannot predict how SAFE Circular No. 75 will affect our business operations or future strategies following the business combination. If SAFE Circular No. 75 is determined to apply to us or any of our PRC resident shareholders, none of whom to our knowledge has made registrations or filings according to SAFE Circular No. 75, a failure by any such shareholders or beneficial owners to comply with SAFE Circular No. 75 may subject the relevant shareholders or beneficial owners to penalties under PRC foreign exchange administrative regulations, and may subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure and capital inflow from the offshore entity, which would have a material adverse effect on our business, financial condition, results of operations and liquidity. In addition, we may not be informed of the identities of our beneficial owners and our Chinese resident beneficial owners, if any, may not comply with SAFE Circular No. 75. The failure or inability of our beneficial owners who are PRC citizens, residents or entities to make or amend any required registrations may subject these PRC residents or our PRC subsidiary to fines and legal sanctions, and may also limit our ability to contribute additional capital into our PRC subsidiary and limit our PRC subsidiary's ability to make distributions or pay dividends to us, as a result of which our business operations and our ability to distribute profits to its shareholders may be materially and adversely affected.

In December 2009, the PRC State Administration for Taxation issued a notice, known as "Circular 698," addressing PRC income tax issues in connection with transfers of equity by a non-PRC resident enterprise that directly or indirectly holds an interest in a PRC resident enterprise. Circular 698 requires certain tax filings with, and the submission of comprehensive information to, the applicable tax authorities regarding transfers of equity by a non-PRC resident enterprise that directly or indirectly holds an interest in a PRC resident enterprise. The filings and submissions are designed to assist the taxing authorities in evaluating whether the transfer has a reasonable business purpose. If the transfer does not have a reasonable business purpose, Circular 698 provides that the seller is subject to PRC income tax on the gains received from the transfer of the PRC resident enterprise. Although the tax obligations generally apply to the seller, the PRC resident enterprise that is transferred is also subject to certain requirements to assist the PRC tax authorities in collecting the taxes, potentially including withholding agent obligations. Circular 698 is relatively new with limited implementation guidance, and it is uncertain how it will be interpreted, implemented or enforced. For example, there is no clear guidance regarding what constitutes a "reasonable business purpose" or the assistance obligation applicable to the transferred PRC resident enterprise. We cannot predict how Circular 698 will apply to current or future acquisition strategies and business operations. For example, if our affiliated PRC entities are deemed to have been sold through an offshore holding company, we may face comprehensive filing obligations that could result in significant taxes, potential sanctions or other enforcement action, or other adverse considerations, which could have an adverse impact on our ability to consummate such a transaction or expand our business and market share.

We may be classified as a PRC "resident enterprise" under the PRC enterprise income tax law, which could result in unfavorable tax consequences for us and our shareholders and have a material adverse effect on our results of operations.

Under the Enterprise Income Tax Law of the PRC, or the EIT Law, dividends, interests, rent, royalties and gains on transfers of property payable by a foreign-invested enterprise in China to its foreign investor who is a non-resident enterprise will be subject to a 10% withholding tax, unless such non-resident enterprise's jurisdiction of incorporation has a tax treaty with China that provides for a reduced rate of withholding tax. Under the arrangement for avoidance of double taxation between mainland China and Hong Kong, the effective withholding tax applicable to a Hong Kong non-resident company is 5% if it directly owns no less than a 25% stake in the Chinese foreign-invested enterprise.

Under the EIT Law, an enterprise established outside China with its "de facto management body" within China is considered a "resident enterprise" in China and is subject to the Chinese enterprise income tax at the rate of 25% on its worldwide income. We may be deemed to be a PRC resident enterprise under the EIT Law and be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. If the Chinese tax authorities determine that we should be classified as a resident enterprise, foreign securities holders will be subject to a 10% withholding tax upon dividends payable by us and subject to income tax upon gains on the sale of securities under the EIT Law.

Due to various restrictions under PRC laws on the distribution of dividends by PRC operating companies or contractual provisions in future debt instruments, we may not be able to pay dividends to our shareholders.

The Wholly-Foreign Owned Enterprise Law (1986), as amended, The Wholly-Foreign Owned Enterprise Law Implementing Rules (1990), as amended, and the Company Law of the PRC (2006) contain the principal regulations governing dividend distributions by Wholly-Foreign Owned Enterprises, or WFOEs. Under these regulations, WFOEs may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Additionally, they are required to set aside each year 10% of its net profits, if any, based on PRC accounting standards, to fund a statutory surplus reserve until the accumulated amount of such reserve reaches 50% of their respective registered capital. These reserves are not distributable as cash dividends except in the event of liquidation and cannot be used for working capital purposes. The PRC government also imposes controls on the conversion of RMB into foreign currencies and the remittance of currencies out of the PRC. We may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency for the payment of dividends from the profits of our WFOE.

Furthermore, if our subsidiaries in the PRC incur debt on their own in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments. If we or our subsidiaries are unable to receive all of the economic value from the operations of our PRC subsidiary through contractual or dividend arrangements, we may be unable to pay dividends on our ordinary shares.

Because our principal assets are located outside of the United States and our directors and officers reside outside of the United States, it may be difficult for you to enforce your rights based on the United States federal securities laws against us and our officers and directors in the United States or to enforce foreign judgments or bring original actions in the PRC against us or our management.

All of our officers and directors reside outside of the United States. In addition, our operating subsidiaries are located in the PRC and all of their assets are located outside of the United States. The PRC does not have a treaty with United States providing for the reciprocal recognition and enforcement of judgments of courts. Therefore, it may be difficult for investors in the United States to enforce their legal rights based on the civil liability provisions of the United States federal securities laws against us in the courts of either the United States or the PRC and, even if civil judgments are obtained in courts of the United States, to enforce such judgments in PRC courts.

In addition, since we are incorporated under the laws of the Cayman Islands and our corporate affairs are governed by the laws of the Cayman Islands, it may not be possible for investors to originate actions against us or our directors or officers based upon PRC laws, and it may be difficult, if possible at all, to bring actions based upon Cayman Islands laws in the PRC in the event that you believe that your rights as a shareholder have been infringed.

Our employment practices may be adversely impacted under the labor contract law of the PRC.

The PRC National People's Congress promulgated the Labor Contract Law, which became effective on January 1, 2008. Compared to previous labor laws, the Labor Contract Law provides stronger protection for employees and imposes more obligations on employers. According to the Labor Contract Law, employers have the obligation to enter into written labor contracts with employees to specify the key terms of the employment relationship. The law also stipulates, among other things, (i) that all written labor contracts shall contain certain requisite terms; (ii) that the length of trial employment periods must be in proportion to the terms of the relevant labor contracts, which in any event may not be longer than six months; (iii) that in certain circumstances, a labor contract is deemed to be without a fixed term and thus an employee can only be terminated with cause; and (iv) that there are certain restrictions on the circumstances under which employers may terminate labor contracts as well as the economic compensations to employees upon termination of the employee's employment.

In addition, if we decide to significantly change or downsize our workforce, the Labor Contract Law could restrict our ability to terminate employee contracts and adversely affect our ability to make such changes to our work force in a manner that is most favorable to our business or in a timely and cost effective manner, which in turn may materially and adversely affect our financial condition and results of operations. If we are subject to severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

Investors will have limited access to corporate records filed with the relevant PRC government authorities by the PRC operating entities.

All our PRC subsidiaries are companies registered in Fujian Province. The PRC State Administration for Industry and Commerce and its local counterparts, or collectively SAIC, is the PRC government authority governing the market supervision and administrative enforcement of various business licensing laws. According to the relevant SAIC regulations, certain corporate records of a company should be filed with SAIC, for example, the annual financial report, shareholder changes, amendments of articles of association, registered capital changes, capital verification reports and equity interest pledge registration. In Fujian Province, an individual can gain access to information filed with SAIC only with the authorization of the company for which such information is filed. Alternatively, access to information can be granted by an order of a PRC people's court, provided that the individual requesting the information is a party to litigation involving the company in question. Due to such restrictions, investors will have limited access to corporate records filed with the SAIC by our PRC affiliates.

Currency fluctuations and restrictions on currency exchange may adversely affect our business, including limiting our ability to convert Renminbi into foreign currencies and, if Renminbi were to decline in value, reducing our revenue in U.S. dollar terms.

Our reporting currency is the U.S. dollar and our operations in the PRC use their local currency as their functional currencies. Substantially all of our revenue and expenses are in Renminbi. Accordingly, we are subject to the effects of exchange rate fluctuations with respect to any of these currencies. For example, the value of the Renminbi depends to a large extent on PRC government policies and the PRC's domestic and international economic and political developments, as well as supply and demand in the local market. Since 1994, the official exchange rate for the conversion of Renminbi to the U.S. dollar had generally been stable and the Renminbi had appreciated slightly against the U.S. dollar. However, in July 2005, the PRC government changed its policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi may fluctuate within a narrow and managed band against a basket of certain foreign currencies. As a result of this policy change, Renminbi appreciated more than 20% against the U.S. dollar in the following three years. Since July 2008, however, the Renminbi has traded within a narrow range against the U.S. dollar. As a consequence, the Renminbi has fluctuated significantly since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 19, 2010, the People's Bank of China, or the PBOC, announced that the PRC government would further reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. It is difficult to predict how this new policy may impact the Renminbi exchange and the Renminbi may not be stable against the U.S. dollar or any other foreign currency.

The statements of our operations are translated into U.S. dollars at the average exchange rates in each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency denominated transactions results in reduced revenue, operating expenses and net income for our operations. Similarly, to the extent the U.S. dollar weakens against foreign currencies, the translation of these foreign currency denominated transactions results in increased revenue, operating expenses and net income for our operations. We are exposed, to foreign exchange rate fluctuations in converting the financial statements of foreign subsidiaries into U.S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of the foreign subsidiaries' financial statements into U.S. dollars will lead to a translation gain or loss which is recorded as a component of other comprehensive income. In addition, if we have, assets or liabilities that are denominated in currencies other than the relevant entity's functional currency, changes in the functional currency value of these assets and liabilities would create fluctuations that lead to a transaction gain or loss. Although our major operations are conducted overseas, our sales are conducted in the PRC and in RMB, which is our functional currency. The average exchange rate used in translating the results of operations and cash flows for the years ended December 31, 2016 and 2015 from RMB to U.S. dollars was 6.6423 and 6.2175, respectively, which represented a 6.83% appreciation from 2015 to 2016 in the value of the RMB against the U.S. dollar. The average exchange rate used in translating the results of operations and cash flows for the years ended December 31, 2015 and 2014 from RMB to U.S. dollars was 6.2175 and 6.1432, respectively, which represented a 1.21% appreciation from 2014 to 2015 in the value of the RMB against the U.S. dollar. We have not entered into agreements or purchased instruments to hedge exchange rate risks, although we may do so in the future. The availability and effectiveness of any hedging transaction may be limited and we may not be able to successfully hedge its exchange rate risks.

Although PRC governmental policies were introduced in 1996 to allow the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of SAFE, which is under the authority of the PBOC. These approvals, however, do not guarantee the availability of foreign currency conversion. We may not be able to obtain all required conversion approvals for our operations and PRC regulatory authorities may impose greater restrictions on the convertibility of Renminbi. Because we expect a significant amount of our revenue to continue to be in the form of Renminbi, our inability to obtain the requisite approvals or any future restrictions on currency exchanges could limit our ability to utilize revenue generated in Renminbi to fund our business activities outside of the PRC, or to repay foreign currency obligations, including our debt obligations, which would have a material adverse effect on our financial condition and results of operations.

Due to historical defects in its capital contributions of Pingtan Fishing, we may be subject to administrative liability.

The current PRC Companies Law provides that shareholders must make the full amount of capital contribution subscribed to by such shareholder under the articles of association of the company. The form of capital contribution may be currency or non-currency property, such as property, intellectual property rights and land-use rights that can be evaluated in the form of currency and transferred in accordance with the applicable law. Under the PRC Companies Law, the non-currency property to be contributed as capital shall undergo an asset valuation and verification, and shall not be overvalued or undervalued. The property rights of such non-currency property shall be transferred in accordance with legally prescribed procedures. If a company obtains company registration in violation of the PRC Companies Law by making false statement of registered capital, submitting false certificates or by concealing material facts through other fraudulent means, the company shall be ordered to make rectification. In the event false statements regarding registered capital were made, the company shall also be fined no less than five percent but no more than fifteen percent of the amount of registered capital falsely stated. Further, a company submitting false certificates or concealing material facts may be fined no less than RMB50,000 but no more than RMB500,000.

Pingtan Fishing was established in February 1998 with registered capital of RMB10,000,000, by three founders, Fujian Pingtan County Fishing Development Co., Fujian Pingtan County Shengfa Pingtan Fishing Co., Ltd. and Fujian Pingtan County Shunda Fishing Co., Ltd., all of whom made in-kind contributions to Pingtan Fishing. However, no information regarding any specific category of in-kind contribution was disclosed in the registration records of Pingtan Fishing in Pingtan County SAIC. Further, no assessment report or materials regarding the title transfer for such in-kind contributions were disclosed in the registration record.

In September 2002, Fujian Pingtan County State-owned Asset Operation Co., Ltd., or Pingtan State-owned Co., a PRC state-owned enterprise, injected investment of non-currency property, which was half of its land-use right in an area in Pingtan County, at the price of RMB7,000,000 and obtained 70% equity interest in Pingtan Fishing. However, the transfer procedure for such land-use right has not been conducted and the registered capital of Pingtan Fishing was never changed.

The local government authority for company registration has confirmed that since its establishment no information record has been found regarding the violation of the applicable governmental company management laws by Pingtan Fishing. However, due to the lack of certain documents in the registration record of Pingtan Fishing, if the applicable company registration authority determines that Pingtan Fishing has had one or more deficiencies in it historical capital contributions, we may be subject to the fines.

Due to the defect in the state-owned equity interest transfer in Pingtan Fishing's past, it, and we may be subject to a determination of invalidity of such equity interest transfer and may be liable for the applicable administrative liability.

According to the Provisional Regulations of Supervision and Administration of State-owned Assets in the Enterprise, promulgated by the State Council on May 27, 2003, and the Provisional Management Measure for the Transfer of the State-owned Equity in an Enterprise, promulgated by State-owned Assets Supervision and Administration Commission and Ministry of Finance on December 31, 2003, or collectively the State-owned Assets Regulations, the State-owned assets supervision and administration authority shall determine the matters of the transfer of its state-owned equity in an enterprise which it has invested. Further, the sale of state-owned equity in a company by a state-owned entity shareholder must be approved by the governmental authority at the same ranking as that of the state-owned entity shareholder, provided that after the transfer the state-owned entity may not hold more than 50% equity interest in such company.

On December 10, 2004, Fujian Yihai Investment Co., Ltd and Chen Cheng obtained all the equity interest in Pingtan Fishing by an equity interest transfer from the former shareholders, or the 2004 Equity Transfer, including Pingtan State-owned Co., and the registered capital of Pingtan Fishing increased to RMB25,000,000. A state-owned asset transfer was involved in the equity interest transfer, as Pingtan State-owned Co. is a state-owned company. According to State-owned Assets Regulations, such equity interest transfer should be determined by the Fuzhou municipal state-owned asset supervising authority and approved by the Fuzhou Municipal Government. However, the applicable approval was not obtained at the time of the 2004 Equity Transfer, which was only approved by Pingtan County Government. According to 1999 PRC Contract Law, a contract shall be null and void under any of the following circumstances: (1) a contract is concluded through the use of fraud or coercion by one party to damage the interests of the state; (2) malicious collusion is conducted to damage the interests of the state, a collective or a third party; (3) an illegitimate purpose is concealed, under the guise of legitimate acts; (4) public interests are damaged; or (5) a violation the compulsory provisions of the laws and administrative regulations. Currently, none of the violations described above have been found with regard to the equity transfer contract for the 2004 Equity Transfer. Given that the 2004 Equity Transfer has been confirmed by Pingtan Government, Pingtan Fishing believes that it is unlikely that the transfer will be determined to be invalid. However, the government authority may reach the different conclusion and we may face an order of rectification, which would be time consuming and our business operations may be adversely affected.

We may be subject to certain penalties due to Pingtan Fishing lacking various PRC certificates or licenses and our business may be affected by the failure to renew some such certificates or licenses.

According to the PRC Fishing Vessels Inspection Regulation promulgated by PRC National Council in June 2003, if a fishing vessel operates without the Inspection Certificate after the applicable inspection process, such vessel may be confiscated by the relevant authority. The owner of a fishing vessel who does not apply for the required operation inspection for such vessel can be ordered to cease operations and apply for inspection within the time limit required by the relevant authority. In the event that a company fails to apply for an annual inspection, as ordered by the relevant authority, the company may be fined between RMB1,000 to RMB10,000 and the Annual Inspection Certificates held by the company may be temporarily suspended.

According to PRC Radio Management Regulations promulgated by the PRC National Council and PRC Centre Military Committee in September 1993, as well as the License of Radio Station Management Regulations promulgated by Ministry of Industry and Information Technology in February 2009, a company who sets up or uses a radio station in a vessel must obtain a Radio Station License. Failing to do so may result in a fine of up to RMB5,000 and the radio station facilities may be confiscated.

The PRC is a member of 1973 International Pollution Prevention Convention, amended in 1978. According to the provisions of such convention and relevant PRC laws and regulations, the vessels owned by Pingtan Fishing should have a Sewage Pollution Prevention Certificates. We may be subject to a fine of up to RMB200,000 once its vessels enter into PRC territorial seas due to lacking the certificate and relevant facilities for pollution prevention.

According to the PRC Fishery Management Regulation promulgated by PRC Ministry of Agriculture in April 2003, in the event that an enterprise has not obtained a valid inspection certificate or any other applicable certificates, such company may be subject to penalties imposed by applicable governmental authorities. Further, an enterprise carrying out its ocean fishery business without the approval of the Ministry of Agriculture may be subject to penalties imposed by applicable governmental authority pursuant to applicable laws and regulations. The most serious penalty is permanent suspension of its fishing business operation.

In addition, under PRC laws and regulations, Pingtan Fishing is required to hold certain certificates or licenses in order to use its vessels to conduct fishing outside PRC territorial seas. Some of the certificates or licenses are subject to renewal on a regular basis. We may not be able to renew such certificates or licenses. Failure to renew such certificates or licenses may cause temporary or even permanent suspension of Pingtan Fishing's operations, which would have adverse effects on our business and financial condition. In addition, we may face fines pursuant to the above-mentioned laws and regulations.

Pingtan Fishing has neither entered into employment contracts with its employees nor bought the required social insurance for its employees and we may be imposed fines by the relevant authority.

Compared to previous labor laws, the Labor Contract Law provides stronger protection for employees and imposes more obligations on employers. The Labor Contract Law stipulates, among other things, that (i) that all written labor contracts shall contain certain requisite terms; (ii) that the length of trial employment periods must be in proportion to the terms of the relevant labor contracts, which in any event may not be longer than six months; (iii) that in certain circumstances, a labor contract is deemed to be without a fixed term and thus an employee can only be terminated with cause; and (iv) that there are certain restrictions on the circumstances under which employers may terminate labor contracts as well as the economic compensations to employees upon termination of the employee's employment.

The PRC Social Insurance Law provides that the employers should apply for the social insurance registration to the social insurance authority for their employees within thirty days from the employment date. The employees should have the basic endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance and applicable maternity insurance for its employees. The premium of work-related injury insurance and maternity insurance should be paid by the employers and the premium of the other three kind of insurance should be paid by the employees and employers jointly. Employers who have not managed the application of social insurance registration in time may be ordered by the social insurance authority to make the rectification and may be fined for the twice or triple of the unpaid premium for any delay in such rectification. Employers who have not paid the premium of applicable social insurance for their employees should be ordered to make the payment in time and be charged an overdue fine in the amount of 5/10,000 per day of the unpaid premium from the due date, and, if they have not paid in time as required by such order, may be fined for an amount of twice to triple the unpaid premium. Further, employers have the obligations to withhold the premium of endowment insurance, medical insurance and unemployment insurance and for their employees, and should be charged 5/10,000 per day of the overdue withholding premium by the social insurance authority.

Pingtan Fishing has not entered into employment agreements with some of its employees, basically the root-level employees, none of whom has endowment insurance, basic medical insurance, insurance against injury at work, maternity insurance and unemployment insurance. Due to this lack of insurance, we may be subject to overdue payment and fines and in turn our financial condition and results of operations may be adversely affected. We are actively endeavoring to enter into the employment contracts with these employees, purchase the social insurance for these employees and taking other remedial action. However, such actions may not be completed on a timely basis, or at all, and may not avoid fines or other penalties. As of December 31, 2016, there had been no fines nor penalties requested by the social insurance authority. Per our estimation, $2,933,000 social insurance has been accrued as of December 31, 2016.

We may be subject to fines for the violation of Fishing Management Regulations.

PRC laws set forth rigorous standards to the amount and qualification of the seamen serving on vessels. The applicable laws include, among other things, the 1983 PRC Navigation Safety Act, Provisions for Administration of Pelagic Fishery which was promulgated by Ministry of Agriculture on April 14, 2003, the PRC Seamen Regulations which was promulgated by State Council on March 28, 2007, Fishing Port Navigation Safety Management Regulations which was promulgated by State Council on May 5, 1989, and Provisions of the People's Republic of China on Marine and Maritime Administrative Penalty which was promulgated by Ministry of Communications on July 10, 2003. All these laws and regulations, collectively referred to as the Fishing Management Regulations, provide that the vessels should be equipped with qualified seamen, in a number required by the standard criteria to ensure the safety of such vessels and the seamen in Pingtan Fishing's vessels should be trained by the professional training institution permitted by Ministry of Agriculture and hold a Professional Sailor Certificate and the Professional Training Qualification. Further, the owners of the Pingtan Fishing's enterprises must apply for a Seafarer's Passport for the seamen on their vessels and the seamen in the voyage or assisting with marine engine work must have a Certificate of Competence. The owner or operator of the vessel may be ordered to rectify the failure to equip vessels with qualified seaman according to the standard quota to ensure the vessels' safety. Should there be any related gains, the owner or operator of the vessel are subject to a fine of less than three times of the related gains and up to RMB30,000 for such violation or for the seamen on such vessels lacking valid Certificates of Competence.

Pingtan Fishing has not historically had procedures in place to ensure its vessels are equipped with sufficient qualified crews, who have the Seafarer's Passport and Certificate of Job Qualification or other certificates required by applicable Fishing Management Regulations, to ensure the safety of such vessels. Accordingly, we may be subject to fines for such violations.

Pingtan Fishing has not made past housing fund payments for and on behalf of its employees and we may be required to make such payments and be subject to fines or penalties.

Under the Administrative Regulation on Housing Provident Fund, an employer must make a housing fund payment, deposit registration upon its establishment and pay the housing fund for and on behalf of its employees at a percentage between 5% and 12% of the respective employee's monthly average wage of the preceding year. If an employer fails to make the housing fund payment and deposit registration, the housing fund administration authority may order it to complete the registration within a time limit or be assessed a fine of RMB10,000 to RMB50,000. Where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund for and on behalf of its employees, it may be ordered by the housing fund administration authority to deposit the fund within a prescribed time limit, as well as to pay a late payment fee of 0.3% per day of such amount from the due date. Due to inconsistent implementation and interpretation by local authorities in the PRC and different levels of acceptance of the social security system by employees, Pingtan Fishing has not made sufficient housing fund payment and deposit registration or paid the housing fund for and on behalf of its employees. In the future, we may be required to make housing fund payments, for both late fees and fines for non-compliance. For year 2016, the amount of housing fund payment is estimated to be $1,500.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from financing Pingtan Guansheng.

Any funds we transfer to Pingtan Guansheng, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign invested enterprises in China, capital contributions to Pingtan Guansheng are subject to the approval of the MOFCOM or its local branches and registration with other governmental authorities in China. In addition, (a) any foreign loan procured by Pingtan Guansheng is required to be registered with SAFE or its local branches, and (b) Pingtan Guansheng may not procure loans which exceed the difference between its registered capital and its total investment amount as approved by the MOFCOM or its local branches. Any medium or long term loan to be provided by us to Pingtan Guansheng must be approved by the National Development and Reform Commission and the SAFE or its local branches. We may be unable to obtain these government approvals or complete such registration on a timely basis, if at all, with respect to capital contributions or foreign loans by it to its PRC subsidiaries. If we fail to receive such approvals or complete such registration, the ability to fund our PRC operations may be negatively affected, which could adversely affect our liquidity and ability to fund and expand our business.

On August 29, 2008, SAFE promulgated the Circular on Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises, or SAFE Circular 142. SAFE Circular 142 provides that any Renminbi capital converted from registered capital in foreign currency of a foreign invested enterprise may only be used for purposes within the business scope approved by PRC governmental authority and such Renminbi capital may not be used for equity investments within the PRC unless otherwise permitted by the PRC law. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from registered capital in foreign currency of a foreign invested enterprise. The use of such Renminbi capital may not be changed without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been utilized. Any violation of SAFE Circular 142 could result in severe monetary or other penalties. As a result, after the consummation of the business combination, we will be required to apply Renminbi funds converted within the business scope of Pingtan Guansheng. SAFE Circular 142 significantly limits our ability to transfer the net proceeds from us prior or any future offering of additional equity securities to Pingtan Guansheng or invest in or acquire any other companies in the PRC. On November 19, 2010 SAFE promulgated the Circular on the Policy of further Improvement and Adjustment of the Administration of the Direct Investment by Foreign Currency, or SAFE Circular 59, requiring SAFE to closely examine the authenticity of settlement of net proceeds from offshore offerings. In particular, it is specifically required that any net proceed settled from offshore offerings shall be applied in the manner described in the offering documents. On November 9, 2011, SAFE promulgated the Notice on Relevant Issues Concerning further Defining and Managing Part of the Foreign Currency Business in Capital Projects, or SAFE Circular 45. SAFE Circular 45 further provides that a foreign-investment enterprise should not use the Renminbi capital converted from registered capital in foreign currency in the equity investment. Due to the fact that the business scope of Pingtan Guansheng does not include equity investment, according to the aforementioned regulations, Pingtan Guansheng may not use Renminbi converted from foreign currency-denominated capital for purposes equity investment, and it must use such capital within its business scope, such as the sales of aquatic products or import and export of various commodities and technologies. Therefore, SAFE Circulars 142, 59 and 45 may significantly limit our ability to convert, transfer and use the net proceeds from our prior or any future offering of equity securities in China, which may adversely affect our business, financial condition and results of operations.

Risks Relating to Our Securities

Our corporate actions are substantially controlled by our officers, directors and principal shareholders and their affiliated entities.

Our controlling shareholder and Chairman and CEO, Mr. Xinrong Zhuo, owns approximately 56.2% of our issued and outstanding shares. He would control matters requiring approval by our shareholders, including the election of directors and the approval of mergers or other business combination transactions, and he may not act in the best interests of minority shareholders. This concentration of ownership may also discourage, delay or prevent a change in control of us, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company. These actions may be taken even if they are opposed by our other shareholders.

Our auditor, like other independent registered public accounting firms operating in China, is registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, but has not yet been inspected, and as such, investors currently do not have the benefit of PCAOB oversight.

Auditors of companies that are registered with the SEC and traded publicly in the United States, including our independent registered public accounting firm, must be registered with the PCAOB and are required by U.S. law to undergo regular inspections by the PCAOB to assess their compliance with U.S. law and professional standards in connection with their audits of public company financial statements filed with the SEC. Because our auditor is located in China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, the audit work and practices of its auditor, like other registered audit firms operating in China, is currently not inspected by the PCAOB. The inability of the PCAOB to conduct inspections of auditors in China also makes it more difficult to evaluate the effectiveness of our auditor’s audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. As a result, investors may lose confidence in our reported financial information and procedures and the quality of our financial statements**.**

We have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future that may cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements. If we fail to remediate any material weaknesses or if we fail to establish and maintain effective control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with US generally accepted accounting principles. A material weakness 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 annual or interim financial statements will not be prevented or detected on a timely basis.

During the course of preparing our financial statement for each of the years ended December 31, 2016 and 2015 and 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, 2016 and 2015 in 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 December 31, 2016 and 2015. While we have implemented a plan to remediate this weakness, we cannot assure you that we will be able to remediate this weakness, which could impair our ability to accurately and timely report our financial position, results of operations or cash flows. If we are unable to successfully remediate this material weakness, and if we are unable to produce accurate and timely financial statements, our stock price may be adversely affected and we may be unable to maintain compliance with applicable Nasdaq listing requirements.

Our failure to remediate the material weakness identified above or the identification of additional material weaknesses in the future, could adversely affect our ability to report financial information, including our filing of quarterly or annual reports with the SEC on a timely and accurate basis. Moreover, our failure to remediate the material weakness identified above or the identification of additional material weaknesses could prohibit us from producing timely and accurate financial statements, which may adversely affect our the market price of our shares of common stock and warrants we may be unable to maintain compliance with Nasdaq listing requirements.

Shareholders may face difficulties in protecting their interests, and their ability to protect their rights through the United States federal courts may be limited because we re incorporated under Cayman Islands law, we conduct substantially all of our operations in China and all of our directors and officers reside outside the United States.

We are incorporated in the Cayman Islands and conduct substantially all of our operations in China through our PRC subsidiaries. All of our directors and officers reside outside the United States and a substantial portion of their assets are located outside of the United States. As a result, it may be difficult or impossible for our shareholders to bring an action against us or these individuals in the Cayman Islands or in China in the event that you believe that your rights have been infringed under the securities laws or otherwise. Even if shareholders are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

Compliance with rules and requirements applicable to public companies will cause us to incur additional costs, and any failure by us to comply with such rules and requirements could negatively affect investor confidence in us and cause the value of our securities to decline.

As a relatively new public company, we are incurring significant legal, accounting and other expenses that we did not incur as a private company, many of which are not reflected in our historical financial statements. In addition, the Sarbanes-Oxley Act, as well as rules adopted by the SEC, has required changes in the corporate governance practices of public companies. We expect these rules and regulations to increase our legal, accounting and financial compliance costs and to make certain corporate activities more time-consuming and costly. Complying with these rules and requirements may be especially difficult and costly for us because it may have difficulty locating sufficient personnel in China with experience and expertise relating to U.S. GAAP and United States public company reporting requirements, and such personnel may command high salaries. If we cannot employ sufficient personnel to ensure compliance with these rules and regulations, we may need to rely more on outside legal, accounting and financial experts, which may be very costly.

The prices at which shares of our ordinary shares are traded will likely be volatile.

You should expect the prices at which our ordinary shares are traded to be highly volatile. Our progress in developing and commercializing our products, the impact of government regulations on our products and industry, the potential sale of a large volume of our ordinary shares by shareholders, our quarterly operating results, changes in general conditions in the economy or the financial markets and other developments affecting us or our competitors could cause the market price of our ordinary shares to fluctuate substantially with significant market losses. As a result, this may make it difficult or impossible for holders of our ordinary shares to sell shares when they want and at prices they find attractive.

The market price of the warrants is directly affected by the market price of our ordinary shares, which may be volatile.

We believe that the market price of the warrants is significantly affected by the market price of our ordinary shares. We cannot predict how our ordinary shares will trade in the future. This may result in greater volatility in the market price of the warrants than would be expected for non-exercisable securities.

Under certain circumstances, holders may have to pay U.S. federal income tax as a result of a deemed distribution with respect to our ordinary shares or warrants—even if holders do not receive a corresponding distribution of cash—such as, if we adjust, or fail to adjust, the exercise price of the warrants in certain circumstances.

Holders of our ordinary shares or warrants may be treated as having received a constructive distribution in certain circumstances, for example if we make certain adjustments to (or fail to make adjustments to) the exercise price of the warrants and such adjustment (or failure to make an adjustment) has the effect of increasing the proportionate interest of certain holders in our earnings and profits or assets. Such a distribution could be treated as a taxable dividend or capital gain for U.S. federal income tax purposes even though holders do not receive any cash with respect to such constructive distribution. In addition, you may be subject to U.S. federal withholding tax on any such constructive distribution on our ordinary shares or warrants. You are advised to consult your independent tax advisor regarding the possibility and tax treatment of any deemed distributions for U.S. federal income tax purposes.

Until the exercise of the warrants, holders of these securities do not have identical rights as holders of our ordinary shares, but they will be subject to all changes made with respect to our ordinary shares.

Holders of the warrants are not entitled to any rights with respect to our ordinary shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on our ordinary shares), but they will be subject to all changes affecting our ordinary shares. Holders of warrants will have rights with respect to our ordinary shares only if they receive our ordinary shares upon exercise of the warrants and only as of the date when such holder becomes a record owner of our ordinary shares upon such exercise. For example, with respect to warrants, if an amendment is proposed to our memorandum and articles of incorporation requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date a warrant holder is deemed to be the owner of our ordinary shares due upon exercise of the warrants, the exercising warrant holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes in the powers, preferences or special rights of our ordinary shares.

The market price of our ordinary shares may or may not exceed the exercise price of the warrants.

As of the date of this annual report, the market price of our ordinary shares did not exceed the exercise price of our warrants, and we cannot provide you with any assurance that that the market price of our ordinary shares will ever exceed the exercise price of the warrants in any or all periods prior to the date of expiration. Any warrants not exercised by their date of expiration will expire worthless and we will be under no further obligation to the warrant holders.

Since the warrants are executory contracts, they may have no value in a bankruptcy or reorganization proceeding.

In the event a bankruptcy or reorganization proceeding is commenced by or against us, a bankruptcy court may hold that any unexercised warrants are executory contracts that are subject to rejection by us with the approval of the bankruptcy court. As a result, holders of the warrants may, even if we have sufficient funds, not be entitled to receive any consideration for their warrants or may receive an amount less than they would be entitled to if they had exercised their warrants prior to the commencement of any such bankruptcy or reorganization proceeding.

We may sell equity securities in the future, which would cause dilution.

We may sell equity securities in the future to obtain funds for general corporate or other purposes. We may sell these securities at a discount to the market price. Any future sales of equity securities will dilute the holdings of existing holders of our ordinary shares, possibly reducing the value of their investment.

The exercise of warrants to purchase our ordinary shares will increase the number of shares eligible for future resale in the public market and result in dilution to our existing shareholders.

There are outstanding warrants to purchase an aggregate of 8,966,667 of our ordinary shares. To the extent such warrants are exercised, additional shares of our ordinary shares will be issued, which will result in dilution to the existing holders of our ordinary shares and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our ordinary shares.

Although our ordinary shares are currently listed on The NASDAQ Capital Market, there can be no assurance that we will be able to comply with the continued listing standards.

The NASDAQ Capital Market may delist our ordinary shares from trading on its exchange for failure to meet the continued listing standards. If our ordinary shares were delisted from The NASDAQ Capital Market, we and our shareholders could face significant material adverse consequences including:

- a limited availability of market quotations for our ordinary shares;

- a determination that our ordinary shares is a “penny stock” would require brokers trading in our ordinary shares to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our ordinary shares;

- a limited amount of analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Our ordinary shares are currently listed for trading on The NASDAQ Capital Market under the symbol “PME”.

The warrants may be thinly traded, so you may be unable to sell at or near ask prices or even at all if you need to sell your warrants to raise money or otherwise desire to liquidate your warrants.

The warrants are quoted on the Over-the-Counter Bulletin Board and may be “thinly-traded,” meaning that the number of persons interested in purchasing the warrants at or near bid prices at any given time may be relatively small or non-existent. This situation could be attributable to a number of factors, including the fact that we are a relatively new company that may be unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned and viable. As a consequence, there may be periods of several days, weeks or months when trading activity in the warrants is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on the price of the warrants. We cannot give you any assurance that a broader or more active public trading market for the warrants will develop or be sustained, or that current trading levels will be sustained or not diminish.

Our management will have broad discretion over the use of the proceeds that we receive from the exercise of the warrants and might not apply the proceeds in ways that increase the value our ordinary shares.

We will receive the proceeds from the exercise of our warrants, but not from the sale of the underlying ordinary shares. We also will not receive the proceeds from any resales by the selling security holders of any ordinary shares or warrants. Our management will have broad discretion to use the proceeds that we receive from the exercise of the warrants, and you will be relying on the judgment of our management regarding the application of these proceeds. Our management might not apply these proceeds in ways that increase the value our ordinary shares. We intend to use these proceeds primarily for general corporate purposes, including working capital, sales and marketing activities, general and administrative matters, repayment of indebtedness, and capital expenditures. We may also use a portion of these proceeds to acquire or invest in complementary products or businesses. Pending the foregoing uses, we intend to invest the proceeds that we receive from the exercise of our warrants in short-term, investment-grade, interest-bearing securities, and these investments may not yield a favorable rate of return. If we do not invest or apply the proceeds that we receive from the exercise of our warrants in ways that enhance shareholder value, we may fail to achieve expected financial results, which could cause the price of our ordinary shares to decline. You will not have the opportunity to influence our decisions on how we use the proceeds that we receive from the exercise of the warrants.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business, or our market, or if they change their recommendations regarding our ordinary shares adversely, the price and trading volume of our securities could decline.

Securities and industry analysts do not currently, and may never, publish research on us. If securities or industry analysts do not publish or cease publishing research or reports about us, our business, or our market, or if they change their recommendations regarding our ordinary shares adversely, the price and trading volume of our securities could decline. The trading markets for our securities will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market, or our competitors. If no securities or industry analysts commence coverage of us, the market price and trading volume of our securities would likely be negatively impacted. If any of the analysts who may cover us change their recommendation regarding our securities adversely, or provide more favorable relative recommendations about our competitors, the price of our securities would likely decline. If any analyst who may cover us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume of our securities to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located at 18-19/F, Zhongshan Building A, No. 154 Hudong Road, Fuzhou, PRC. On July 31, 2012, we entered into an office lease agreement with Ping Lin, the wife of Xinrong Zhuo, the Company's Chairman and Chief Executive Officer, for approximately 100 square meters of space. Annual lease payments were approximately US$13,000 in 2016.

On January 1, 2015, we entered into a service agreement with Hai Yi Shipping Limited, an affiliate company domiciled in Hong Kong, that provided the Company the use of premises of approximately 194 square meters located at Suites 5201-6, 52/F, The Center, 99 Queen's Road Central, Central, Hong Kong as office, and clerical and administrative support and consultation services. We incurred and paid approximately US$462,000 in 2016.

We have secured several cold storages located in one of China's largest seafood trading center, MaWei seafood market. The monthly rent for the cold storage is RMB80 (US$12) per square meter and the leases are renewable annually. The following table sets forth information regarding the cold storages we currently rent as of December 31, 2016:

Cold Storage	Storage Capacity (sq. meters)	Monthly rent (US$)
#201	1,045	$ 12,586
#203	1,045	12,586
Total	2,090	$ 25,172

We believe that our current offices and facilities are adequate to meet our needs, and that additional facilities will be available for lease, if necessary, to meet our future needs.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. Except as set forth below, we are not currently a party to any litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business, operating results, cash flows or financial condition.

Paul Fila, Individually and on Behalf of All Others Similarly Situated v. Pingtan Marine Enterprise Ltd., Xinrong Zhuo, Roy Yu, Jin Shi, and Xuesong Song.

On January 14, 2015, Paul Fila, individually and on behalf of all others similarly situated (collectively, "Plaintiffs"), filed a putative class action complaint in the United States District Court, Southern District of New York, against the Company and certain of its executive officers and directors, entitled Fila v. Pingtan Marine Enterprise Ltd. et al, No. 15 Civ. 267 (AJN). alleging, among other things, that our public securities filings in 2013 and 2014 contained materially false and misleading statements that the Company received 100% of the annual net income and net profit from Fujian Provincial County Ocean Fishing Group, Ltd. when it allegedly did not. The complaint sought unspecified compensatory damages and other relief. On July 19, 2016, the Court ruled the plaintiffs failed to identify a material misrepresentation or omission, and failed to plausibly allege loss causation against the Company, and dismissed all claims against the Company and its directors and officers.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our ordinary shares are listed on the NASDAQ Capital Market under the symbol "PME" and our warrants are quoted on the OTC Pink under the symbol "PMEWW."

The following table sets forth, for the periods indicated, the range of quarterly high and low sales prices for ordinary shares and warrants as reported by the NASDAQ Capital Market and the OTC Pink, respectively, in US dollars.

	Ordinary Shares		Warrants	
	High	Low	High	Low
2016				
First Quarter	$ 1.56	$ 1.13	$ 0.00(1)	$ 0.00(1)
Second Quarter	$ 1.49	$ 1.12	$ 0.01	$ 0.00(1)
Third Quarter	$ 2.33	$ 1.00	$ 0.01	$ 0.01
Fourth Quarter	$ 1.76	$ 0.84	$ 0.01	$ 0.01
2015				
First Quarter	$ 3.76	$ 1.66	$ 0.16	$ 0.11
Second Quarter	$ 2.36	$ 1.68	$ 0.15	$ 0.05
Third Quarter	$ 1.78	$ 1.02	$ 0.07	$ 0.01
Fourth Quarter	$ 1.73	$ 1.16	$ 0.02	$ 0.00(1)

(1) The 0.00 refers to 0.0001.

Holders of Record

On March 22, 2017, the closing sale price of our shares of ordinary shares was US$4.22 per share and there were 79,055,053 ordinary shares and warrants to purchase 8,966,667 ordinary shares outstanding. On that date, our ordinary shares and warrants were held by approximately 200 and 4 holders of record, respectively. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of our ordinary shares or warrants whose shares are held in the names of various security brokers, dealers, and registered clearing agencies.

Dividend Policy

For each quarter during 2016, we declared and paid cash dividends of US$0.01 per common share outstanding. In the first, second and fourth quarters of year 2015, we declared and paid cash dividends of US$0.01 per common share outstanding, respectively, and did not pay a dividend for the third quarter of 2015. Future cash dividends, if any, will be at the discretion of our board of directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors as our board of directors may deem relevant. We can pay dividends only out of our profits or other distributable reserves and dividends or distribution will only be paid or made if we are able to pay our debts as they fall due in the ordinary course of business. Payment of future dividends, if any, will be at the discretion of the board of directors after taking into account various factors, including current financial condition, operating results, current and anticipated cash needs and regulations governing dividend distributions by wholly foreign owned enterprises in China.

Securities Authorized for Issuance Under Equity Compensation Plans

As of the date of this annual report, we have no equity compensations plans for any of our employees, directors and consultants.

Purchases of Equity Securities

During the year ended December 31, 2016, we did not purchase any of our equity securities, nor did any person or entity purchase any of our equity securities on our behalf.

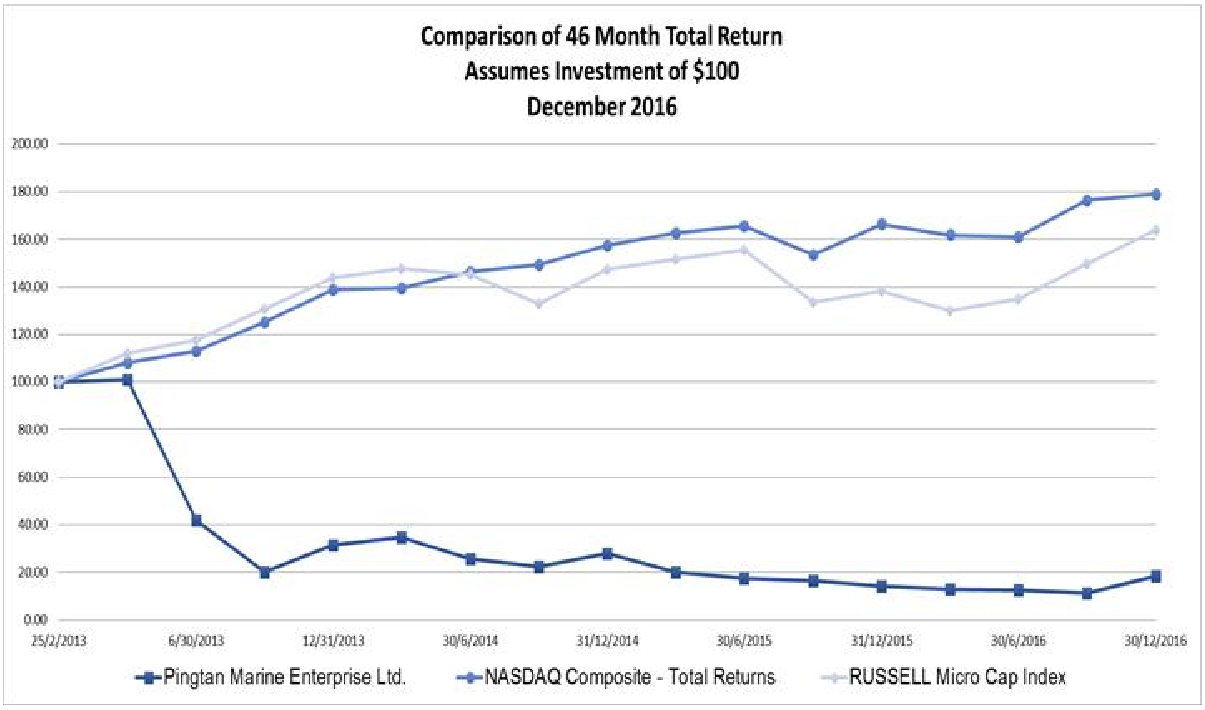
Recent Sales of Unregistered Securities and Use of Proceeds

None.

Stock Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Pingtan Marine Enterprise Ltd. under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph shows a comparison from February 25, 2013 (the date our ordinary shares commenced trading on the NASDAQ capital Market under its current ticker “PME” after our initial business combination) through December 31, 2016 of the cumulative total return for our common stock, the Nasdaq Composite Index (NASDAQ Composite), and the Russell MicroCap Index. We use the Russell MicroCap Index because of the relatively limited number of peers companies in the SIC Code 900. These comparisons assume the investment of US$100 on February 25, 2013 and the reinvestment of dividends. The stock price performance of the following graph is not necessarily indicative of future stock price performance.



ITEM 6. SELECTED FINANCIAL DATA

The following two tables set forth selected consolidated statement of financial data as of and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, which are derived from our audited consolidated financial statements. Our consolidated financial statements are prepared in accordance with U.S. GAAP. Our historical results for any period are not necessarily indicative of results to be expected for any future period. You should read the following selected financial information in conjunction with the consolidated financial statements and related notes and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this annual report.

	Year Ended December 31,					
	2016 US$	% of Revenue	2015 US$	% of Revenue	2014 US$	% of Revenue
	(in thousands, except for percentages, per share and operating data)					
Consolidated Statement of Income Data:						
Revenue						
Ribbon fish	$ 10,374	50.5%	$ 20,346	33.5%	$ 65,396	28.0%
Croaker fish	6,187	30.1%	25,314	41.7%	17,810	7.6%
Reefcod	995	4.8%	262	0.4%	3	0.0%
Squid	695	3.4%	2,359	3.9%	2,594	1.1%
Shrimp	527	2.6%	1,897	3.1%	50,557	21.7%
Conger eel	449	2.2%	2,039	3.4%	8,150	3.5%
Others	1,314	6.4%	8,483	14.0%	88,917	38.1%
Total Revenue	20,541	100.0%	60,700	100.0%	233,427	100.0%
Cost of revenue						
Fuel cost	20,200	98.3%	26,049	42.9%	97,906	41.9%
Depreciation	4,709	22.9%	4,999	8.2%	5,887	2.5%
Labor cost	1,981	9.6%	15,914	26.2%	15,471	6.7%
Maintenance fee	707	3.5%	10,364	17.1%	7,031	3.0%
Spare parts	564	2.8%	1,495	2.5%	5,771	2.5%
Freight	477	2.3%	2,600	4.3%	17,539	7.5%
Fishing license & agent fee	29	0.1%	1,489	2.5%	6,236	2.7%
Reserve for inventories	(213)	(1.0)%	-	-	-	-
Others	875	4.3%	567	0.9%	-	-
Total Cost of revenue	29,329	142.8%	63,477	104.6%	155,841	66.8%
Gross (loss) profit	(8,788)	(42.8)%	(2,777)	(4.6)%	77,586	33.2%
Selling expenses	(1,236)	(6.0)%	(1,859)	(3.1)%	(2,673)	(1.1)%
General and administrative expenses	(3,969)	(19.3)%	(2,934)	(4.8)%	(4,537)	(1.9)%
Operating (loss) income	(13,993)	(68.1)%	(7,569)	(12.5)%	70,376	30.1%
(Loss) income before income taxes	(14,676)	(71.4)%	19,558	32.2%	85,761	36.7%
Income tax	1	-	-	-	-	-
Net (loss) income	$ (14,677)	(71.5)%	$ 19,558	32.2%	$ 85,761	36.7%
Net (loss) income per share						
Basic and diluted	$ (0.17)		$ 0.23		$ 1.08	
Other Consolidated Financial Data:						
Gross margin	(42.8)%		(4.6)%		33.2%	
Operating margin	(68.1)%		(12.5)%		30.1%	
Net margin	(71.5)%		32.2%		36.7%	
Consolidated Operating Data:						
Sales volume (kg)						
Croaker fish	2,495,291		8,489,607		6,646,052	
Ribbon fish	3,611,925		7,756,532		25,485,098	
Reefcod	526,940		80,080		742,890	
Squid	492,844		1,098,442		754,337	
Shrimp	117,528		200,920		5,485,956	
Conger eel	190,249		922,150		3,279,985	
Others	401,946		3,088,138		34,008,105	
Average selling price ($ per kg)						
Croaker fish	2.48		2.98		2.68	
Ribbon fish	2.87		2.62		2.57	
Reefcod	1.89		3.27		3.43	
Squid	1.41		2.15		3.44	
Shrimp	4.48		9.44		9.22	
Conger eel	2.36		2.21		2.48	
Others	3.27		2.75		2.61	
Consolidated Balance Sheet Data:						
Cash	$ 820		$ 11,449		$ 12,752	
Accounts receivable, net	11,323		12,575		50,000	

Inventories	8,811	2,336	12,123
Property, plant and equipment	122,197	94,555	109,981
Total assets	$ 226,472	$ 231,877	$ 249,030
Secured short-term bank loans and current portion of long-term bank loans	$ 38,853	$ 34,651	$ 49,223
Total liabilities and commitments	86,760	65,037	99,771
Total shareholders’ equity	139,712	166,840	149,259
Total liabilities and shareholders’ equity	$ 226,472	$ 231,877	$ 249,030

	Year Ended December 31,			
	2013		2012	
	US$	% of Revenue	US$	% of Revenue
	(in thousands, except for percentages, per share and operating data)			
Consolidated Statement of Income Data:				
Revenue				
Ribbon fish	$ 15,242	12.4%	$ 29,163	43.2%
Indian white shrimp	47,169	38.5%	9,659	14.3%
Croaker fish	10,022	8.2%	8,306	12.3%
Pomfret	1,120	0.9%	2,283	3.4%
Red fish	1,826	1.5%	726	1.1%
Threadfin	2,631	2.1%	596	0.9%
Others	44,658	36.4%	16,728	24.8%
Rental			-	-
Total Revenue	122,668	100.0%	67,461	100.0%
Cost of revenue				
Fuel cost	46,562	38.0%	28,113	41.7%
Freight	6,694	5.4%	4,893	7.2%
Labor cost	3,761	3.0%	3,072	4.6%
Maintenance fee	2,653	2.2%	2,675	4.0%
Spare parts	9,055	7.4%	1,189	1.8%
Depreciation	3,759	3.0%	135	0.1%
License fee	2,499	2.1%	1,059	1.6%
Service fee	-	-	434	0.6%
Total Cost of revenue	74,983	61.1%	41,570	61.6%
Gross profit	47,685	38.9%	25,891	38.4%
Selling expenses	(1,618)	(1.3)%	(648)	(1.0)%
General and administrative expenses	(3,192)	(2.6)%	(463)	(0.7)%
Operating income from continuing operations	42,875	35.0%	24,780	36.7%
Income from continuing operations before income taxes	47,136	38.4%	24,280	36.0%
Income taxes	-	-	-	-
Net income from continuing operations	$ 47,136	38.4%	$ 24,280	36.0%
Net income from discontinued operations, net of taxes	51,910		84,494	
Consolidated net income	$ 99,046		$ 108,775	
Basic and diluted earnings per share				
From continuing operations	$ 0.60		$ 0.32	
From discontinued operations	0.66		1.09	
Net income	$ 1.26		$ 1.41	
Other Consolidated Financial Data:				
Gross profit margin	38.9%		38.4%	
Operating profit margin	35.0%		36.7%	
Net profit margin	38.4%		36.0%	
Consolidated Operating Data:				
Sales volume (kg)				
Ribbon fish	6,817,575		15,229,701	
Indian white shrimp	19,249,641		1,275,801	
Croaker fish	4,249,796		4,740,661	
Pomfret	327,785		1,318,409	
Red fish	519,095		221,250	
Threadfin	874,087		205,560	
Others	11,133,332		6,223,249	
Average selling price ($ per kg)				
Ribbon fish	2.24		1.91	
Indian white shrimp	2.45		7.57	
Croaker fish	2.36		1.75	

Pomfret	3.42	1.73
Red fish	3.52	3.28
Threadfin	3.01	2.90
Others	4.01	2.69
Consolidated Balance Sheets Data:		
Cash and cash equivalents	$ 8,157	$ 6,861
Accounts receivable	9,133	11,478
Inventories	9,096	194
Property, plant and equipment	101,971	37,748
Total assets	$ 170,131	$ 481,027
Secured short-term bank loans and current portion of long-term bank loans	$ 29,337	$ 33,264
Total liabilities and commitments	105,290	83,711
Total shareholders' equity	64,841	397,316
Total liabilities and shareholders' equity	$ 170,131	$ 481,027

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the notes thereto contained elsewhere in this report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

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

Special note regarding forward-looking statements

All statements other than statements of historical fact included in this Form 10-K including, without limitation, statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding our financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. When used in this Form 10-K, words such as "anticipate," "believe," "estimate," "expect," "intend" and similar expressions, as they relate to us or our management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of a number of factors, including those set forth under the risk factors and business sections in this Form 10-K.

Overview

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

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

In September 2013, we further increased our fleet to 106 vessels with the acquisition of 20 newly-built fishing trawlers. These vessels have a run-in period of 3 - 6 months, during which each is placed into the sea for testing prior to full operation. At full operation, each vessel is capable of harvesting 900 to 1,000 tons of fish.

Subsequent to our fleet expansions, in September 2013, the Ministry of Agriculture of the People's Republic of China ("MOA") issued a notification that it would suspend accepting shipbuilding applications for tuna harvesting vessels, squid harvesting vessels, Pacific saury harvesting vessels, trawlers operating on international waters, seine on international waters, and trawlers operating on the Arafura Sea, Indonesia. We believe the announcement is a positive indicator for long-term stability and balance in China's fishing industry.

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

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

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

As of December 31, 2016, we own 91 trawlers, 15 drifters, 3 light luring seine vessels, 2 squid jigging vessels and have exclusive operating license rights to 20 drifters, and we also have 4 longline fishing vessels in the final process of paperwork formalities and will be put into operation upon completion. We are the second largest China based fishery company operating its vessels outside of China waters and our fleet has an average remaining useful life of approximately 13.4 years. These vessels are fully licensed to operate in their fishing territories.

Among the 135 fishing vessels, 13 are operating in Indo-Pacific waters; 12 are operating in the Bay of Bengal in India; 2 are operating in international waters of Southwest Atlantic and Southeast Pacific Oceans; 4 are in the final process of paperwork formalities and will be operating in international waters of Pacific Ocean upon completion, and the remaining vessels are licensed to operate in the Arafura Sea in Indonesia but temporarily not operating due to the moratorium discussed below.

We catch nearly 20 different species of fish including ribbon fish, croaker fish, pomfret, Spanish mackerel, conger eel, squid and red snapper. All of our catch is shipped back to China. Our fishing vessels transport frozen catch to a cold storage warehouse nearby onshore fishing bases. We then arrange chartered transportation ships to deliver frozen stocks to cold storage warehouses located in one of China's largest seafood trading centers, Mawei Seafood Market in Fujian Province.

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

Revenue by territory

Our customers are from the following PRC territories:

	Year Ended December 31,		
	2016	2015	2014
Guangdong province	48%	47%	34%
Fujian province	32%	36%	44%
Zhejiang province	13%	8%	5%
Shandong province	4%	3%	11%
Liaoning province	1%	2%	1%
Other areas	2%	4%	5%
Total	100%	100%	100%

Significant factors affecting our results of operations

- *The Indonesian government's moratorium on fishing licenses renewals:* In early December 2014, the Indonesian government introduced a six-month moratorium on issuing new fishing licenses and renewals so that the country’s Ministry of Maritime Affairs and Fisheries (“MMAF”) could monitor the operations of existing fleets and to fight illegal fishing activities. As a result, all licensed fishing vessels operating in Indonesian waters have been informed by the Indonesian government to operate within strict guidelines and subsequently to cease operation, in order to avoid potential enforcement actions, such as boat seizures, by the Indonesian Navy. We currently operate 135 fishing vessels and have a license to operate 104 of these vessels operate in the Arafura Sea of Indonesia. To cooperate and comply with the Indonesian government’s fishing license check procedures, in January 2015, we lowered our operation to approximately half of our normal level. Since February 2015, we have ceased operations in the Indonesian waters. Since we derive a majority of our revenue from this area, this ban has caused a significant drop in our production. In November 2015, the Indonesian government announced that the moratorium had concluded. Our expectation is that the MMAF will implement new fishing policies and resume the license renewal process although this has not yet occurred. In the meantime, we deployed thirteen vessels to Indo-Pacific waters and two squid jigging vessels to the international waters of Southwest Atlantic and Southeast Pacific Oceans in the second half of fiscal 2016. Furthermore, we expect to deploy 4 vessels to international waters of Pacific Ocean for tuna soon and we are looking forward to full-load operation of these vessels in the coming months.

- *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 Indian Exclusive Economic Zone, Indo-Pacific waters, the Arafura Sea of Indonesia and international waters of Atlantic and Pacific Oceans. Any earthquake, tsunami, adverse weather or oceanic conditions or other calamities in such areas may result in disruption to our operations and could adversely affect our sales. Adverse weather conditions such as storms, cyclones and typhoons or cataclysmic events may also decrease the volume of fish catches or may even hamper our operations. Our fishing volumes may also be adversely affected by major climatic disruptions such as El Nino, which in the past has caused significant decreases in seafood catch worldwide. Besides weather patterns, other unpredictable factors, such as fish migration, may also have impact our harvest volume.

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

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

- *Fishing licenses:* Each of our fishing vessels requires approval from the Ministry of Agriculture of the People's Republic of China to carry out ocean fishing projects in foreign territories. These approvals are valid for a period of three to twelve months, and are awarded to us at no cost. We apply for the renewal of the approval prior to expiration to avoid interruptions of our fishing vessels' operations. Each of our fishing vessels operating in Indonesian waters requires a fishing license granted by the authority in Indonesia.

RESULTS OF OPERATIONS

Comparison of results of operations for the year ended December 31, 2016 and 2015

Revenue

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

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

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

For the years ended December 31, 2016 and 2015, our revenue by species of fish was as follows (dollars in thousands, except for average price):

	Year Ended December 31, 2016			
	Revenue	Volume (KG)	Average price	Percentage of revenue
Ribbon fish	$ 10,374	3,611,925	$ 2.87	50.5%
Croaker fish	6,187	2,495,291	2.48	30.1%
Reefcod	995	526,940	1.89	4.8%
Squid	695	492,844	1.41	3.4%
Shrimp	527	117,528	4.48	2.6%
Conger eel	449	190,249	2.36	2.2%
Others	1,314	401,946	3.27	6.4%
Total	$ 20,541	7,836,723	$ 2.62	100.0%

	Year Ended December 31, 2015			
	Revenue	Volume (KG)	Average price	Percentage of revenue
Croaker fish	$ 25,314	8,489,607	$ 2.98	41.7%
Ribbon fish	20,346	7,756,532	2.62	33.5%
Pomfret	3,246	1,178,101	2.76	5.3%
Squid	2,359	1,098,442	2.15	3.9%
Spanish mackerel	2,288	724,228	3.16	3.8%
Conger eel	2,039	922,150	2.21	3.4%
Others	5,108	1,466,809	3.48	8.4%
Total	$ 60,700	21,635,869	$ 2.81	100.0%

For the year ended December 31, 2016, we had revenue of $20,540,769, as compared to revenue of $60,700,190 for the year ended December 31, 2015, a decrease of $40,159,421, or 66.2%. Sales volumes in the year ended December 31, 2016 decreased 63.8% to 7,836,723 kg from 21,635,869 kg in the year ended December 31, 2015. Average unit sale price decreased 6.8% in the year ended December 31, 2016 as compared to the year ended December 31, 2015, which was primarily due to the different sales mix.

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

Since we derive a majority of our revenue from this area, this temporary ban has caused a significant drop in our production. As a result, our sales for the year ended December 31, 2016 decreased significantly as compared to the year ended December 31, 2015. In November 2015, the Indonesian government announced that the moratorium had concluded. Our expectation is that the MMAF will implement new fishing policies and resume the license renewal process although this has not yet occurred. In the interim, our financial results will continue to be materially adversely affected by this moratorium. To satisfy our customers' demand, we purchased fish from a third party and resold it to our customers which generated a positive gross margin. The positive gross margin in the reselling activities partially offset the decrease in our overall gross margin for the year ended December 31, 2016.

Cost of revenue

Our cost of revenue primarily consists of fuel cost, depreciation, direct labor cost, fishing vessels maintenance fee, other overhead costs, and purchase cost for reselling fish. Fuel cost, depreciation, labor cost, and maintenance fee generally accounted for the majority of our cost of revenue. The following table sets forth our cost of revenue information, both in amounts and as a percentage of revenue for the years ended December 31, 2016 and 2015 (dollars in thousands):

	Year Ended December 31,					
	2016			2015		
	Amount	% of cost of revenue	% of revenue	Amount	% of cost of revenue	% of revenue
Fuel cost	$ 20,200	68.8%	98.3%	$ 26,049	41.0%	42.9%
Depreciation	4,709	16.1%	22.9%	4,999	7.9%	8.2%
Labor cost	1,981	6.8%	9.6%	15,914	25.1%	26.2%
Maintenance fee	707	2.4%	3.5%	10,364	16.3%	17.1%
Spare parts	564	1.9%	2.8%	1,495	2.4%	2.5%
Freight	477	1.6%	2.3%	2,600	4.1%	4.3%
Fishing license and agent fee	29	0.1%	0.1%	1,489	2.3%	2.5%
Reserve for inventories	(213)	(0.7)%	(1.0)%	-	-	-
Other *	875	3.0%	4.3%	567	0.9%	0.9%
Total cost of revenue	$ 29,329	100.0%	142.8%	$ 63,477	100.0%	104.6%

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

Cost of revenue for the year ended December 31, 2016 was $29,328,776, representing a decrease of $34,147,851 or 53.8% as compared to $63,476,627 for the year ended December 31, 2015. The decrease was primarily attributable to the decrease in our revenue.

Gross loss

Our gross loss is affected primarily by changes in production costs and purchase price for our reselling fish. Fuel cost, depreciation, labor cost, and maintenance fee together account for about 94.1% and 90.3% of cost of revenue for the years ended December 31, 2016 and 2015, respectively. The change in the fluctuation of fuel price, and change in labor cost may significantly affect our cost level and gross loss.

The following table sets forth information as to our revenue, cost of revenue, gross loss and gross margin for the years ended December 31, 2016 and 2015.

	Year Ended December 31,	
	2016	2015
Revenue	$ 20,540,769	$ 60,700,190
Cost of revenue	$ 29,328,776	$ 63,476,627
Gross loss	$ (8,788,007)	$ (2,776,437)
Gross margin	(42.8)%	(4.6)%

Gross loss for the year ended December 31, 2016 was $8,788,007, representing an increase of $6,011,570 or 216.5% as compared to gross loss of $2,776,437 for the year ended December 31, 2015 due to the moratorium described elsewhere in this report. Gross margin decreased to (42.8)% for the year ended December 31, 2016 from (4.6)% for the year ended December 31, 2015.

The significant decrease in gross margin for the year ended December 31, 2016 as compared to the year ended December 31, 2015 was primarily attributable to the reduced scale of operations resulting in lower revenue, which is reflected in the allocation of fixed costs, mainly consisting of depreciation, to cost of revenue; partially offset by the positive gross margin from our fish resale activities.

Selling expense

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

Selling expense totaled $1,235,497 for the year ended December 31, 2016, as compared to $1,858,687 for the year ended December 31, 2015, a decrease of $623,190 or 33.5%. Selling expense as a percentage of revenue for the year ended December 31, 2016 increased to 6.0% from 3.1% for the year ended December 31, 2015, which was mainly attributable to the significant decrease in sales revenue due to the Indonesian government's moratorium described above and a change in insurance cost year over year. Selling expense for the years ended December 31, 2016 and 2015 consisted of the following:

	Year Ended December 31,	
	2016	2015
Insurance	$ 595,222	$ 374,704
Shipping and handling fees	223,495	369,912
Storage fees	178,998	667,329
Customs service charge	161,619	183,390
Advertising	42,208	89,204
Other	33,955	174,148
	$ 1,235,497	$ 1,858,687

- For the year ended December 31, 2016, insurance expense increased by $220,518, or 58.9%, as compared to the year ended December 31, 2015. The increase was primarily attributable to the increase in insured fishing vessels and the increase in unit premium for insured fishing vessels.

- For the year ended December 31, 2016, shipping and handling fees decreased by $146,417, or 39.6%, as compared to the year ended December 31, 2015. The decrease was mainly attributable to the decrease in our fishing activities.

- For the year ended December 31, 2016, storage fees decreased by $488,331, or 73.2%, as compared to the year ended December 31, 2015. The decrease was primarily attributable to the decrease in our storage area resulting from decreased inventories.

- For the year ended December 31, 2016, customs service charge decreased by $21,771, or 11.9%, as compared to the year ended December 31, 2015, due to the decrease in fishing activities.

- For the year ended December 31, 2016, advertising expenses decreased by $46,996, or 52.7%, as compared to the year ended December 31, 2015, mainly due to the decrease in advertising activities.

- Other selling expense, which primarily consisted of fishing vessels' examination fees, for the year ended December 31, 2016 decreased by $140,193, or 80.5%, as compared to the year ended December 31, 2015. The decrease was mainly due to the decrease in examination fees for our fishing vessels resulting from the decrease in examined fishing vessels.

General and administrative expense

General and administrative expense totaled $3,969,465 for the year ended December 31, 2016, as compared to $2,933,588 for the year ended December 31, 2015, an increase of $1,035,877 or 35.3%. General and administrative expense for the years ended December 31, 2016 and 2015 consisted of the following:

	Year Ended December 31,	
	2016	2015
Professional fees	$ 1,271,837	$ 1,558,856
Compensation and related benefits	1,207,562	1,202,716
Rent and related administrative service charge	474,545	475,897
Depreciation	343,737	232,807
Travel and entertainment	175,697	126,209
Bad debt recovery	(100,366)	(770,195)
Other	596,453	107,298
	$ 3,969,465	$ 2,933,588

- 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, for the year ended December 31, 2016, decreased by $287,019, or 18.4%, as compared to the year ended December 31, 2015. The decrease in the year ended December 31, 2016 was primarily attributable to a decrease in legal fees of approximately $156,000, a decrease in accounting fees of approximately $127,000, and a decrease in valuation fees of approximately $100,000, offset by an increase in investor relations services charge of approximately $79,000, and an increase in consulting service fees of approximately $17,000.

- Compensation and related benefits remained roughly consistent for the year ended December 31, 2016 as compared to the year ended December 31, 2015.

- Rent and related administrative service charge remained consistent for the year ended December 31, 2016 as compared to the year ended December 31, 2015.

- For the year ended December 31, 2016, depreciation expense increased by $110,930, or 47.6%, as compared to the year ended December 31, 2015. During the year ended December 31, 2016, our 13 upgraded and renovated fishing vessels were temporarily idle. We recorded the related depreciation for these 13 fishing vessels as operating expenses rather than as cost of revenue. Therefore, the depreciation for operating expenses for year 2016 increased as compared to year 2015.

- For the year ended December 31, 2016, travel and entertainment expense increased by $49,488, or 39.2% as compared to the year ended December 31, 2015. The increase was mainly attributable to an increase in travel for investor conferences.

- For the year ended December 31, 2016, we recorded bad debt recovery of $100,366 as compared to bad debt recovery of $770,195 for the year ended December 31, 2015. 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, which primarily consist of insurance, communication fees, office supply, miscellaneous taxes, bank service charge, depreciation, and NASDAQ listing fee. For the year ended December 31, 2016, other general and administrative expense increased by $489,155, or 455.9%, as compared to the year ended December 31, 2015. The increase was mainly attributable to an increase in directors and officers liability insurance of approximately $358,000, an increase in bank service charge of approximately $96,000, and an increase in other miscellaneous items of approximately $35,000.

Loss from operations

As a result of the factors described above, for the year ended December 31, 2016, loss from operations amounted to $13,992,969, as compared to loss from operations of $7,568,712 for the year ended December 31, 2015, a change of $6,424,257, or 84.9%.

Other (expense) income

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

For the year ended December 31, 2016, other expense, net, amounted to $683,358 as compared to other income, net, of $27,127,114 for the year ended December 31, 2015, a decrease of $27,810,472, or 102.5%, which was primarily attributable to an increase in foreign currency transaction loss of approximately $234,000, a significant decrease in grant income of approximately $32,594,000 mainly due to the significant decrease in our fuel expenditures on our fishing activities resulting from the Indonesian government's moratorium described above, a decrease in gain from cost method investment of approximately $38,000, an increase in loss on equity method investment of approximately $13,000, offset by an increase in interest income of approximately $1,828,000, a decrease in interest expense of approximately $1,658,000 primarily due to the decrease in our interest bearing bank loans, and a decrease in loss on fixed assets disposal of approximately $1,584,000.

The grant income represents an incentive granted by the Chinese government to encourage the development of ocean fishing industry in order to satisfy the demand for natural seafood in China. The grant income, which was recognized in the year ended December 31, 2016, is mainly related to the reimbursement of our fuel expenditures incurred in 2015.

Income taxes

We are exempted from income taxes for income generated from our ocean fishing operations in China for the years ended December 31, 2016 and 2015. For the year ended December 31, 2016, income taxes expense was $984 which was generated by taxable income from fish reselling activities. Since February 2015, we have temporarily ceased fishing operations in Indonesian waters due to the Indonesian government's moratorium previously mentioned. In order to satisfy our customers' demand, we purchased fish from a third party and resold to our customers. We are required to pay income taxes for our fish reselling operations.

Net (loss) income

As a result of the factors described above, our net loss was $14,677,311 for the year ended December 31, 2016, compared to net income of $19,558,402 for the year ended December 31, 2015, a decrease of $34,235,713 or 175.0%.

Net (loss) income attributable to owners of the Company

The net loss attributable to owners of the Company was $13,717,623, or $0.17 per ordinary share (basic and diluted) for the year ended December 31, 2016, compared to net income attributable to owners of the Company of $18,352,917, or $0.23 per ordinary share (basic and diluted) for the year ended December 31, 2015, a decrease of $32,070,540 or 174.7%.

Foreign currency translation adjustment

Our reporting currency is the U.S. dollar. The functional currency of our parent company and subsidiaries of Merchant Supreme and Prime Cheer is the U.S. dollar and the functional currency of the Company's subsidiaries 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 and comprehensive (loss) income. As a result of foreign currency translations, which are a non-cash adjustment, we reported a foreign currency translation loss of $9,288,056 for the year ended December 31, 2016, as compared to a foreign currency translation loss of $8,628,162 for the year ended December 31, 2015. This non-cash loss had the effect of increasing/decreasing our reported comprehensive loss/income.

Comprehensive (loss) income

As a result of our foreign currency translation adjustment, we had comprehensive loss for the year ended December 31, 2016 of $23,965,367, compared to comprehensive income of $10,930,240 for the year ended December 31, 2015.

Comparison of results of operations for the year ended December 31, 2015 and 2014

Revenue

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

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

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

For the years ended December 31, 2015 and 2014, our revenue by species of fish was as follows (dollars in thousands, except for average price):

	Year Ended December 31, 2015			
	Revenue	Volume (KG)	Average price	Percentage of revenue
Croaker fish	$ 25,314	8,489,607	$ 2.98	41.7%
Ribbon fish	20,346	7,756,532	2.62	33.5%
Pomfret	3,246	1,178,101	2.76	5.3%
Squid	2,359	1,098,442	2.15	3.9%
Spanish mackerel	2,288	724,228	3.16	3.8%
Conger eel	2,039	922,150	2.21	3.4%
Others	5,108	1,466,809	3.48	8.4%
Total	$ 60,700	21,635,869	$ 2.81	100.0%

	Year Ended December 31, 2014			
	Revenue	Volume (KG)	Average price	Percentage of revenue
Ribbon fish	$ 65,396	25,485,098	$ 2.57	28.0%
Indian white shrimp	50,557	5,485,956	9.22	21.7%
Pomfret	31,967	13,365,371	2.39	13.7%
Croaker fish	17,810	6,646,052	2.68	7.6%
Spanish mackerel	14,418	4,633,881	3.11	6.2%
Conger eel	8,150	3,279,985	2.48	3.5%
Others	45,129	17,506,080	2.58	19.3%
Total	$ 233,427	76,402,423	$ 3.06	100.0%

For the year ended December 31, 2015, we had revenue of $60,700,190, as compared to revenue of $233,427,011 for the year ended December 31, 2014, a decrease of $172,726,821, or 74.0%. Sales volumes in the year ended December 31, 2015 decreased 71.7% to 21,635,869 kg from 76,402,423 kg in the year ended December 31, 2014. Average unit sale price decreased 8.2% in the year ended December 31, 2015 as compared to the year ended December 31, 2014, which was primarily due to the different sales mix.

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

Since we derive a majority of our revenue from this area, this temporary ban has caused a significant drop in our production. As a result, our sales for the year ended December 31, 2015 decreased significantly as compared to the year ended December 31, 2014. In November 2015, the Indonesian government announced that the moratorium had concluded. Our expectation is that the MMAF will implement new fishing policies and resume the license renewal process although this has not yet occurred. In the interim, our financial results will continue to be materially adversely affected by this moratorium. To satisfy our customers' demand, we purchased fish from a third party and resell to our customers.

Cost of revenue

Our cost of revenue primarily consists of fuel costs, freight, direct labor costs, depreciation, fishing vessels maintenance fees and other overhead costs. Fuel costs generally accounted for the majority of our cost of revenue. The following table sets forth our cost of revenue information, both in amounts and as a percentage of revenue for the year ended December 31, 2015 and 2014 (dollars in thousands):

	Year Ended December 31,					
	2015			2014		
	Amount	% of cost of revenue	% of revenue	Amount	% of cost of revenue	% of revenue
Fuel cost	$ 26,049	41.0%	42.9%	$ 97,906	62.8%	41.9%
Labor cost	15,914	25.1%	26.2%	15,471	9.9%	6.7%
Maintenance fee	10,364	16.3%	17.1%	7,031	4.5%	3.0%
Depreciation	4,999	7.9%	8.2%	5,887	3.8%	2.5%
Freight	2,600	4.1%	4.3%	17,539	11.3%	7.5%
Spare parts	1,495	2.4%	2.5%	5,771	3.7%	2.5%
Fishing license and agent fee	1,489	2.3%	2.5%	6,236	4.0%	2.7%
Other *	567	0.9%	0.9%	-	-	-
Total cost of revenue	$ 63,477	100.0%	104.6%	$ 155,841	100.0%	66.8%

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

Cost of revenue for the year ended December 31, 2015 was $63,476,627, representing a decrease of $92,364,196 or 59.3% as compared to $155,840,823 for the year ended December 31, 2014. The decrease was primarily attributable to reduced scale of production.

Gross (loss) profit

Our gross (loss) profit is affected primarily by changes in production costs. Fuel cost, labor cost, and maintenance fee together account for about 82.4% and 77.2% of cost of revenue for the years ended December 31, 2015 and 2014, respectively. The fluctuation of fuel price and exchange rate may significantly affect our cost level and gross (loss) profit.

The following table sets forth information as to our revenue, cost of revenue, gross (loss) profit and gross margin for the years ended December 31, 2015 and 2014.

	Year Ended December 31,	
	2015	2014
Revenue	$ 60,700,190	$233,427,011
Cost of revenue	$ 63,476,627	$155,840,823
Gross (loss) profit	$ (2,776,437)	$ 77,586,188
Gross margin	(4.6)%	33.2%

Gross loss for the year ended December 31, 2015 was $2,776,437, representing a change of $80,362,625 or 103.6% as compared to gross profit of $77,586,188 for the year ended December 31, 2014 due to the moratorium described above. Gross margin decreased to (4.6)% for the year ended December 31, 2015 from 33.2% for the year ended December 31, 2014.

The significant decrease in gross margin for the year ended December 31, 2015 as compared to the year ended December 31, 2014 were primarily attributable to: (i) the reduced scale of operations resulting in lower revenue, which is reflected in the allocation of fixed costs, mainly consisting of depreciation and labor costs, to cost of revenue; (ii) the repairs and maintenance fees, which were incurred to maintain vessels in operating condition, were allocated to less production volume due to the reduced operations during the year ended December 31, 2015.

Selling expense

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

Selling expense totaled $1,858,687 for the year ended December 31, 2015, as compared to $2,673,213 for the year ended December 31, 2014, a decrease of $814,526 or 30.5%. Selling expense for the years ended December 31, 2015 and 2014 consisted of the following:

	Year Ended December 31,	
	2015	2014
Storage fees	$ 667,329	$ 1,008,699
Insurance	374,704	702,868
Shipping and handling fees	369,912	721,972
Customs service charge	183,390	80,140
Advertising	89,204	19,833
Other	174,148	139,701
	$ 1,858,687	$ 2,673,213

- For the year ended December 31, 2015, storage fees decreased by $341,370, or 33.8%, as compared to the year ended December 31, 2014. The decrease was primarily attributable to the decrease in our storage area resulting from the decreased inventories.

- For the year ended December 31, 2015, insurance decreased by $328,164, or 46.7%, as compared to the year ended December 31, 2014. The decrease was primarily attributable to the decrease in our revenue.

- For the year ended December 31, 2015, shipping and handling fees decreased by $352,060, or 48.8%, as compared to the year ended December 31, 2014. The decrease was mainly attributable to the decrease in our sales.

- For the year ended December 31, 2015, customs service charge increased by $103,250, or 128.8%, as compared to the year ended December 31, 2014, due to the increased percentage of outsourced customs service for fish from India. We provide in-house customs service for fish from Indonesia and outsource customs service for fish from India. The outsourcing service has a larger cost than in-house service.

- For the year ended December 31, 2015, advertising expenses increased by $69,371, or 349.8%, as compared to the year ended December 31, 2014. The increase was mainly attributable to the increased advertising activities incurred in 2015 in order to enhance our visibility.

- Other selling expense, which primarily consisted of vessels' examination fees and commodity inspection fees, for the year ended December 31, 2015 increased by $34,447, or 24.7%, as compared to the year ended December 31, 2014. The increase was primarily attributable to an increase in examination fees for our fishing vessels of approximately $46,000, mainly due to the increase in our fishing vessels, offset by a decrease in commodity inspection fees of approximately $12,000.

General and administrative expense

General and administrative expense totaled $2,933,588 for the year ended December 31, 2015, as compared to $4,537,351 for the year ended December 31, 2014, a decrease of $1,603,763 or 35.3%. General and administrative expense for the years ended December 31, 2015 and 2014 consisted of the following:

	Year Ended December 31,	
	2015	2014
Professional fees	$ 1,558,856	$ 829,113
Compensation and related benefits	1,202,716	994,587
Rent and related administrative service charge	475,897	475,608
Travel and entertainment	126,209	319,021
Bad debt (recovery) expense	(770,195)	1,173,223
Other	340,105	745,799
	$ 2,933,588	$ 4,537,351

- Professional fees, which consist of legal fees, accounting fees, investor relations services charge, valuation service fees and other fees associated with being a public company, for the year ended December 31, 2015 increased by $729,743, or 88.0%, as compared to the year ended December 31, 2014. The increase in the year ended December 31, 2015 was primarily attributable to an increase in annual audit and quarterly review fees and assurance and related services charge of approximately $378,000 mainly due to the change in independent registered public accounting firm and increased professional service provided by our auditors in year 2015, an increase in legal fees of approximately $146,000 due to the increased legal activities incurred in year 2015, an increase in valuation service fees of approximately $118,000, an increase in accounting fees of approximately $50,000 because we engaged an outside consulting firm to help us on U.S. GAAP reporting compliance since November 2014, and an increase in investor relations service charge of approximately $40,000, offset by a decrease in other miscellaneous items of approximately $2,000.

- Compensation and related benefits for the year ended December 31, 2015 increased by $208,129, or 20.9%, as compared to the year ended December 31, 2014. The increase for the year ended December 31, 2015 was mainly attributable to the increase in salaries and related benefits incurred and paid to our management and other administrative staff resulting from the anticipated expansion of our business.

- Rent and related administrative service charge remained consistent for the year ended December 31, 2015 as compared the year ended December 31, 2014.

- For the year ended December 31, 2015, travel and entertainment expense decreased by $192,812, or 60.4% as compared to the year ended December 31, 2014. The decrease was mainly attributable to a decrease in travel for investor road shows and conferences of approximately $152,000, and a decrease in entertainment expense of approximately $41,000 resulting from the decrease in entertainment activities incurred in year 2015.

- For the year ended December 31, 2015, we recorded bad debt recovery of $770,195 as compared to bad debt expense of $1,173,223 for the year ended December 31, 2014. 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, which primarily consist of communication fees, office supply, depreciation, miscellaneous taxes, severance payments, registration fees, director and officer liability insurance and bank service charges, for the year ended December 31, 2015 decreased by $405,694, or 54.4%, as compared to the year ended December 31, 2014, which was mainly attributable to a decrease in bank service charges of approximately $173,000, and a decrease in liability insurance of approximately $288,000, offset by an increase in other miscellaneous items of approximately $55,000.

(Loss) income from operations

As a result of the factors described above, for the year ended December 31, 2015, loss from operations amounted to $7,568,712, as compared to income from operations of $70,375,624 for the year ended December 31, 2014, a change of $77,944,336, or 110.8%.

Other income (expense)

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

For the year ended December 31, 2015, other income, net, amounted to $27,127,114 as compared to $15,385,081 for the year ended December 31, 2014, an increase of $11,742,033, or 76.3%, which was primarily attributable to an increase in interest income of approximately $87,000, a decrease in interest expense of approximately $1,185,000 mainly due to the decrease in our interest bearing bank loans, an increase in grant income of approximately $13,059,000, an increase in gain from cost method investment of approximately $65,000, offset by an increase in foreign currency transaction loss of approximately $1,051,000, an increase in loss on equity method investment of approximately $20,000, and an increase in loss on fixed assets disposal of approximately $1,584,000 mainly relating to 13 aged and dismantled fishing vessels which were replaced by 13 new vessels.

The grant income represents an incentive granted by the Chinese government to encourage the development of ocean fishing industry in order to satisfy the increased demand of natural seafood in China. The grant income, which was recognized in the year ended December 31, 2015, is mainly related to our fuel expenditures incurred in 2014.

Income taxes

We are exempted from income taxes for income generated from our ocean fishing operations in China for the year ended December 31, 2015 and 2014.

Net income

As a result of the factors described above, our net income was $19,558,402, as compared with net income of $85,760,705 for the year ended December 31, 2014, a decrease of $66,202,303 or 77.2%.

Net income attributable to owners of the Company

The net income attributable to owners of the Company was $18,352,917, or $0.23 per ordinary share (basic and diluted) for the year ended December 31, 2015, as compared with net income attributable to owners of the Company of $85,760,705, or $1.08 per ordinary share (basic and diluted) for the year ended December 31, 2014, a decrease of $67,407,788 or 78.6%.

Foreign currency translation adjustment

Our reporting currency is the U.S. dollar. The functional currency of our parent company and subsidiaries of Merchant Supreme and Prime Cheer is the U.S. dollar and the functional currency of the Company's subsidiaries which are incorporated in China is the Chinese Renminbi ("RMB"). The financial statements of our subsidiaries which are incorporated in China are translated to U.S. dollars using period end rates of exchange for assets and liabilities, and average rates of exchange (for the period) for revenue, costs, and expenses. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statements of income and comprehensive income. As a result of foreign currency translations, which are a non-cash adjustment, we reported a foreign currency translation loss of $8,628,162 for the year ended December 31, 2015, as compared to a foreign currency translation loss of $552,656 for the year ended December 31, 2014. This non-cash loss had the effect of decreasing our reported comprehensive income.

Comprehensive income

As a result of our foreign currency translation adjustment, we had comprehensive income for the year ended December 31, 2015 of $10,930,240, compared to comprehensive income of $85,208,049 for the year ended December 31, 2014.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations and otherwise operate on an ongoing basis. Our principal liquidity demands are based on the capital needs of Pingtan Fishing related to the acquisition or construction of new fishing vessels and continuously upgrading and renovating existing vessels, and our general corporate purposes. We historically relied on cash flow provided by operations and bank loans to supplement our working capital. We also receive government grants as the government incentive for encouraging development of ocean fishing industry. At December 31, 2016 and 2015, we had cash balances of approximately $820,000 and $11,449,000, respectively. The significant portion of these funds are located in financial institutions located in the PRC and will continue to be indefinitely reinvested in our operations in the PRC.

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

			December 31, 2015 to December 31, 2016	
	December 31, 2016	December 31, 2015	Change	Percentage Change
Working capital (deficit):				
Total current assets	$ 60,841,361	$ 91,945,902	$ (31,104,541)	(33.8)%
Total current liabilities	64,920,719	42,466,795	22,453,924	52.9%
Working capital (deficit):	$ (4,079,358)	$ 49,479,107	$ (53,558,465)	(108.2)%

Our working capital decreased $53,558,465 to working capital deficit of $4,079,358 at December 31, 2016 from working capital of $49,479,107 at December 31, 2015. This decrease in working capital is primarily attributable to a significant decrease in cash of approximately $10,628,000, a decrease in accounts receivable, net of allowance for doubtful accounts, of approximately $1,252,000, a significant decrease in advances to suppliers of approximately $32,025,000 primarily due to the reclassification of advances to suppliers of approximately $29.8 million to other receivables in December 2016 since we received the refund of advances previously made to our supplier in January and February 2017 (See Note 5), a decrease in prepaid expenses – related parties of approximately $4,118,000, due to the decrease in prepaid fuel costs and other miscellaneous items to our related parties, a significant decrease in receivable from transferring equity method investment shares of approximately $15,407,000 resulting from the repayments received in 2016, a decrease in other receivables – related parties of approximately $7,248,000 mainly due to the repayments received from our related parties in 2016, an increase in accounts payable – related parties of approximately $2,152,000, an increase in long-term bank loans – current portion of approximately $4,619,000 resulting from the increase in working capital advances from banks, and a significant increase in accrued liabilities and other payables – related party of approximately $18,147,000 resulting from the significant increase in prepayment made for long-term assets and other miscellaneous payments made by our related party on behalf of us to our vendors, offset by an increase in restricted cash of approximately $1,334,000, a significant increase in inventories, net of reserve for inventories, of approximately $6,475,000 to meet our customers' strong demand in our peak sales period of Chinese New Year in January 2017, a significant increase in other receivables of approximately $31,757,000 mainly due to the reclassification of advances to suppliers of approximately $29.8 million to other receivables in December 2016 since we received the refund of advances previously made to our supplier in January and February 2017 (See Note 5), a decrease in short-term bank loans of approximately $417,000, a decrease in accrued liabilities and other payables of approximately $645,000, and a decrease in due to related parties of approximately $1,341,000.

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

Cash flows for the year ended December 31, 2016 compared to the year ended December 31, 2015

The following summarizes the key components of our cash flows for the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
Net cash (used in) provided by operating activities	$ (4,950,046)	$ 40,853,550
Net cash used in investing activities	(13,081,250)	(66,187,228)
Net cash provided by financing activities	7,871,414	23,881,357
Effect of exchange rate on cash	(468,406)	148,733
Net decrease in cash	$ (10,628,288)	$ (1,303,588)

Net cash flow used in operating activities was $4,950,046 for the year ended December 31, 2016 as compared to net cash flow provided by operating activities of $40,853,550 for the year ended December 31, 2015, a decrease of $45,803,596.

- Net cash flow used in operating activities for the year ended December 31, 2016 primarily reflected net loss of approximately $14,677,000 and the non-cash items, primarily consisting of decrease in allowance for doubtful accounts of approximately $100,000, and decrease in reserve for inventories of approximately $213,000, and changes in operating assets and liabilities primarily consisting of an increase in inventories of approximately $6,706,000 in order to meet our customers' strong demand in our peak sales period of Chinese New Year in January 2017, an increase in advances to suppliers of approximately $145,000, an increase in other receivable of approximately $1,994,000, a decrease in accrued liabilities and other payables of approximately $335,000, offset by the add-back of non-cash items of depreciation of approximately $6,614,000, and changes in operating assets and liabilities primarily consisting of a decrease in accounts receivable of approximately $563,000, a significant decrease in prepaid expenses – related parties of approximately $3,989,000 due to the decrease in prepaid fuel costs and other miscellaneous items to our related parties, an increase in accounts payable – related parties of approximately $2,275,000, and an significant increase in accrued liabilities and other payables – related party of approximately $5,732,000 resulting from the significant increase in miscellaneous payments made by our related party on our behalf to our vendors.

- Net cash flow provided by operating activities for the year ended December 31, 2015 primarily reflected net income of approximately $19,558,000 and the add-back of non-cash items, mainly consisting of depreciation of approximately $6,353,000, an increase in reserve for inventories of approximately $228,000, and a loss on disposal of fixed assets of approximately $1,584,000, and changes in operating assets and liabilities primarily consisting of a decrease in accounts receivable of approximately $37,007,000 due to the significant decrease in revenue and collections made, a decrease in inventories of approximately $9,303,000 mainly due to the decreased fishing activities in 2015, a decrease in prepaid expenses – related parties of approximately $2,383,000, a decrease in deferred expenses – related parties of approximately $1,016,000, a decrease in other receivables of approximately $88,000, an increase in accounts payable – related party of approximately $2,203,000, offset by a significant increase in advances to suppliers of approximately $37,576,000 in order to satisfy our customers' demand, a decrease in accounts payable of approximately $146,000, a decrease in advances from customers of approximately $163,000, and a decrease in accrued liabilities and other payables of approximately $266,000, and non-cash item of the decrease in allowance for doubtful accounts of approximately $770,000.

Net cash flow used in investing activities was $13,081,250 for the year ended December 31, 2016 as compared to net cash flow used in investing activities of $66,187,228 for the year ended December 31, 2015. During the year ended December 31, 2016, we made payments for purchase of property, plant and equipment of approximately $1,465,000, and made prepayments for long-term assets of approximately $26,671,000, offset by proceeds received from transferring equity method investment share of approximately $15,055,000. During the year ended December 31, 2015, we made the payments for equity method investment of approximately $40,209,000 for fishery processing purpose and made payments for purchase of property, plant and equipment of approximately $56,222,000, offset by refunds received from commercial retail space prepayments of approximately $22,202,000 and proceeds received from transferring equity method investment share of approximately $8,042,000.

Net cash flow provided by financing activities was $7,871,414 for the year ended December 31, 2016 as compared to net cash flow provided by financing activities of $23,881,357 for the year ended December 31, 2015. During the year ended December 31, 2016, we received proceeds from short-term bank loans of approximately $23,276,000, received proceeds from long-term bank loans of approximately $18,819,000, and received advances from related parties of approximately $5,064,000, offset by the repayments of short-term bank loans of approximately $22,235,000, repayments of long-term bank loans of approximately $12,390,000, the increase in restricted cash of approximately $1,499,000, and cash made for dividend payments of approximately $3,162,000. During the year ended December 31, 2015, we received proceeds from short-term bank loans of approximately $23,958,000, received advances from related parties of approximately $3,910,000 and received capital contribution from non-controlling interest of approximately $64,335,000, offset by the repayments of short-term bank loans of approximately $30,990,000, repayments of long-term bank loans of approximately $19,964,000, the increase in restricted cash of approximately $1,647,000, cash made for dividend payments of approximately $2,372,000, and payments made to related parties in connection with the termination of VIE structure of approximately $13,349,000 which will be returned to us in next 12 months.

Cash flows for the year ended December 31, 2015 compared to the year ended December 31, 2014

The following summarizes the key components of our cash flows for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
Net cash provided by operating activities	$ 40,853,550	$ 33,928,408
Net cash used in investing activities	(66,187,228)	(35,862,379)
Net cash provided by financing activities	23,881,357	6,724,079
Effect of exchange rate on cash	148,733	(194,435)
Net (decrease) increase in cash	$ (1,303,588)	$ 4,595,673

Net cash flow provided by operating activities was $40,853,550 for the year ended December 31, 2015 as compared to $33,928,408 for the year ended December 31, 2014, an increase of $6,925,142.

- Net cash flow provided by operating activities for the year ended December 31, 2015 primarily reflected net income of approximately $19,558,000 and the add-back of non-cash items, mainly consisting of depreciation of approximately $6,353,000, an increase in reserve for inventories of approximately $228,000, and a loss on disposal of fixed assets of approximately $1,584,000, and changes in operating assets and liabilities primarily consisting of a decrease in accounts receivable of approximately $37,007,000 due to the significant decrease in revenue and collections made, a decrease in inventories of approximately $9,303,000 mainly due to the decreased fishing activities in 2015, a decrease in prepaid expenses – related parties of approximately $2,383,000, a decrease in deferred expenses – related parties of approximately $1,016,000, a decrease in other receivables of approximately $88,000, an increase in accounts payable – related party of approximately $2,203,000, offset by a significant increase in advances to suppliers of approximately $37,576,000 in order to satisfy our customers' demand, a decrease in accounts payable of approximately $146,000, a decrease in advances from customers of approximately $163,000, and a decrease in accrued liabilities and other payables of approximately $266,000, and non-cash item of the decrease in allowance for doubtful accounts of approximately $770,000.

- Net cash flow provided by operating activities for the year ended December 31, 2014 primarily reflected net income of approximately $85,761,000 and the add-back of non-cash item consisting of depreciation of approximately $6,018,000 and an increase in allowance for doubtful accounts of approximately $1,173,000, and changes in operating assets and liabilities primarily consisting of a decrease in prepaid expense approximately $4,214,000, an increase in accrued liabilities and other payables of approximately $1,019,000, offset primarily by an increase in accounts receivable of approximately $42,135,000 due to the increase in our sales revenue in 2014, an increase in prepaid expenses – related parties of approximately $7,314,000 mainly due to the prepayments for our fishing license and service fees made to related parties in 2014, an increase in deferred expenses – related parties of approximately $1,028,000, an increase in inventories of approximately $3,151,000 due to the increase in our fishing capacity in 2014, a decrease in accounts payable of approximately $1,763,000 and a decrease in accounts payable – related parties of approximately $8,604,000 due to the repayments made to related parties in 2014.

Net cash flow used in investing activities was $66,187,228 for the year ended December 31, 2015 as compared to net cash flow used in investing activities of $35,862,379 for the year ended December 31, 2014. During the year ended December 31, 2015, we made the payments for equity method investment of approximately $40,209,000 for fishery processing purpose and made payments for purchase of property, plant and equipment of approximately $56,222,000, offset by refunds received from commercial retail space prepayments of approximately $22,202,000 and proceeds received from transferring equity method investment share of approximately $8,042,000. During the year ended December 31, 2014, we made the prepayments for acquisition of commercial retail space of approximately $22,471,000, and made payments for purchase of property, plant and equipment of $891,000 and made investment in equity investment interest of approximately $15,953,000, offset by proceeds from government grants for fishing vessels construction of approximately $3,452,000.

Net cash flow provided by financing activities was $23,881,357 for the year ended December 31, 2015 as compared to net cash flow provided by financing activities of $6,724,079 for the year ended December 31, 2014. During the year ended December 31, 2015, we received proceeds from short-term bank loans of approximately $23,958,000, received advances from related parties of approximately $3,910,000 and received capital contribution from non-controlling interest of approximately $64,335,000, offset by the repayments of short-term bank loans of approximately $30,990,000, repayments of long-term bank loans of approximately $19,964,000, the increase in restricted cash of approximately $1,647,000, cash made for dividend payments of approximately $2,372,000, and payments made to related parties in connection with the termination of VIE structure of approximately $13,349,000 which will be returned to us in next 12 months. During the year ended December 31, 2014, we received proceeds from short-term bank loans of approximately $67,175,000, and received proceeds from long-term bank loans of approximately $3,744,000, and received advances from related parties of approximately $2,350,000, offset by the repayments of short-term bank loans of approximately $45,798,000, repayments of long-term bank loans of approximately $19,957,000 and cash made for dividend payments of approximately $791,000.

We noted the negative working capital and net cash used in operating activities and believe this is a temporary trend that our working capital situation will turn around in the near future. We estimate that we will require additional working capital to fund our current operations for the next 12 months. We have historically funded our capital expenditures through cash flow provided by operations, bank loans and related parties' advances. As of December 31, 2016, we have contractual commitments of RMB 2 million (approximately $0.3 million) related to an equity investment commitment, and RMB 7 million (approximately $1.0 million) related to 4 fishing vessels construction commitment. We intend to fund the costs with cash flow from our operations and by obtaining financing mainly from local banking institutions with which we have done business in the past. We believe that the relationships with local banks are in good standing. And we have not encountered difficulties in obtaining needed borrowings from local banks. In addition, we received the refund of prepayments made for fish goods of approximately $30 million form a third party in January and February 2017. Furthermore, we received approximately $13 million grant income in January 2017 as an incentive granted by Chinese government to encourage the development of ocean fishing industry. Considering our available cash together with our cash inflow from gradually recovering operations and financing, we believe that it is not likely that we will not meet our anticipated cash requirements for the next twelve months.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual obligations

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

The following tables summarize our contractual obligations as of December 31, 2016 (dollars in thousands), and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due by Period				
Contractual obligations:	Total	Less than 1 year	1-3 years	3-5 years	5^{+} years
Related party office lease obligation	$ 7	$ 7	$ -	$ -	$ -
Related party rental and related administrative service charge obligation	462	462	-	-	-
Registered capital contribution obligation in equity investment interest	288	-	-	-	288
4 fishing vessels construction obligation	1,009	1,009	-	-	-
Short-term bank loans (1)	21,555	21,555	-	-	-
Long-term bank loans	39,138	17,299	11,316	5,838	4,685
Total	$ 62,459	$ 40,332	$ 11,316	$ 5,838	$ 4,973

(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

No.

Recent accounting pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, in an effort to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments of this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *"Leases (Subtopic 842)."* The new guidance requires lessees to recognize assets and liabilities arising from leases as well as extensive quantitative and qualitative disclosures. A lessee will need to recognize on its balance sheet a right-of-use asset and a lease liability for the majority of its leases (other than leases that meet the definition of a short-term lease). The lease liabilities will be equal to the present value of lease payments. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayment, lease incentives received and the lessee's initial direct costs. The standard is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. ASU 2016-02 is required to be applied using the modified retrospective approach for all leases existing as of the effective date and provides for certain practical expedients. We are currently evaluating the impact of adopting ASU 2016-02 on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements Going Concern (Subtopic 205-40)* ("ASU 2014-15"). ASU 2014-15 requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles of current United States auditing standards. Specifically, ASU 2014-15 (1) provides a definition of the term "substantial doubt", (2) requires an evaluation every reporting period, including interim periods, (3) provides principles for considering the mitigating effect of management's plans, (4) requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) requires an express statement and other disclosures when substantial doubt is still present, and (6) requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). ASU 2014-15 is effective for fiscal years ending after December 15, 2016. We adopted ASU 2014-15 during the fourth quarter of 2016. The adoption of ASU 2014-15 did not have an impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09 *Revenues from Contracts with Customers (Topic 606).* The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under today's guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In August 2015, the FASB deferred the effective date of this standard by one year, which will be for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company has begun its process of assessing the impact of the guidance. To date the Company's assessment efforts include the identification of various revenue streams within the scope of the guidance and the evaluation of certain revenue contracts with residents. The Company continues to evaluate the standard (and related clarifying guidance issued by the FASB) and the allowable methods of adoption. ASU 2014-09 may be applied retrospectively to each prior period (full retrospective) or retrospectively with the cumulative effect recognized as of the date of initial application (modified retrospective). We are currently evaluating the potential impact of adopting this new accounting standard.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

Oil cost accounts for approximately 68.8% of our total cost of revenue for the year ended December 31, 2016. We are primarily exposed to oil price volatility caused by supply conditions, political and economic variables and other unpredictable factors. We purchase oil used by our vessels at prevailing market prices. We do not have formal long-term purchase contracts with our suppliers and, therefore, we are exposed to the risk of fluctuating oil prices.

We did not have any commodity price derivatives or hedging arrangements outstanding at December 31, 2016 and did not employ any commodity price derivatives in the year ended December 31, 2016.

Foreign currency exchange rate risk

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

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

If the RMB depreciates against the USD, the value of our RMB revenue, earnings and assets as expressed in our USD financial statements will decline. A 1% average appreciation (depreciation) of the RMB against the USD would decrease (increase) our comprehensive loss by $240,000 for the year ended December 31, 2016 based on our revenue, costs and expenses, and assets and liabilities denominated in RMB as of December 31, 2016. To date, we have not entered into any hedging transactions to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedging transactions may be limited and we may not be able to successfully hedge our exposure at all.

Interest rate risk

We are exposed to interest rate risk arising from short-term and long-term variable rate borrowings from time to time. Our future interest expense will fluctuate in line with any change in our borrowing rates. Our bank borrowings amounted to $60.7 million at December 31, 2016. Based on the variable nature of the underlying interest rate, the bank borrowings approximated fair value at that date.

A hypothetical 100 basis point change in interest rates would impact our interest on our borrowings by approximately $30,000. The potential change in interest amount is calculated based on the change in the interest amount over a one year period due to an immediate 100 basis point change in interest rates.

Inflation risk

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive officer and Chief Financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Controls and other procedures that are designed to provide reasonable assurance that the information that we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2016, due to the material weakness in internal control described below.

We performed additional analyses and other procedures to ensure that our consolidated financial statements included in this Annual Report were prepared in accordance with US GAAP. These measures included, among other things, expansion of our year-end closing procedures, including the consolidation process, and dedication of significant internal resources and external consultants to scrutinize account analyses and reconciliations at a detailed level. As a result, we concluded that the consolidated financial statements included in this Annual Report present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with US GAAP.

Management’s Report on Internal Control Over Financial Reporting

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes policies and procedures that:

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

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with existing policies or procedures may deteriorate.

Under the supervision of our Chief Executive Officer and Chief Financial Officer, our management conducted an assessment of our internal control over financial reporting as of December 31, 2016, based on the framework and criteria established in *Internal Control — Integrated Framework (2013),* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

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, 2016 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 December 31, 2016.

In light of this material weakness, we performed additional analyses and procedures in order to conclude that our consolidated financial statements for the year ended December 31, 2016 included in this Annual Report on Form 10-K were fairly stated in accordance with GAAP. Accordingly, management believes that despite our material weakness, our consolidated financial statements for the year ended December 31, 2016 are fairly stated, in all material respects, in accordance with GAAP.

Changes in Internal Controls over Financial Reporting

In order to correct the foregoing weakness, we have taken the following remediation measures:

- We have engaged an outside consulting firm to help us with U.S. GAAP reporting compliance since November 2014.

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

Except for remediation mentioned above, there were no changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures and Internal Control over Financial Reporting

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Board of Directors and Executive Officers

The following table sets the names, positions and ages of our current executive officers and directors. Our directors serve until the annual meeting of shareholders or until their successors are elected and qualified. Our officers are elected by the Board and their terms of office are, except to the extent governed by an employment contract, at the discretion of the Board.

Name	Age	Position
Xinrong Zhuo	53	Chief Executive Officer and Chairman of the Board
Roy Yu	35	Chief Financial Officer
Lin Bao	57	Director
Zengbiao Zhu	68	Director
Xing An Lin	54	Director
Lin Lin	43	Director

Directors

Xinrong Zhuo has served as chairman of our board since the business combination in February 2013. Prior to that he served as the chairman of CDGC's board and as its chief executive officer from August 2010. Mr. Zhuo has served as director of Fujian Road & Bridge Construction Co., Ltd., an infrastructure construction company, since December 2008, has served as the sole director of Tian Yuan Co., Ltd., a real estate investment company, since September 2007, has served as the chairman and legal representative of Fuzhou Dongxing Longju Real Estate Development Co., Ltd., a real estate development company, since March 2007, has served as the vice general manager of Fujian Huashang Real Estate Development Co., Ltd., a real estate development company, since December 2006, and has served as the supervisor of Fuzhou Haiyiyongyu Import & Export Co., Ltd., a trading company, since June 1995. From November 2005 to December 2008, Mr. Zhuo served as the legal representative and the chairman of Fujian Road & Bridge Construction Co., Ltd. From June 2005 to September 2007, Mr. Zhuo served as vice general manager of Tian Yuan Co. Ltd. From February 2002 to September 2009, Mr. Zhuo served as the legal representative and executive director of Fuzhou Baojie Haiyi Pingtan Fishing Co., Ltd., an aquatic products company. From June 1995 to September 2006, Mr. Zhuo served as the supervisor at Fuzhou Hong Long Ocean Fishing Co., Ltd., a marine fishery. Mr. Zhuo is qualified to serve on the board of directors due to his experience in the real estate development and trading business, as well as his extensive experience in the fishing industry, his legal background and prior executive experience.

Lin Bao has served as a member of the Board since the business combination in February 2013. He has served as the general manager of Fuzhou Hong Long Ocean Fishing Co., Ltd., a marine fishery company since February 2013. From April 1989 to January 1997, he served as the general manager of Fuzhou Tang Cheng Plaza, a hotel affiliated to China Railway Construction Corporation Limited. Mr. Bao is the vice chairman of China Fisheries Association since 2012. Mr. Bao received his associate degree in Accounting from Beijing Society Correspondence University in 1989. He obtained the Certificate of Highway Engineer in 2006. Mr. Bao's background in the fishing industry, as well as his executive experience, led the Board to conclude that he should be nominated to serve another term as a director.

Zengbiao Zhu has served as an independent director on our board since the business combination in February 2013. Prior to that he served as a director of CDGC from April 2011. Mr. Zhu has been a member of the National People's Congress, or NPC, Standing Committee of Fujian Province and a member of the NPC Financial and Economic Committee of Fujian Province since January 2008. From 2004 to December 2009 he served as the director of the China Insurance Regulatory Commission Fujian Bureau, from 2000 to 2004 he first served as the deputy director and then the director of the China Insurance Regulatory Commission Fujian Bureau Fuzhou Office, and from 1995 to 2000 he served as the president of PBOC Fuzhou sub-branch. Mr. Zhu received his bachelor's degree in Finance from Xiamen University in 1974. Mr. Zhu is qualified to serve on the board of directors due to his extensive political and regulatory background and contacts in the Fujian region.

Xing An Lin has served as an independent member of our board since February 2015. Mr. Lin is a Chinese Certified Public Accountant and Certified Tax Agent. He has served as Officer in Pingtan Haixin Tax Accountant Agent Office since December 2005. From January 2000 to November 2005, he served as Project Manager of Fujian Broker Accounting Firm. From November 1991 to December 1999, he served as Project Manager in Pingtan Audit Co., Ltd. From September 1985 to October 1991, he served as Accountant in Pingtan Grain Bureau Commercial Industry Company. Mr. Lin received his associate degree in Accounting from Fujian Xiamen University in 1983. Mr. Lin is qualified to serve on the board of directors due to his extensive accounting and regulatory background.

Lin Lin has served as an independent member of our board since February 2015. Mr. Lin is a Certified Tax Agent. He has served as Director in Pingtan Haixin Tax Accountant Agent Office since November 2004. From December 2005 to October 2010, he served as Project Manager of Pingtan Haixin Tax Accountant Agent Office. From October 1990 to November 2005, he served as Financial Controller in Pingtan Pharmaceutical Company. Mr. Lin received his bachelor's degree in 1998 in Professional Management from the Party School of the CPC Central Committee. Mr. Lin is qualified to serve on the board of directors due to his extensive accounting and regulatory background.

On February 26, 2015, Mr. Jin Shi, a member of the Board of Directors (the "Board") of Pingtan Marine Enterprise Ltd. (Nasdaq: PME) (the "Company"), notified the Board of his resignation from the Board. Upon the recommendation of the Nominating and Governance Committee of the Board, the Board appointed Mr. XingAn Lin, to fill the vacancy created by the departure of Mr. Shi and to serve as a director of the Company until the next annual meeting. Mr. XingAn Lin was also appointed by the Board upon the recommendation of the Nominating and Governance Committee to serve as a member of the Audit Committee (as Chairman), Nominating and Governance Committee and Compensation Committee.

On February 26, 2015, Xuesong Song, a member of the Board of the Company, notified the Board of his resignation from the Board. Upon the recommendation of the Nominating and Governance Committee of the Board, the Board appointed Mr. Lin Lin, to fill the vacancy created by the departure of Mr. Song and to serve as a director of the Company until the next annual meeting of stockholders or until his successor is elected and qualified. Mr. Lin Lin was also appointed by the Board upon the recommendation of the Nominating and Governance Committee to serve as a member of the Audit Committee, Nominating and Governance Committee (as Chairman) and Compensation Committee.

Executive Officers

Roy Yu has served as our chief financial officer since April 2013. Prior to joining the Company, Mr. Yu served as the Chief Financial Officer of Lihua International, Inc. (NASDAQ: LIWA) from October 2008 until November 2012. He also served as a member of the board of directors of Lihua International Inc. from June 24, 2008 until his resignation on December 8, 2008. Between June 2006 and April 2008, Mr. Yu was the Executive Vice President at Fushi Copperweld, Inc. (NASDAQ: FSIN), where his responsibilities included corporate governance and finance. From May 2005 until June 2006, Mr. Yu was the Chief Financial Officer of Songzai International Holding Group, Inc. (OTCBB: SGZH). From October 2004 until May 2005, Mr. Yu was the Vice President at Yinhai Technology and Development Co. Mr. Yu received his bachelor's degree in Accounting and Finance from London Southbank University in 2004.

Board Leadership Structure and Corporate Governance

In accordance with our Amended and Restated Memorandum and Articles of Association, our Board elects our officers, including Chief Executive Officer, Chief Financial Officer and such other officers as our Board may appoint from time to time. In addition, our Board may appoint a Chairman of the Board. Mr. Zhuo has served as our Chairman and Chief Executive Officer since the consummation of our February 2013 business combination, overseeing our day-to-day operations while also leading our Board. The Board believes that the current model is effective for our continued growth in that the combined position of Chief Executive Officer and Chairman maximizes strategic advantages and Mr. Zhuo's industry expertise. Mr. Zhuo, given his extensive knowledge of China's fishing industry, coupled with the fact that he has overseen our operations since inception, is the director most familiar with our business and industry, and is best positioned to set and execute strategic priorities. Mr. Zhuo provides a strong link between management and the Board, which promotes clear communication and enhances strategic planning and implementation of corporate strategies. Mr. Zhuo's leadership, driven by his deep business and industry expertise, enhances the Board's exercise of its responsibilities. In addition, this model provides enhanced efficiency and effective decision-making and clear accountability.

The Chairman may preside at meetings of our Board. In his absence, any other director or any member of any committee designated by the Board may chair a meeting of the Board or such committee. A director is not required to hold any shares in us by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested, provided that the nature of his interest is disclosed by him at or prior to its consideration and any vote by our Board thereon. The directors may exercise all the powers of the company to borrow money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the company or of any third party.

The Company's corporate governance serves to ensure that members of the Board are independent from management and that the Board adequately performs its function to ensure that the interests of the Board and management are in alignment with the interests of the shareholders. The Board has adopted Corporate Governance Guidelines to promote effective governance of the Company. The Corporate Governance Guidelines are available on our website at *www.ptmarine.com* under "Investors — Governance DOCS."

On an annual basis, each director and executive officer is required to complete a Director and Officer Questionnaire. Within this questionnaire are requirements for disclosure of any transactions with the Company in which the director or executive officer, or any member of his or her immediate family, have a direct or indirect material conflict of interest.

Board's Role in Risk Oversight

Risk is inherent in every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including strategic risks, enterprise risks, financial risks, regulatory risks, and others. Management is responsible for the day-to-day management of risks that the company faces, while our Board, as a whole and through its committees, has responsibility for the oversight of risk management, and is tasked with assuring that the long-term interests of our shareholders are being served. In its risk oversight role, our Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

Our Board believes that establishing the right "tone at the top," and full and open communication between management and our Board, are essential for effective risk management and oversight. Our Chairman meets regularly with other senior officers to discuss strategy and the risks we face. Senior management is available to address any questions or concerns raised by our Board on risk management-related and any other matters. Our Chairman holds strategic planning sessions with senior management to discuss strategies, key challenges, and risks and opportunities for us.

While our Board is ultimately responsible for risk oversight at our company, our Board committees assist our Board in fulfilling its oversight responsibilities in certain areas of risk as further set forth below. Our Board committees report to our Board on significant risks and other matters.

Executive Sessions

The independent members of our Board meet in executive session (without the participation of executive officers or other non-independent directors) at least once a year, after a regularly scheduled Board meeting, and at any other time requested by any independent director. The secretary of the Board is responsible for calling and the independent director who has the most seniority presides over the executive sessions.

Committees and Meeting Attendance

Our Board held two meetings during the fiscal year ended December 31, 2016. Our Board has an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. The Audit Committee held four meetings during the fiscal year ended December 31, 2016. Our Compensation Committee held two meetings and our Nominating and Governance Committee held one meeting during the fiscal year ended December 31, 2016.

During 2016, each member of the Board attended or participated in 100% of the aggregate of (i) the total number of meetings of the Board (held during the period for which such person has been a director) and (ii) the total number of meetings held by all committees of the Board on which such person served (during the periods that such person served). Our Amended and Restated Memorandum and Articles of Association provide that the Chairman of our Board shall preside at all meetings of our shareholders. Each director is expected to make reasonable efforts to attend Board meetings, meetings of committees of which such director is a member and the Annual Meetings of Shareholders. All of our then sitting directors attended the 2016 Annual Meetings of Shareholders.

Committee Composition

The following table sets forth the current membership of our Audit Committee, Compensation Committee and Nominating and Governance Committee. Each committee conducts its business pursuant to a written charter approved by our Board, copies of which are available on our website at *www.ptmarine.com* under “Investors — Governance Docs.”

Audit Committee	Compensation Committee	Nominating and Governance Committee
XingAn Lin*	Zengbiao Zhu*	Lin Lin*
Zengbiao Zhu	Lin Lin	XingAn Lin
Lin Lin	XingAn Lin	Zengbiao Zhu

* Chairman of the committee.

Audit Committee. Mr. XingAn Lin, Zengbiao Zhu and Lin Lin currently serve on the Audit Committee, which is chaired by Mr. XingAn Lin. Our Audit Committee falls within the definition of “audit committee” under Section 3(a)(58)(A) of the Securities Exchange Act of 1934, or the Exchange Act. In addition to meeting The NASDAQ Stock Market’s tests for director independence, directors serving on our Audit Committee must meet two basic criteria set forth in the rules promulgated by the Commission. First, Audit Committee members are barred from accepting, directly or indirectly, any consulting, advisory or other compensatory fee from us or any affiliate of us, other than in the member’s capacity as a member of our Board and any Board committee. Second, a member of our Audit Committee may not be an affiliated person of us or any subsidiary of us, apart from his or her capacity as a member of our Board and any Board committee. Our Board has determined that each member of our Audit Committee meets these independence requirements, in addition to the independence criteria established by The NASDAQ Stock Market. Our Board has determined that each Audit Committee member has sufficient knowledge in financial and auditing matters to serve on the Audit Committee. Our Board has designated Mr. XingAn Lin as an “audit committee financial expert,” as defined in Item 407(d) of Regulation S-K. Our Audit Committee assists our Board in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls and compliance with legal and regulatory requirements, and, in accordance with The NASDAQ Stock Market requirements, discusses policies with respect to risk assessment and risk management. Our Audit Committee’s primary duties and responsibilities include:

- reviewing and discussing our financial statements and financial reports with management and the independent auditor;
- reviewing the effectiveness and adequacy of our internal control structure and procedures for financial reporting;

- reviewing management's assessment of our disclosure controls and monitoring procedures designed to improve the quality and reliability of the disclosure of our financial results and operations;
- overseeing the appointment, compensation, evaluation of the qualifications and independence of our independent auditors;
- overseeing our compliance with legal and regulatory requirements;
- overseeing the adequacy of our internal controls and procedures to promote compliance with accounting standards and applicable laws and regulations;
- engaging advisors as necessary; and
- determining the funding from us that is necessary or appropriate to carry out the audit committee's duties.

Compensation Committee. Mr. Xing An Lin, Zengbiao Zhu and Lin Lin currently serve on the Compensation Committee, which is currently chaired by Mr. Zhu. Each member of the Compensation Committee is "independent" as that term is defined in the rules of the Commission and within the meaning of such term as defined under the listing standards of The NASDAQ Stock Market, a "nonemployee director" for purposes of Section 16 of the Exchange Act and an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended. Our Compensation Committee assists our Board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs. The Compensation Committee's responsibilities include:

- reviewing and advising the Board concerning our overall compensation philosophy, policies and plans, including a review of both regional and industry compensation practices and trends;
- reviewing and approving corporate and personal performance goals and objectives relevant to the compensation of all executive officers, and make recommendations regarding all executive compensation;
- recommending establishment and terms of incentive compensation plans and equity compensation plans, and administer such plans;
- making and approving grants of options and other equity awards to all executive officers and directors under our compensation plans;
- reviewing and making recommendations to the Board regarding compensation-related matters outside the ordinary course, including but not limited to employment contracts, change-in-control provisions, severance arrangements, and material amendments thereto;
- reviewing and discussing with management the disclosures in our "Compensation Discussion and Analysis" and any other disclosures regarding executive compensation to be included in the our public filings or shareholder reports; and
- reviewing and discussing with management the risks associated with our compensation policies.

For more information regarding our compensation programs and processes, see the discussion below under the heading "Compensation Discussion and Analysis."

Nominating and Governance Committee. Mr. XingAn Lin, Zengbiao Zhu and Lin Lin currently serve on the Nominating and Governance Committee, which is chaired by Mr. Lin Lin. Each member of the Nominating and Governance Committee is "independent" as that term is defined in the rules of the Commission and within the meaning of such term as defined under the listing standards of The NASDAQ Stock Market.

Our Nominating and Governance Committee makes recommendations to our Board regarding the nomination of candidates to stand for election as members of our Board, evaluates our Board's performance, and provides oversight of corporate governance and ethical standards. Our Nominating and Governance Committee has the responsibility to develop and review on an ongoing basis the adequacy of, the corporate governance principles applicable to us. Our Nominating and Governance Committee assists our Board in fulfilling its oversight responsibilities with respect to the management of risks associated with Board organization, membership and structure, succession planning for our directors and executive officers, and corporate governance. For more information regarding our director nomination processes, see the discussion below under the heading "Director Nominations."

Compensation Committee Interlocks and Insider Participation

Mr. XingAn Lin, Zengbiao Zhu and Lin Lin currently serve on the Compensation Committee, which is currently chaired by Mr. Zhu. No member of the Compensation Committee is one of our executive officers, and no member of the Compensation Committee had any relationships requiring disclosure by us under the Commission's rules requiring disclosure of certain relationships and related-party transactions. None of our executive officers served as a director or a member of a Compensation Committee (or other committee serving an equivalent function) of any other entity, the executive officers of which served as one of our directors or member of the Compensation Committee during 2016.

Director Nominations

As noted above, the Board has determined that each member of the Nominating and Governance Committee (referred to in this section as the "Committee") is independent as defined under the rules of the Commission and within the meaning of such term as defined under the listing standards of The NASDAQ Stock Market.

The Committee's process for considering all candidates for election as directors, including shareholder-recommended candidates, is designed to ensure that the Committee fulfills its responsibility to recommend candidates that are properly qualified and are not serving any special interest groups, but rather the best interest of all of the shareholders.

In identifying candidates for membership on the Board, the Committee seeks directors with established strong professional reputations and experience in areas relevant to the strategy and operations of our business. The Committee seeks directors who possess the qualities of integrity and candor, who have strong analytical skills and who are willing to engage management and each other in a constructive and collaborative fashion. The Committee also seeks directors who have the ability and commitment to devote significant time and energy to service on the Board and its committees. Directors should have varied educational and professional experiences and backgrounds that, collectively, provide meaningful guidance and counsel to management.

We believe that all of our directors meet the foregoing qualifications. While we do not have a formal policy with respect to diversity, as a company, we are committed to creating and sustaining a culture of inclusion and fairness.

If there is a need for a new director because of an open position on the Board or because the Board has determined to increase the total number of directors, the Committee may retain a third-party search firm to locate candidates that meet the needs of the Board at that time. When a search firm is used, the firm typically provides information on a number of candidates for review and discussion by the Committee. If appropriate, the Committee chair and some or all of the members of the Committee may interview potential candidates. If in these circumstances the Committee determines that a potential candidate meets the needs of the Board and possesses the relevant qualifications, the Committee will vote to recommend to the Board the election of the candidate as a director.

The Committee will consider director candidates recommended by shareholders if properly submitted to the Committee. Shareholders wishing to recommend persons for consideration by the Committee as nominees for election to the Board can do so by writing to the Nominating and Governance Committee, c/o Mr. Lin Lin, Pingtan Marine Enterprise Ltd., 18-19/F, Zhongshan Building A, No. 154 Hudong Road, Fuzhou, P.R.C. 350001. Recommendations must include the proposed nominee's name, detailed biographical data, work history, qualifications and corporate and charitable affiliations, as well as a written statement from the proposed nominee consenting to be named as a nominee and, if nominated and elected, to serve as a director. The Committee will then consider the candidate and the candidate's qualifications using the criteria as set forth above. The Committee may discuss with the shareholder making the nomination the reasons for making the nomination and the qualifications of the candidate. The Committee may then interview the candidate and may also use the services of a search firm to provide additional information about the candidate prior to making a recommendation to the Board.

Code of Business Conduct and Ethics

We have adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. The most recent version is available on the Investor Relations section of our website at *www.ptmarine.com*. The information contained on our website is not incorporated by reference into this Annual report. If we make any substantive amendments to the code or grant any waiver from a provision of the code to any executive officer or director, we will promptly disclose the nature of the amendment or waiver on our website, as well as via any other means required by applicable law.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of securities ownership and changes in such ownership with the SEC. Officers, directors and greater than ten percent shareholders also are required by rules promulgated by the SEC to furnish us with copies of all Section 16(a) forms they file. Based solely upon a review of the copies of such forms furnished to us or written representations that no Forms 5 were required, we believe that all Section 16(a) filing requirements were timely as of the date of this report.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Committee Report

The following report of the Compensation Committee shall not be deemed to be "soliciting material" or to otherwise be considered "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 (the "Securities Act") or the Exchange Act except to the extent that the Company specifically incorporates it by reference into such filing.

The compensation committee has reviewed and discussed with management the disclosures contained in the following section entitled "Compensation Discussion and Analysis." Based on this review and discussion, the Compensation Committee recommended to the Board that the section entitled "Compensation Discussion and Analysis" be included in this Annual Report.

Submitted by the Compensation Committee of the Board of Directors

Zengbiao Zhu
Lin Lin
XingAn Lin

Compensation Discussion and Analysis

Compensation Objectives

We operate in a highly competitive and rapidly changing industry. The key objectives of our executive compensation programs are to:

- Supervise and review the affairs of the Company as they relate to the compensation and benefits of executive officers and directors of the Company.

- Perform any other activities consistent with the Company's Amended and Restated Memorandum and Articles of Association and governing law, as the Committee or the Board deems necessary or appropriate.

Our Compensation Program

In carrying out its objectives, the Compensation Committee of our Board shall review all components of executive and director compensation for consistency with our compensation philosophy and with the interests of our shareholders.

The compensation program is designed to reward each individual named executive officer for his or her contribution to the advancement of our overall performance and execution of our goals, ideas and objectives. It is designed to reward and encourage exceptional performance at the individual level in the areas of organization, creativity and responsibility while supporting our core values and ambitions. This in turn aligns the interest of our executive officers with the interests of our shareholders, and thus with our interests.

Determining Executive Compensation

Our Compensation Committee generally reviews and approves the compensation program for executive officers annually after the close of each year. Reviewing the compensation program at such time allows the Compensation Committee to consider the overall performance of the past year and the financial and operating plans for the upcoming year in determining the compensation program for the upcoming year.

A named executive officer's base salary is determined by an assessment of his sustained performance against individual job responsibilities, including, where appropriate, the impact of his performance on our business results, current salary in relation to the salary range designated for the job, experience and mastery, and potential for advancement. Although we do not engage in benchmarking, the Compensation Committee may also consider compensation levels with comparable positions in the industry to evaluate the total compensation decisions that it makes for our officers.

Role of Executive Officers in Determining Executive Compensation

The Compensation Committee determines the compensation for our chief executive officer, which is based on various factors, such as level of responsibility and contributions to our performance. Our chief executive officer recommends the compensation for our executive officers (other than the compensation of the chief executive officer) to the Compensation Committee. The Compensation Committee reviews the recommendations made by the chief executive officer and determines the compensation of the chief executive officer and the other executive officers.

The Committee shall review on at least an annual basis the scope of responsibilities of the Committee and the Committee's performance of its duties.

Employment Agreements

We have entered into employment agreements with our senior executive officers, as described below. Copies of these employment agreements are filed with the Securities and Exchange Commission as exhibits to our registration statements, annual reports and other filings under applicable rules. Our Board may adjust base salaries annually to reflect increases in the cost of living, but it has not done so to date. An executive's base salary may also be increased if the executive's workload substantially increases as a result of our business expansion. In addition, an executive's base salary may be correspondingly adjusted if the salaries of all of our other employees are adjusted.

Xingrong Zhuo. We have entered into an employment agreement with Xingrong Zhuo, our chief executive officer for a term of three years. Pursuant to the employment agreement, Mr. Zhuo will receive annual compensation of HKD$312,000, equal to $40,197. In addition, Mr. Zhuo's employment agreement provides for an annual bonus based on the executive's performance and our financial performance. Annual bonuses will be determined by us in our sole discretion and will be approved by our Compensation Committee. Mr. Zhuo is eligible for participation in any standard employee benefit plan of the Company that currently exists or may be adopted by the Company in the future, but not limited to, any retirement plan, and travel holiday policy.

We may terminate Mr. Zhuo's employment agreement with cause (as defined in his employment agreement) at any time with one-month written notice. If we dismiss Mr. Zhuo without cause (as defined in his employment agreement), or if he terminates his employment for good reason (as defined in his employment agreement), we will provide Mr. Zhuo with serverance payment in cash in an amount equal to three months of his base salary at the then current rate. Under such circumstance, Mr. Zhuo agrees not to make any further claims for compensation for loss of office, accrued remuneration, fees, wrongful dismissal or any other claim whatsoever against the Company or its subsidiaries or the respective officers or employees of any of them. If Mr. Zhuo terminates his employment other than for good reason, he may resign upon three-month prior written notice to the Company.

Our employment agreement with Mr. Zhuo provides for the protection of confidential information and contains non-competition and non-solicitation provisions applicable for a term of two years following the termination of his employment.

Yang Yu. We entered into an employment agreement with Yang (Roy) Yu, our CFO, effective April 18, 2013. Pursuant to that agreement, Mr. Yu received annual compensation equal to $240,000. During the course of Mr. Yu's employment, the Company shall reimburse back to his any reasonable and necessary fees (travel expenses, accommodation expenses, hospitality expenses and other actual expenses) incurred by him during the fulfillment of his duties under the Agreement upon the production of relevant receipts and/or valid documentation of expenditure.

Mr. Yu's employment can be terminated two month's advance written notice by either party. During the term of his employment, Mr. Yu may not engage in any other employment or business without the prior written consent of the Company or engage in any business which is in competition with the business of the Company.

Summary Compensation of Named Executive Officers

Pursuant to the terms of the employment agreements that Messrs. Zhuo and Yu have with us, both executives are compensated by us for services provided to us and our subsidiaries.

The following table sets forth information concerning cash and non-cash compensation paid to our named executive officers for 2016, 2015 and 2014, respectively.

Name and Position	**Year**	**Salary ($)**	**Bonus ($)**	**Stock Awards ($)**	**Option Awards ($)**	**All other compensation**	**Total**
Xinrong Zhuo	2016	$ 40,248	$ —	$ —	$ —	$ —	$ 40,248
Chief Executive	2015	$ 40,261	$ —	$ —	$ —	$ —	$ 40,261
Officer	2014	$ 40,230	$ —	$ —	$ —	$ —	$ 40,230
Roy Yu	2016	$ 240,000	$ 20,000	$ —	$ —	$ —	$ 260,000
Chief Financial	2015	$ 240,000	$ 20,000	$ —	$ —	$ —	$ 260,000
Office	2014	$ 240,000	$ 20,000	$ —	$ —	$ —	$ 260,000

Outstanding Equity Awards at 2016 Fiscal Year End

As of December 31, 2016, there were no outstanding equity awards for our named executive officer.

Long-Term Incentive Plans

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers, except that our directors and executive officers may receive stock options at the discretion of our Compensation Committee. Although we do not have a formal broad based bonus plan, we may award bonuses on case-by-case basis depending on the terms of specific of employment agreements and other arrangements based on our financial performance as well as the executive's performance which are determined by the Board in its sole discretion. We do not have any material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that stock options may be granted at the discretion of our Compensation Committee.

As of the date of this annual report, we have no compensatory plan or arrangement with respect to any officer that results or will result in the payment of compensation in any form from the resignation, retirement or any other termination of employment of such officer's employment with our company, from a change in control of our company or a change in such officer's responsibilities following a change in control where the value of such compensation exceeds $60,000 per executive officer.

Director Compensation

We did not pay compensation to any non-employee directors during the fiscal year 2016.

Our non-employee directors did not hold any outstanding option awards as of December 31, 2016.

We do not pay our directors in connection with attending individual Board meetings, but we reimburse our directors for expenses incurred in connection with such meetings.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table provides information concerning beneficial ownership of our capital stock as of March 23, 2017 by:

- each shareholder or group of affiliated shareholders, who owns more than 5% of our outstanding capital stock;

- each of our named executive officers;
- each of our directors; and
- all of our directors and executive officers as a group.

The following table lists the number of shares and percentage of shares beneficially owned based on 79,055,053 our ordinary shares outstanding as of March 23, 2017.

Beneficial ownership is determined in accordance with the rules of the SEC, and generally includes voting power and/or investment power with respect to the securities held. Ordinary shares subject to options and warrants currently exercisable or exercisable within 60 days of March 23, 2017 or issuable upon conversion of convertible securities which are currently convertible or convertible within 60 days of March 23, 2017 are deemed outstanding and beneficially owned by the person holding those options, warrants or convertible securities for purposes of computing the number of shares and percentage of shares beneficially owned by that person, but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person. Except as indicated in the footnotes to this table, and subject to applicable community property laws, the persons or entities named have sole voting and investment power with respect to all of our ordinary shares shown as beneficially owned by them.

Unless otherwise indicated in the footnotes, the principal address of each of the shareholders below is c/o Pingtan Marine Enterprise Ltd., 18-19/F, Zhongshan Building A, No. 154 Hudong Road, Fuzhou, P.R.C. 350001.

Name and Address of Beneficial Owner	Ordinary Shares Beneficially Owned	Percent of Ordinary Shares Outstanding
Directors and Named Executive Officers:		
Xinrong Zhuo(1)	44,398,868	56.2%
Lin Bao	—	—
Zengbiao Zhu	—	—
Roy Yu	—	—
XingAn Lin	—	—
Lin Lin	—	—
All Officers and Directors as a Group (total of 6 persons)	44,398,868	56.2%

(1) Represents 15,780,000 shares held by Heroic Treasure Limited, of which Mr. Zhuo is the controlling shareholder, and 28,079,868 shares held by Mars Harvest Co., Ltd., of which Mr. Zhuo is the sole shareholder and 539,000 shares held by Mr. Zhuo directly.

Change in Control

We are not aware of any arrangements including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of the registrant.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We have established procedures for identifying related parties and related party transactions, and for ensuring that any changes in the status of related parties are brought to the attention of the Board and management in a timely manner. For transactions with related parties in the ordinary course of business, such as customer sales, supply purchases, subcontracting or consulting services, we apply the same review and approval process as we would in the context of other commercial agreements. All such transactions with related parties are summarized and provided to our Audit Committee for review. For transactions with related parties outside the ordinary course of business, such as significant capital expenditures, capital raising activities and mergers and acquisitions, the transactions must be approved by our Audit Committee. In accordance with the Company's Audit Committee charter, the Audit Committee reviews and approves any related-party transactions after reviewing each such transaction for potential conflicts of interests and other improprieties. The Company does not have a separate written policy for related-party transactions; however, such transactions are reported to the Audit Committee or the Company in accordance with the Company's Code of Ethics.

The following is a summary of the significant related party transactions in which we engaged during the year ended December 31, 2016:

From time to time, we made prepayments for fuel cost and other miscellaneous items to our related parties. Those prepayments are short-term in nature, non-interest bearing, and unsecured. As of December 31, 2016, our prepayments to our related parties amounted to approximately $522,000. (See Note 10 – Related Party Transactions to Notes to Consolidated Financial Statements).

In connection with the termination of VIE structure and to comply with PRC regulation, we paid RMB 83 million (approximately US$12.8 million) in total, which is Pingtan Fishing's registered capital, to Pingtan Fishing's Shareholders (which are Zhiyan Lin and Honghong Zhuo) to transfer their 100% of equity interest of Pingtan Fishing to Fujian Heyue, our subsidiary, pursuant to the Equity Transfer Agreement dated February 9, 2015. In year 2015, Honghong Zhuo repaid $4.9 million to us. In year 2016, Honghong Zhuo and Zhiyan Lin altogether repaid approximately 7.2 million to us. As of December 31, 2016, Zhiyan Lin still owed us approximately $640,000 which was included in other receivables – related parties on the accompanying consolidated balance sheets. This payment will be returned in full to us within one year.

From time to time, we made purchase from our related parties vendors. As of December 31, 2016, our outstanding accounts payable for Hong Fa Shipping Limited, Hong Long, Huna Lin, and Hai Yi Shipping Limited, amounted to approximately $1,740,000, $806,000, $14,000, and $500, respectively.

During the year ended December 31, 2016, a related party, Hong Long, made some prepayments for our long-term assets and other miscellaneous payments on behalf of us to our vendors. As of December 31, 2016, we owed Hong Long approximately $18.1 million which was included in accrued liabilities and other payable – related party. The amount is short-term in nature, non-interest bearing, unsecured and payable on demand.

Our Chief Executive Officer, from time to time, has provided advances to us for working capital purpose. The advances are short-term in nature, non-interest bearing, unsecured and payable on demand. In year 2016, we repaid approximately $1.4 million to our Chief Executive Officer.

On July 31, 2012, the Company entered into a lease for office space with Ping Lin, spouse of the Company's CEO, (the "Office Lease"). Pursuant to the Office Lease, annual payments of RMB 84,000 (approximately $13,000) were due for each year of the term. The term of the Office Lease was 3 years and expired on August 1, 2015. The Company renewed the Office Lease. Pursuant to the renewed Office Lease, the annual rent is RMB 84,000 (approximately $13,000) and the renewed Office Lease expires on July 31, 2017. For the year ended December 31, 2016, rent expense related to the Office Lease amounted to approximately $13,000.

On July 1, 2013, the Company entered into a service agreement with Hai Yi Shipping Limited that provided the Company a portion of use of premises located in Hong Kong as office and provided related administrative service (the "Service Agreement"). Pursuant to the Service Agreement, monthly payments of Hong Kong Dollar ("HK$") HK$298,500 (approximately $38,000) were due for each month of the term. The term of the Service Agreement was 1.5 years and expired on December 31, 2014. The Company renewed the Service Agreement. Pursuant to the renewed Service Agreement, the monthly payments are HK$298,500 (approximately $38,000) and the renewed Service Agreement expires on December 31, 2017. For the year ended December 31, 2016, rent expense and corresponding administrative service charge related to the Service Agreement amounted to approximately $462,000.

During the year ended December 31, 2016, we made purchase of fuel, fishing nets and other on-board consumables from Hong Fa Shipping Limited, Hai Yi Shipping Ltd., and Haifeng Dafu Enterprise Co., Ltd., of approximately $15,637,000, $8,854,000, and $942,000, respectively.

During the year ended December 31, 2016, we made purchase of vessel maintenance service from PT. Avona Mina Lestari of approximately $674,000.

During the year ended December 31, 2016, we made purchase of transportation service from Fuzhou Honglong Ocean Fishery Co., Ltd. of approximately $40,000.

In December 2015, we entered into one pledge contract with The Export Import Bank of China pursuant to which we pledged 12 fishing vessels with carrying amounts of approximately $8,500,000, as collateral to secure Hong Long's $ 6,054,450 in long-term loans from the financial institution, which are due on November 21, 2021.

From time to time, our related parties provided guarantee and collateral for our bank borrowings (See Note 11 – Bank Loans to Notes to Consolidated Financial Statements).

Director Independence

In accordance with the current listing standards of The NASDAQ Stock Market, our Board, on an annual basis, affirmatively determines the independence of each director or nominee for election as a director. Our Board has determined that, three of our current directors, Zengbiao Zhu, Lin Lin, and XingAn Lin, are "independent directors" as defined under the NASDAQ Rules, constituting a majority of independent directors of our Board as required by the corporate governance rules of NASDAQ. In making these determinations, our Board has concluded that none of those members has an employment, business, family or other relationship which, in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Independent Auditor's Fees

The following is a summary of the fees billed to the Company by its principal independent registered accounting firm for professional services rendered for the years ended December 31, 2016 and 2015 (in US dollars):

	Year Ended December 31,	
	2016	2015
Audit Fees	$ 615,832	$ 625,400
Audit-Related Fees	-	115,025
Tax Fees	-	-
All Other Fees	-	-
TOTAL	$ 615,832	$ 740,425

"Audit Fees" consisted of the aggregate fees billed for professional services rendered for the audit of our annual financial statements and the reviews of the financial statements included in our Forms 10-Q and for any other services that were normally provided in connection with our statutory and regulatory filings or engagements.

"Audit Related Fees" consisted of the aggregate fees billed for professional services rendered for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements and were not otherwise included in Audit Fees.

"Tax Fees" consisted of the aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning. Included in such Tax Fees were fees for preparation of our tax returns and consultancy and advice on other tax planning matters.

"All Other Fees" consisted of the aggregate fees billed for products and services provided and not otherwise included in Audit Fees, Audit Related Fees or Tax Fees.

Pre-Approval Policies and Procedures

Under the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by our auditors must be approved in advance by our Board of Directors to assure that such services do not impair the auditors' independence from us. In accordance with its policies and procedures, our Board of Directors pre-approved the audit and non-audit service performed by BDO China SHU LUN PAN Certified Public Accountants LLP for our consolidated financial statements as of and for the year ended December 31, 2016.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Financial Statements and Financial Statement Schedules

(1) Financial Statements:

Financial statements are shown in the Index to Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules:

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

(3) Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of October 24, 2012, by and between China Growth Equity Investment Ltd., China Dredging Group Co., Ltd., China Growth Dredging Sub Ltd., and Xinrong Zhuo (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with the Securities and Exchange Commission on October 30, 2012)
2.2	Share Purchase Agreement, dated as of October 24, 2012, by and among China Growth Equity Investment Ltd, Merchant Supreme Co., Ltd., Prime Cheer Corporation Limited, Xinrong Zhuo, Fujian Provincial Pingtan County Ocean Fishing Group Co., Heroic Treasure Limited and Fuzhou Honglong Ocean Fishery Co., Ltd. (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with the Securities and Exchange Commission on October 30, 2012)
3.1	Amended and Restated Memorandum and Articles of Association of Pingtan Marine Enterprise Ltd. filed with the Cayman Islands Registrar of on February 26, 2013 (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 March 1, 2013)
3.2	Articles and Plan of Merger, filed with the Registry of Corporate Affairs of the British Virgin Islands on February 25, 2013 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with the Securities and Exchange Commission on March 1, 2013))
3.3	Certificate of Merger, filed with the Registry of Corporate Affairs of the British Virgin Islands on February 25, 2013 (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with the Securities and Exchange Commission on March 1, 2013)
3.4	Amended and Restated Memorandum of Association of China Dredging Group Co., Ltd. (incorporated by reference to Exhibit 1.1 to China Dredging Group Co., Ltd.'s Annual Report on Form 20-F (File No. 000-53465) filed with the Securities and Exchange Commission on November 2, 2010)
3.5	Articles of Association of China Dredging Group Co., Ltd. (incorporated by reference to Exhibit 1.2 to China Dredging Group Co., Ltd.'s Annual Report on Form 20-F (File No. 000-53465) filed with the Securities and Exchange Commission on November 2, 2010)
4.1	Specimen Ordinary Share (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with the Securities and Exchange Commission on March 1, 2013)
4.2	Specimen Warrant Certificate (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with the Securities and Exchange Commission on March 1, 2013)
4.3	Warrant Agreement and between American Stock Transfer & Trust Company and China Growth Equity Investment Ltd. dated May 26, 2011. (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-1 (File No. 333-173323) filed with the Securities and Exchange Commission on May 20, 2011)
10.1	Master Agreement by and between Pingtan Marine Enterprise Ltd. and Fuzhou Honglong Ocean Fishery Co., Ltd., dated June 19, 2013 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with the Securities and Exchange Commission on June 25, 2013)
10.2	Promissory Note issued by the Company, dated June 19, 2013 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with the Securities and Exchange Commission on June 25, 2013).
10.3	Share Purchase Agreement by and between Pingtan Marine Enterprise Ltd. and Fuzhou Honglong Ocean Fishery Co., Ltd., dated December 4, 2013 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No.

001-35192) filed with the Securities and Exchange Commission on December 9, 2013).

10.4	Employment Contract between Pingtan Marine Enterprise Ltd. and Roy Yu, dated April 18, 2013. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with the Securities and Exchange Commission on April 19, 2013).**
10.5	Employment Agreement between Pingtan Marine Enterprise Ltd. and Xinrong Zhuo, dated October 26, 2013. (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K (File No. 001-35192) filed with the Securities and Exchange Commission on March 10, 2014) **
10.6	English translation of the Investment Agreement dated February 9, 2015, by and between Fujian Provincial Pingtan County Ocean Fishing Group Co., Ltd, China Agriculture Industry Development Fund Co., Ltd, Honghong Zhuo and Xinrong Zhuo (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with the Securities and Exchange Commission on February 13, 2015)
10.7	English translation of the Equity Transfer Agreement dated February 9, 2015, by and between Honghong Zhuo, Fujian Provincial Pingtan County Ocean Fishing Group Co., Ltd and Fujian Heyue Marine Fishing Development Co., Ltd. (incorporated by reference to Exhibit 10.2(a) to the Company's Current Report on Form 8-K (File No. 001-35192) filed with the Securities and Exchange Commission on February 13, 2015)
10.8	English translation of the Equity Transfer Agreement dated February 9, 2015, by and between Zhiyan Lin, Fujian Provincial Pingtan County Ocean Fishing Group Co., Ltd and Fujian Heyue Marine Fishing Development Co., Ltd (incorporated by reference to Exhibit 10.2(b) to the Company's Current Report on Form 8-K (File No. 001-35192) filed with the Securities and Exchange Commission on February 13, 2015)
10.9	English translation of the Agreement of Termination dated February 9, 2015, by and between Honghong Zhuo, Zhiyan Lin, Fujian Provincial Pingtan County Ocean Fishing Group Co., Ltd and Pingtan Guansheng Ocean Fishing Co., Ltd. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-35192) filed with the Securities and Exchange Commission on February 13, 2015)
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 to the Company's Annual Report on Form 10-K (File No. 001-35192) filed with the Securities and Exchange Commission on March 10, 2014)
23.1	Consent of BDO China SHU LUN PAN Certified Public Accountants LLP*
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
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 Herein

** Indicates a management contract or compensatory plan or arrangement

Pingtan Marine's Annual Report on Form 10-K for the year ended December 31, 2016, at the time of filing with the Securities and Exchange Commission, shall modify and supersede all prior documents filed pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934 for purposes of any offers or sales of any securities after the date of such filing pursuant to any Registration Statement or Prospectus filed pursuant to the Securities Act of 1933, which incorporates by reference such Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 23, 2017

Pingtan Marine Enterprise Ltd.

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Name	Title	Date
/s/ Xinrong Zhuo Xinrong Zhuo	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 23, 2017
/s/ Roy Yu Roy Yu	Chief Financial Officer (Principal Financial and Accounting Officer)	March 23, 2017
/s/ Lin Bao Lin Bao	Director	March 23, 2017
/s/ Zengbiao Zhu Zengbiao Zhu	Director	March 23, 2017
/s/ Lin Lin Lin Lin	Director	March 23, 2017
/s/ XingAn Lin XingAn Lin	Director	March 23, 2017

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Pingtan Marine Enterprise Ltd.

We have audited the accompanying consolidated balance sheets of Pingtan Marine Enterprise Ltd. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pingtan Marine Enterprise Ltd. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO China Shu Lun Pan Certified Public Accountants LLP
Beijing, China
March 23, 2017

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

	December 31, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash	$ 820,396	$ 11,448,684
Restricted cash	2,911,922	1,577,642
Accounts receivable, net of allowance for doubtful accounts	11,322,726	12,575,042
Inventories, net of reserve for inventories	8,811,111	2,336,167
Advances to suppliers	3,969,351	35,994,146
Prepaid expenses	8,145	1,818
Prepaid expenses - related parties	522,337	4,640,166
Receivable from transferring equity method investment shares	-	15,406,659
Other receivables	31,835,456	78,051
Other receivables - related parties	639,917	7,887,527
Total Current Assets	60,841,361	91,945,902
OTHER ASSETS:		
Cost method investment	3,027,245	3,235,398
Equity method investment	28,493,273	30,486,314
Prepayment for long-term assets	11,913,912	11,654,645
Property, plant and equipment, net	122,196,594	94,555,114
Total Other Assets	165,631,024	139,931,471
Total Assets	$ 226,472,385	$231,877,373
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 916,737	$ 978,353
Accounts payable - related parties	2,560,760	408,631
Short-term bank loans	21,554,636	21,971,438
Long-term bank loans - current portion	17,298,544	12,679,680
Accrued liabilities and other payables	4,399,536	5,044,049
Accrued liabilities and other payables - related party	18,147,152	-
Due to related parties	43,354	1,384,644
Total Current Liabilities	64,920,719	42,466,795
OTHER LIABILITIES:		
Long-term bank loans - non-current portion	21,839,412	22,570,755
Total Liabilities	86,760,131	65,037,550
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Equity attributable to owners of the company:		
Ordinary shares ($0.001 par value; 225,000,000 shares authorized; 79,055,053 shares issued and outstanding at December 31, 2016 and 2015)	79,055	79,055
Additional paid-in capital	111,008,085	111,008,085
Retained earnings	17,438,215	34,318,040
Statutory reserve	9,391,827	9,391,827
Accumulated other comprehensive loss	(12,879,051)	(4,326,351)
Total equity attributable to owners of the company	125,038,131	150,470,656
Non-controlling interest	14,674,123	16,369,167
Total Shareholders' Equity	139,712,254	166,839,823
Total Liabilities and Shareholders' Equity	$ 226,472,385	$231,877,373

See notes to consolidated financial statements.

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

	For the Years Ended December 31,		
	2016	2015	2014
REVENUE	$ 20,540,769	$ 60,700,190	$233,427,011
COST OF REVENUE	29,328,776	63,476,627	155,840,823
GROSS (LOSS) PROFIT	(8,788,007)	(2,776,437)	77,586,188
OPERATING EXPENSES:			
Selling	1,235,497	1,858,687	2,673,213
General and administrative	3,969,465	2,933,588	4,537,351
Total Operating Expenses	5,204,962	4,792,275	7,210,564
(LOSS) INCOME FROM OPERATIONS	(13,992,969)	(7,568,712)	70,375,624
OTHER INCOME (EXPENSE):			
Interest income	1,931,963	103,668	16,772
Interest expense	(1,972,267)	(3,630,200)	(4,815,670)
Foreign currency transaction loss	(1,543,357)	(1,308,922)	(258,248)
Grant income	558,451	33,152,698	20,094,039
Gain from cost method investment	375,396	413,614	348,523
Loss on equity method investment	(33,073)	(19,700)	-
Loss on fixed assets disposal	-	(1,583,834)	-
Other expense	(471)	(210)	(335)
Total Other (Expense) Income, net	(683,358)	27,127,114	15,385,081
(LOSS) INCOME BEFORE INCOME TAXES	(14,676,327)	19,558,402	85,760,705
INCOME TAXES	984	-	-
NET (LOSS) INCOME	$ (14,677,311)	$ 19,558,402	$ 85,760,705
LESS: NET (LOSS) INCOME ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST	(959,688)	1,205,485	-
NET (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	$ (13,717,623)	$ 18,352,917	$ 85,760,705
COMPREHENSIVE (LOSS) INCOME:			
NET (LOSS) INCOME	(14,677,311)	19,558,402	85,760,705
OTHER COMPREHENSIVE LOSS			
Unrealized foreign currency translation loss	(9,288,056)	(8,628,162)	(552,656)
COMPREHENSIVE (LOSS) INCOME	$ (23,965,367)	$ 10,930,240	$ 85,208,049
LESS: COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST	(1,695,044)	658,092	-
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	$ (22,270,323)	$ 10,272,148	$ 85,208,049
NET (LOSS) INCOME PER ORDINARY SHARE ATTRIBUTABLE TO OWNERS OF THE COMPNAY			
Basic and diluted	$ (0.17)	$ 0.23	$ 1.08
WEIGHTED AVERAGE ORDINARY SHARES OUTSTANDING:			
Basic and diluted	79,055,053	79,055,053	79,055,053

See notes to consolidated financial statements.

PINGTAN MARINE ENTERPRISE LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(IN U.S. DOLLARS)

	Equity Attributable To Owners of The Company							
	Ordinary Shares							
	Number of Shares	Amount	Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Statutory Reserve	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Shareholders' Equity
Balance, December 31, 2013	79,055,053	$ 79,055	$117,525,377	$ (63,654,445)	$ 6,412,892	$ 4,478,556	$ -	$ 64,841,435
Net income	-	-	-	85,760,705	-	-	-	85,760,705
Dividend declared	-	-	-	(790,550)	-	-	-	(790,550)
Foreign currency translation adjustment	-	-	-	-	-	(552,656)	-	(552,656)
Balance, December 31, 2014	79,055,053	79,055	117,525,377	21,315,710	6,412,892	3,925,900	-	149,258,934
Sale of non-controlling interest in subsidiary	-	-	49,688,788	-	-	(171,482)	15,711,075	65,228,381
Acquisition of fishing vessels from related parties	-	-	(56,206,080)	-	-	-	-	(56,206,080)
Net income	-	-	-	18,352,917	-	-	1,205,485	19,558,402
Appropriation to statutory reserve	-	-	-	(2,978,935)	2,978,935	-	-	-
Dividend declared	-	-	-	(2,371,652)	-	-	-	(2,371,652)
Foreign currency translation adjustment	-	-	-	-	-	(8,080,769)	(547,393)	(8,628,162)
Balance, December 31, 2015	79,055,053	79,055	111,008,085	34,318,040	9,391,827	(4,326,351)	16,369,167	166,839,823
Net loss	-	-	-	(13,717,623)	-	-	(959,688)	(14,677,311)
Dividend declared	-	-	-	(3,162,202)	-	-	-	(3,162,202)
Foreign currency translation adjustment	-	-	-	-	-	(8,552,700)	(735,356)	(9,288,056)
Balance, December 31, 2016	79,055,053	$ 79,055	$111,008,085	$ 17,438,215	$ 9,391,827	$ (12,879,051)	$14,674,123	$ 139,712,254

See notes to consolidated financial statements.

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

	For the Years Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (14,677,311)	$ 19,558,402	$ 85,760,705
Adjustments to reconcile net (loss) income from operations to net cash (used in) provided by operating activities:			
Depreciation	6,613,720	6,353,055	6,017,886
(Decrease) increase in allowance for doubtful accounts	(100,366)	(770,195)	1,173,223
(Decrease) increase in reserve for inventories	(213,255)	227,826	-
Loss on equity method investment	33,073	19,700	-
Loss on disposal of fixed assets	-	1,583,834	-
Changes in operating assets and liabilities:			
Accounts receivable	563,318	37,007,012	(42,134,612)
Inventories	(6,705,933)	9,302,719	(3,150,909)
Advances to suppliers	(145,293)	(37,575,746)	-
Prepaid expenses	(6,729)	30,633	4,213,938
Prepaid expenses - related parties	3,988,749	2,382,910	(7,314,375)
Deferred expenses - related parties	-	1,016,039	(1,028,327)
Other receivables	(1,994,127)	87,907	(156,606)
Accounts payable	1,387	(145,617)	(1,762,518)
Accounts payable - related parties	2,275,069	2,202,515	(8,604,461)
Advances from customers	-	(162,631)	(128,109)
Accrued liabilities and other payables	(334,820)	(266,105)	1,019,221
Accrued liabilities and other payables - related party	5,732,472	-	-
Due to related parties	20,000	1,292	23,352
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(4,950,046)	40,853,550	33,928,408
CASH FLOWS FROM INVESTING ACTIVITIES:			
Refunds from commercial retail space prepayments	-	22,202,268	-
Prepayments made for acquisition of commercial retail space	-	-	(22,470,798)
Purchase of property, plant and equipment	(1,465,144)	(56,222,226)	(890,897)
Proceeds from government grants for fishing vessels construction	-	-	3,451,914
Prepayments made for long-term assets	(26,671,132)	-	-
Payments for equity method investment	-	(40,209,087)	(15,952,598)
Proceeds from transferring equity method investment share	15,055,026	8,041,817	-
NET CASH USED IN INVESTING ACTIVITIES	(13,081,250)	(66,187,228)	(35,862,379)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term bank loans	23,275,729	23,958,292	67,175,414
Repayments of short-term bank loans	(22,234,749)	(30,989,630)	(45,797,736)
Proceeds from long-term bank loans	18,818,783	-	3,743,977
Repayments of long-term bank loans	(12,390,286)	(19,963,812)	(19,957,026)
Increase in restricted cash	(1,499,481)	(1,646,964)	-
Advances from related parties	5,063,620	3,910,000	2,350,000
Payments made for dividend	(3,162,202)	(2,371,652)	(790,550)
Capital contribution from non-controlling interest	-	64,334,540	-
Payments made to related parties in connection with the termination of VIE	-	(13,349,417)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	7,871,414	23,881,357	6,724,079
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(468,406)	148,733	(194,435)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(10,628,288)	(1,303,588)	4,595,673
CASH AND CASH EQUIVALENTS - beginning of year	11,448,684	12,752,272	8,156,599
CASH AND CASH EQUIVALENTS - end of year	$ 820,396	$ 11,448,684	$ 12,752,272
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for:			

Interest	$ 2,921,417	$ 3,799,389	$ 5,648,796
Income taxes	$ 984	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Acquisition of property and equipment by decreasing prepayment for long-term assets	$ 38,332,421	$ 1,408,636	$ 19,750,438
Property and equipment acquired on credit as payable	$ -	$ -	$ 790,459
Decrease in cost of property and equipment by proceeds from government grants	$ -	$ -	$ 3,451,914
Decrease in cost of property and equipment by recognition of deferred grant income	$ -	$ -	$ 512,469
Decrease in cost of property and equipment by decreasing in accounts payable - related party	$ -	$ 4,344,190	$ -
Other receivable increase by transferring equity method investment share	$ -	$ 16,083,635	$ -
Offset other receivables - related parties against due to related parties	$ 6,424,910	$ 4,900,000	$ -
Increase in prepayment for long-term assets by increasing in accrued liabilities and other payables - related party	$ 13,219,818	$ -	$ -
Reclassification of advances to suppliers to other receivables	$ 31,172,469	$ -	$ -

See notes to consolidated financial statements.

NOTE 1 – DESCRIPTION OF BUSINESS AND ORGANIZATION

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

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

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

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

(IN U.S. DOLLARS)

NOTE 1 – DESCRIPTION OF BUSINESS AND ORGANIZATION (continued)

Details of the Company's subsidiaries which are included in these consolidated financial statements as of December 31, 2016 are as follows:

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

The Company's consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements of the Company have been prepared as if the existing corporate structure had been in existence throughout the periods presented and as if the reorganization had occurred as of the beginning of the earliest period presented.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures at the date of the financial statements and during the reporting period. Actual results could materially differ from these estimates. Significant estimates in the years ended December 31, 2016, 2015 and 2014 include allowance for doubtful accounts, reserve for inventories, the useful life of property, plant and equipment, assumptions used in assessing impairment of long-term assets and valuation of deferred tax assets and accruals for taxes due.

Cash

Cash consists of cash on hand and cash in banks. The Company maintains cash with various financial institutions in the PRC and Hong Kong and none of these deposits are covered by insurance. At December 31, 2016 and 2015, cash balances in the PRC are $683,307 and $11,276,429, respectively, and cash balances in Hong Kong are $137,089 and $172,255, respectively, and are uninsured. The Company has not experienced any losses in bank accounts and believes it is not exposed to any risks on its cash in bank accounts.

Restricted cash

Restricted cash consists of cash deposits held by China Development Bank to secure short term bank loans from China Development Bank. At December 31, 2016 and 2015, restricted cash amounted $2,911,922 and $1,577,642, respectively.

Fair value of financial instruments

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

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

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

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

The carrying amounts reported in the consolidated balance sheets for cash, restricted cash, accounts receivable, inventories, advances to suppliers, prepaid expenses, prepaid expenses – related parties, other receivables, other receivables – related parties, accounts payable, accounts payable – related parties, bank loans, accrued liabilities and other payables, 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. As of December 31, 2016, the Company does not have any assets or liabilities that are measured on a recurring basis at fair value. The Company’s short-term bank borrowings that are considered Level 2 financial instruments measured at fair value on a non-recurring basis as of December 31, 2016. As of December 31, 2016, the Company does not have any level 3 financial instruments.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 December 31, 2016 and 2015, the Company has established, based on a review of its outstanding balances, an allowance for doubtful accounts in the amounts of $252,558 and $372,634, respectively.

Inventories

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

An allowance is established when management determines that certain inventories may not be saleable. If inventory costs exceed expected market value due to obsolescence or quantities in excess of expected demand, the Company will record reserve for the difference between the cost and the market value. These reserves are recorded based on estimates. At December 31, 2016 and 2015, the Company recorded a reserve for inventories in the amount of $0 and $218,236, respectively.

When recorded, inventory reserves are intended to reduce the carrying value of inventories to their net realizable value. The Company regularly evaluates the ability to realize the value of inventories based on a combination of factors including the following: forecasted sales, estimated current and future market value.

Advances to suppliers

Advances to suppliers represent the cash paid in advance for the purchase of raw material from suppliers. The advance payments are intended to ensure preferential pricing and delivery. According to related signed agreement, the Company has the right to receive refund for these prepayments if the situation of demands and supplies changes. The amounts advanced under such arrangements totaled $ 3,969,351 and $35,994,146 at December 31, 2016 and 2015, respectively.

Receivable from transferring equity method investment shares

In order to improve and focus on fishing business, the Company transferred 15% (RMB 150 million, approximately $21.6 million) of the total ownership in Global Deep Ocean Fishing (Pingtan) Industrial Limited (the "Global Deep Ocean") to another shareholder of Global Deep Ocean in December 2015 (See note 7). In the second half of December 2015, the Company received RMB 50 million (approximately $7.2 million) from the transferee. As of December 31, 2015, the receivable resulting from the 15% ownership transfer amounted to $15,406,659 (RMB 100 million). The receivable was collected in full in January and February 2016.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fishing licenses

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

Investment in unconsolidated company – Global Deep Ocean

The Company uses the equity method of accounting for its investment in, and earning or loss of, company that it does not control but over which it does exert significant influence. The Company considers whether the fair value of its equity method investment has declined below its carrying value whenever adverse events or changes in circumstances indicate that recorded value may not be recoverable. If the Company considers any decline to be other than temporary (based on various factors, including historical financial results and the overall health of the investee), then a write-down would be recorded to estimated fair value. See Note 7 for discussion of equity method investment.

Property, plant and equipment

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

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

The estimated useful lives of the assets are as follows:

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

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

Capitalized interest

Interest associated with the construction of fishing vessels is capitalized and included in the cost of the fishing vessels. When no debt is incurred specifically for the construction of a fishing vessel, interest is capitalized on amounts expended on the construction using weighted-average cost of the Company's outstanding borrowings. Capitalization of interest ceases when the construction is substantially complete or the construction activity is suspended for more than a brief period. The Company capitalized interest of $1,039,092, $0 and $836,902 for the years ended December 31, 2016, 2015 and 2014, respectively, in the fishing vessels under construction.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

In accordance with ASC Topic 360, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable, or at least annually. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value. The Company did not record any impairment charge for the years ended December 31, 2016, 2015 and 2014.

Revenue recognition

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

Government grant

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

Income taxes

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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

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

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

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

The Company has not recorded deferred income taxes applicable to undistributed earnings of the subsidiaries located in the PRC because it is the present intention of management to reinvest the undistributed earnings indefinitely in PRC. The cumulative undistributed earnings from PRC subsidiaries amounted to approximately $179.3 million and $190.5 million as of December 31, 2016 and 2015, respectively, which are included in consolidated retained earnings. Generally, such earnings become subject to the PRC tax upon the remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of deferred tax liability on such undistributed earnings.

The Company prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken in the tax return. This interpretation also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures. As of December 31, 2016 and 2015, there were no amounts that had been accrued with respect to uncertain tax positions.

Shipping and handling costs

Shipping and handling costs are included in selling expense and totaled $223,495, $369,912 and $721,972 for the years ended December 31, 2016, 2015 and 2014, 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 $287,962, $903,594 and $1,172,444 for the years ended December 31, 2016, 2015 and 2014, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising is expensed as incurred and is included in selling expense on the accompanying consolidated statements of operations and comprehensive (loss) income. Advertising totaled $42,208, $89,204 and $19,833 for the years ended December 31, 2016, 2015 and 2014, respectively.

Research and development

Research and development costs are expensed as incurred and are included in general and administrative expense. The Company did not incur any research and development costs during the years ended December 31, 2016, 2015 and 2014.

Foreign currency translation

The reporting currency of the Company is the U.S. dollar. The functional currency of the parent company and subsidiaries of Merchant Supreme and Prime Cheer is the U.S. dollar and the functional currency of the Company's subsidiaries of Pingtan Guansheng, Fujian Heyue and Pingtan Fishing is the Chinese Renminbi ("RMB"). For the subsidiaries of Pingtan Guansheng, Fujian Heyue and Pingtan Fishing, whose functional currencies are the RMB, results of operations and cash flows are translated at average exchange rates during the period, assets and liabilities are translated at the unified exchange rate at the end of the period, and equity is translated at historical exchange rates. As a result, amounts relating to assets and liabilities reported on the statements of cash flows may not necessarily agree with the changes in the corresponding balances on the balance sheets. Translation adjustments resulting from the process of translating the local currency financial statements into U.S. dollars are included in determining comprehensive income. The cumulative translation adjustment and effect of exchange rate changes on cash for the years ended December 31, 2016, 2015 and 2014 was $(468,406), $148,733 and $(194,435), respectively. Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the balance sheet date with any transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

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

Asset and liability accounts at December 31, 2016 and 2015 were translated at 6.9370 RMB to $1.00 and at 6.4907 RMB to $1.00, respectively, which were the exchange rates on the balance sheet dates. Equity accounts were stated at their historical rate. The average translation rates applied to the statements of operations and comprehensive (loss) income for the years ended December 31, 2016, 2015 and 2014 were 6.6423 RMB, 6.2175 RMB and 6.1432 RMB to $1.00, respectively. Cash flows from the Company's operations are calculated based upon the local currencies using the average translation rate.

Earnings (loss) per share

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

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

(IN U.S. DOLLARS)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings (loss) per share (continued)

	Year Ended December 31,		
	2016	2015	2014
Net (loss) income available to owners of the Company for basic and diluted net (loss) income per share of ordinary stock	$ (13,717,623)	$ 18,352,917	$ 85,760,705
Weighted average ordinary stock outstanding - basic and diluted	79,055,053	79,055,053	79,055,053
Net (loss) income per ordinary share attributable to owners of the Company - basic and diluted	$ (0.17)	$ 0.23	$ 1.08

For the years ended December 31, 2016, 2015 and 2014, warrants to purchase 8,966,667 shares of ordinary stock have not been included in the calculation of diluted earnings (loss) per share in order to avoid any anti-dilutive effect.

Non-controlling interest

On February 15, 2015, China Agriculture invested RMB 400 million (approximately $65 million) into Pingtan Fishing and acquired an 8% equity interest in Pingtan Fishing. As of December 31, 2016, China Agriculture owned 8% of the equity interest of Pingtan Fishing, which was not under the Company's control.

Related parties

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

Comprehensive (loss) income

Comprehensive (loss) income is comprised of net (loss) income and all changes to the statements of stockholders' equity, except those due to investments by stockholders, changes in paid-in capital and distributions to stockholders. For the Company, comprehensive (loss) income for the years ended December 31, 2016, 2015 and 2014 included net (loss) income and unrealized loss from foreign currency translation adjustments.

Segment information

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

Commitments and contingencies

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

The Company's management has evaluated all such proceedings and claims that existed as of December 31, 2016 and 2015. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, liquidity or results of operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of credit, economic and political risks

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

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

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

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

Recent accounting pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, in an effort to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments of this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *"Leases (Subtopic 842)."* The new guidance requires lessees to recognize assets and liabilities arising from leases as well as extensive quantitative and qualitative disclosures. A lessee will need to recognize on its balance sheet a right-of-use asset and a lease liability for the majority of its leases (other than leases that meet the definition of a short-term lease). The lease liabilities will be equal to the present value of lease payments. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayment, lease incentives received and the lessee's initial direct costs. The standard is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. ASU 2016-02 is required to be applied using the modified retrospective approach for all leases existing as of the effective date and provides for certain practical expedients. The Company is currently evaluating the impact of adopting ASU 2016-02 on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements Going Concern (Subtopic 205-40)* ("ASU 2014-15"). ASU 2014-15 requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles of current United States auditing standards. Specifically, ASU 2014-15 (1) provides a definition of the term "substantial doubt", (2) requires an evaluation every reporting period, including interim periods, (3) provides principles for considering the mitigating effect of management's plans, (4) requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) requires an express statement and other disclosures when substantial doubt is still present, and (6) requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). ASU 2014-15 is effective for fiscal years ending after December 15, 2016. The Company adopted ASU 2014-15 during the fourth quarter of 2016. The adoption of ASU 2014-15 did not have an impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09 *Revenues from Contracts with Customers (Topic 606).* The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under today's guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In August 2015, the FASB deferred the effective date of this standard by one year, which will be for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company has begun its process of assessing the impact of the guidance. To date the Company's assessment efforts include the identification of various revenue streams within the scope of the guidance and the evaluation of certain revenue contracts with residents. The Company continues to evaluate the standard (and related clarifying guidance issued by the FASB) and the allowable methods of adoption. ASU 2014-09 may be applied retrospectively to each prior period (full retrospective) or retrospectively with the cumulative effect recognized as of the date of initial application (modified retrospective). The Company is currently evaluating the potential impact of adopting this new accounting standard.

(IN U.S. DOLLARS)

NOTE 3 – ACCOUNTS RECEIVABLE

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

	December 31, 2016	December 31, 2015
Accounts receivable	$ 11,575,284	$ 12,947,676
Less: allowance for doubtful accounts	(252,558)	(372,634)
	$ 11,322,726	$ 12,575,042

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

NOTE 4 - INVENTORIES

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

	December 31, 2016	December 31, 2015
Frozen fish and marine catches in warehouse	$ 7,082,129	$ 2,463,135
Frozen fish and marine catches in transit	1,728,982	91,268
	8,811,111	2,554,403
Less: reserve for inventories	-	(218,236)
	$ 8,811,111	$ 2,336,167

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

NOTE 5 – ADVANCES TO SUPPLIERS AND OTHER RECEIVABLES

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

	December 31, 2016	December 31, 2015
Prepayments made for fishing nets and spare parts	$ 3,969,351	$ 4,093,597
Prepayments made for fish goods (1)	-	31,900,549
	$ 3,969,351	$ 35,994,146

At December 31, 2016 and 2015, other receivables consisted of the following:

	December 31, 2016	December 31, 2015
Prepayments made for fish goods (1)	$ 29,848,189	$ -
Interest receivable	1,819,258	-
Security deposit	75,000	75,000
Other	93,009	3,051
	$ 31,835,456	$ 78,051

(1) According to related signed agreement, the Company has the right to receive refund for these prepayments if the situation of demands and supplies changes. The Company received the refund in full in January and February 2017 (See Note 18). Accordingly, in December 2016, the Company reclassified the advances made to the supplier to other receivables.

NOTE 6 – COST METHOD INVESTMENT

At December 31, 2016 and 2015, cost method investment amounted to $3,027,245 and $3,235,398, respectively. The investment represents the Company's subsidiary, Pingtan Fishing's minority interest in Fujian Pingtan Rural-Commercial Bank Joint-Stock Co., Ltd. ("Pingtan Rural-Commercial Bank"), a private financial institution. Pingtan Fishing completed its registration as a shareholder on October 17, 2012 and paid RMB 21 million (approximately $3.0 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 December 31, 2016 and 2015.

In according to ASC 325, the Company uses the cost method of accounting to record its investment since Pingtan Fishing does not have the ability to exercise significant influence over the operating and financing activities of Pingtan Rural-Commercial Bank. Long-term investment for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. The Company monitors its investment in the non-marketable security and will recognize, if ever existing, a loss in value which is deemed to be other than temporary. The Company determined that there was no impairment on this investment as of December 31, 2016 and 2015.

(IN U.S. DOLLARS)

NOTE 7 – EQUITY METHOD INVESTMENT

At December 31, 2016 and 2015, equity method investment amounted to $28,493,273 and $30,486,314, respectively. The investment represents the Company's subsidiary, Pingtan Fishing's interest in Global Deep Ocean. On June 12, 2014, Pingtan Fishing incorporated Global Deep Ocean with other two unrelated companies in PRC. Pingtan Fishing and the other two investing companies accounted for 35%, 29% and 36% of the total ownership, respectively. Total registered capital of Global Deep Ocean is RMB 1 billion (approximately $144.2 million) and Pingtan Fishing needs to contribute RMB 350 million (approximately $50.5 million). As of September 30, 2015, Pingtan Fishing had contributed RMB 348 million (approximately $50.2 million). No company holds 50% or more of the total shares. Global Deep Ocean will process, cold storage, and transport deep ocean fishing products.

The Company transferred 15% (RMB 150 million, approximately $21.6 million) of the total ownership in Global Deep Ocean to one of the other shareholders of Global Deep Ocean in December 2015. In the second half of December 2015, the Company received RMB 50 million (approximately $7.2 million) from the transferee. As of December 31, 2015, the receivable resulting from the 15% ownership transfer amounted to $15,406,659 (RMB 100 million) which is included in receivable from transferring equity method investment shares on the accompanying consolidated balance sheets. In January and February 2016, the Company received RMB 100 million (approximately $14.4 million) from the transferee. As a result of this transfer, the Company and the other two investing companies accounted for 20%, 44% and 36% of the total ownership, respectively. All of the three investing companies hold less than 50% of the total shares. The Company needs to contribute RMB 200 million (approximately $28.8 million), and as of December 31, 2016, the Company has contributed RMB 198 million (approximately $28.5 million).

The Company treats the equity investment in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Company's share of the incorporated-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post incorporation change in the Company's share of the investee's net assets and any impairment loss relating to the investment. For the years ended December 31, 2016, 2015 and 2014, the Company's share of Global Deep Ocean's net loss was $33,073, $19,700 and $0, respectively, which was included in loss on equity method investment in the accompanying consolidated statements of operations and comprehensive (loss) income.

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

	December 31, 2016	December 31, 2015
Current assets	$ 48,488,573	$ 52,216,844
Noncurrent assets	4,335,801	4,404,656
Current liabilities	18,007	14,945
Noncurrent liabilities	-	-
Equity	52,806,367	56,606,555

	Year ended December 31,		
	2016	2015	2014
Net revenue	$ -	$ -	$ -
Gross profit	-	-	-
Loss from operation	165,293	84,468	9,449
Net loss	165,365	84,468	9,547

(IN U.S. DOLLARS)

NOTE 8 – PREPAYMENT FOR LONG-TERM ASSETS

At December 31, 2016 and 2015, prepayment for long-term assets consisted of prepayment for fishing vessels' construction. In March 2016, the Company entered into two fishing vessels building agreements for 6 fishing vessels construction. In May 2016, the Company entered into one fishing vessels renovation agreement for 13 fishing vessels renovation. During the year ended December 31, 2016, the Company made prepayments of RMB 264,960,000 (approximately $39.9 million) for the construction of 6 fishing vessels and the renovation of 13 fishing vessels. The Company reclassifies the prepayment for fishing vessels' construction to construction-in-progress using the percentage of completion method. During the year ended December 31, 2016, the Company reclassified RMB 257,960,000 (approximately $38.8 million) from prepayment for long-term assets to construction-in-progress.

For the year ended December 31, 2016, a summary of activities in prepayment for long-term assets was as follows:

	Prepayment for fishing vessels' construction
Balance – December 31, 2015	$ 11,654,645
Prepayments made for fishing vessels' construction	39,889,797
Reclassification to construction-in-progress	(38,835,945)
Foreign currency fluctuation	(794,585)
Balance – December 31, 2016	$ 11,913,912

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

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

	Useful life	December 31, 2016	December 31, 2015
Fishing vessels	10 - 20 Years	$ 122,989,702	$ 108,182,380
Vehicles	5 Years	121,472	129,824
Office and other equipment	3 – 5 Years	423,001	1,215,692
Construction-in-progress	-	18,754,740	-
		142,288,915	109,527,896
Less: accumulated depreciation		(20,092,321)	(14,972,782)
		$ 122,196,594	$ 94,555,114

For the years ended December 31, 2016, 2015 and 2014, depreciation expense amounted to $6,613,720, $6,353,055 and $6,017,886, respectively, of which $6,269,983, $6,120,248 and $5,988,845, respectively, was included in cost of revenue and inventories, and the remainder was included in general and administrative expense, respectively.

At December 31, 2016 and 2015, the Company had 37 and 28 fishing vessels with net carrying amount of approximately $29.4 million and $22.3 million, respectively, pledged as collateral for its bank loans.

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

(IN U.S. DOLLARS)

NOTE 10 – RELATED PARTIES TRANSACTIONS

Prepaid expenses – related parties

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

	December 31, 2016	December 31, 2015
Prepaid miscellaneous items to PT. Avona Mina Lestari (1)	$ 522,337	$ 1,127,257
Prepaid fuel cost to Hai Yi Shipping Limited (2)	-	783,370
Prepaid fuel cost to Haifeng Dafu Enterprise Company Limited (3)	-	868,668
Prepaid fuel cost to Hong Fa Shipping Limited (4)	-	1,860,871
	$ 522,337	$ 4,640,166

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

Other receivable – related parties

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

	December 31, 2016	December 31, 2015
Advance to Zhiyan Lin (1)	$ 639,917	$ 3,836,258
Advance to Honghong Zhuo (2)	-	4,051,269
	$ 639,917	$ 7,887,527

(1) Zhiyan Lin is a shareholder and legal representative of Pingtan Fishing.
(2) Honghong Zhuo is daughter of Xinrong Zhuo.

In connection with the termination of VIE structure and to comply with PRC regulation, the Company paid RMB 83 million in total, which is Pingtan Fishing's registered capital, to Pingtan Fishing's Shareholders to transfer their 100% of equity interest of Pingtan Fishing to Fujian Heyue, the Company's subsidiary pursuant to the Equity Transfer Agreement dated February 9, 2015. Those payments are expected to be returned in full to the Company by December 31, 2017.

Accounts payable - related parties

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

Name of related party	December 31, 2016	December 31, 2015
Hong Fa Shipping Limited	$ 1,740,000	$ -
Hong Long (1)	805,930	408,631
Huna Lin (2)	14,320	-
Hai Yi Shipping Limited	510	-
	$ 2,560,760	$ 408,631

(1) Hong Long is an affiliate company majority owned and controlled by Ping Lin, spouse of the Company's CEO.
(2) Huna Lin is Zhiyan Lin's daughter.

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)

Accrued liabilities and other payables – related party

At December 31, 2016 and 2015, the accrued liabilities and other payables – related party consisted of the following:

Name of related party	December 31, 2016	December 31, 2015
Hong Long	$ 18,147,152	$ -
	$ 18,147,152	$ -

The significant increase in other payables – Hong Long was primarily attributable to the prepayment for long-term assets made by Hong Long on behalf of the Company of approximately $13,220,000 and other miscellaneous payments made by Hong Long on behalf of the Company to the Company's vendors of approximately $4,927,000. The amount of other payable – Hong Long is short-term in nature, non-interest bearing, unsecured and payable on demand.

Due to related parties

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

	December 31, 2016	December 31, 2015
Accrued compensation for Roy Yu, Chief Financial Officer	$ 40,000	$ 20,000
Accrued compensation for Xinrong Zhuo	3,354	3,354
Advance from Xinrong Zhuo, Chief Executive Officer	-	1,361,290
	$ 43,354	$ 1,384,644

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

Operating lease

On July 31, 2012, the Company entered into a lease for office space with Ping Lin, spouse of the Company's CEO, (the "Office Lease"). Pursuant to the Office Lease, annual payments of RMB 84,000 (approximately $13,000) were due for each year of the term. The term of the Office Lease was 3 years and expired on August 1, 2015. The Company renewed the Office Lease. Pursuant to the renewed Office Lease, the annual rent is RMB 84,000 (approximately $13,000) and the renewed Office Lease expires on July 31, 2017.

For the years ended December 31, 2016, 2015 and 2014, rent expense related to the Office Lease amounted $12,646, $13,510 and $13,674, respectively. Future minimum rental payment required under the Office Lease is as follows:

Year Ending December 31:	Amount
2017	$ 7,377

Rental and related administrative service agreement

On July 1, 2013, the Company entered into a service agreement with Hai Yi Shipping Limited that provided the Company a portion of use of premises located in Hong Kong as office and provided related administrative service (the "Service Agreement"). Pursuant to the Service Agreement, monthly payments of Hong Kong Dollar ("HK$") HK$298,500 (approximately $38,000) were due for each month of the term. The term of the Service Agreement was 1.5 years and expired on December 31, 2014. The Company renewed the Service Agreement. Pursuant to the renewed Service Agreement, the monthly payments are HK$298,500 (approximately $38,000) and the renewed Service Agreement expires on December 31, 2017.

(IN U.S. DOLLARS)

NOTE 10 – RELATED PARTIES TRANSACTIONS (continued)

For the years ended December 31, 2016, 2015 and 2014, rent expense and corresponding administrative service charge related to the Service Agreement amounted to $461,899, $462,387 and $461,934, respectively. Future minimum rental and related administrative service charge payment required under the Service Agreement is as follows:

Rental and related administrative service agreement (continued)

Year ending December 31:	Amount
2017	$ 461,899

Purchases from related parties

During the years ended December 31, 2016, 2015 and 2014, purchases from related parties were as follows:

	Year Ended December 31,		
	2016	2015	2014
Purchase of fuel, fishing nets and other on-board consumables			
from Hong Fa Shipping Limited	$ 15,636,809	$ 11,328,966	$ 30,996,630
from Hai Yi Shipping Ltd.	8,853,657	4,739,278	4,678,520
from Haifeng Dafu Enterprise Co., Ltd.	941,778	11,116	4,877,460
from PT. Dwikarya Reksa Abadi	-	1,414,640	-
From PT. Avona Mina Lestari	-	1,276,049	-
from Zhiyan Lin	-	-	34,230
from Fuzhou Honglong Ocean Fishery Co., Ltd.	-	-	45,409,020
	25,432,244	18,770,049	85,995,860
Purchase of vessel maintenance service			
from PT. Avona Mina Lestari	674,360	6,529,495	3,543,925
from PT. Dwikarya Reksa Abadi	-	3,207,011	3,385,466
	674,360	9,736,506	6,929,391
Purchase of transportation service			
from Fuzhou Honglong Ocean Fishery Co., Ltd.	39,622	177,567	9,925,585
from Haifeng Dafu Enterprise Company Limited	-	-	3,331,554
from Hai Yi Shipping Limited	-	305,686	1,695,132
from Hong Fa Shipping Limited	-	-	2,550,872
	39,622	483,253	17,503,143
Purchase of Indonesia vessel agent service			
from PT. Avona Mina Lestari (1)	-	2,317	1,225,000
from PT. Dwikarya Reksa Abadi (1)	-	-	1,298,329
	$ -	$ 2,317	$ 2,523,329

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

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

(IN U.S. DOLLARS)

NOTE 11 – BANK LOANS

Short-term bank loans

Short-term bank loans represent the amounts due to various banks that are due within one year. These loans can be renewed with the banks upon maturities. At December 31, 2016 and 2015, short-term bank loans consisted of the following:

	December 31, 2016	December 31, 2015
Loan from China Development Bank, due on February 11, 2016 with variable annual interest rate based on London Interbank Offered Rate ("LIBOR")(1) plus 245 basis points (3.395% at December 31, 2015), guaranteed by Xinrong Zhuo, Honghong Zhuo, Zhiyan Lin and Shuhui Ke and repaid on due date	$ -	$ 7,000,000
Loan from China Development Bank, due on November 25, 2016 with variable annual interest rate based on LIBOR(1) plus 230 basis points (2.941% at December 31, 2015), secured by the Company's restricted cash which is a deposit with the lender of approximately $0.8 million (RMB 5.12 million) and collateralized by a related party's land use right and repaid on due date	-	4,000,000
Loan from China Development Bank, due on December 9, 2016 with variable annual interest rate based on LIBOR(1) plus 230 basis points (3.049% at December 31, 2015), secured by the Company's restricted cash which is a deposit with the lender of approximately $0.8 million (RMB 5.12 million) and collateralized by a related party's land use right and repaid on due date	-	4,000,000
Loan from Fujian Haixia Bank, due on September 7, 2016 with annual interest rate of 7.360% at December 31, 2015, collateralized by Pingtan Fishing's 17 fishing vessels and repaid on due date	-	4,621,998
Loan from Fujian Haixia Bank, due on September 13, 2017 with annual interest rate of 6.960% at December 31, 2016, collateralized by Pingtan Fishing's 17 fishing vessels	4,324,636	-
Loan from Fujian Haixia Bank, due on September 20, 2016 with annual interest rate of 1.621% at December 31, 2015, collateralized by Pingtan Fishing's 17 fishing vessels and repaid on due date	-	2,349,440
Loan from Fujian Haixia Bank, due on September 22, 2017 with annual interest rate of 1.529% at December 31, 2016, collateralized by Pingtan Fishing's 17 fishing vessels	1,150,000	-
Loan from Fujian Haixia Bank, due on October 10, 2017 with annual interest rate of 1.739% at December 31, 2016, collateralized by Pingtan Fishing's 17 fishing vessels	1,080,000	-
Loan from China Development Bank, due on March 21, 2017 with variable annual interest rate based on LIBOR(1) plus 230 basis points (3.211% at December 31, 2016), secured by the Company's restricted cash which is a deposit with the lender of approximately $0.6 million (RMB 4 million) and collateralized by a related party's land use right	3,000,000	-
Loan from China Development Bank, due on April 18, 2017 with variable annual interest rate based on LIBOR(1) plus 230 basis points (3.204% at December 31, 2016), secured by the Company's restricted cash which is a deposit with the lender of approximately $0.6 million (RMB 4 million) and collateralized by a related party's land use right	3,000,000	-
Loan from China Development Bank, due on April 18, 2017 with variable annual interest rate based on LIBOR(1) plus 230 basis points (3.257% at December 31, 2016), secured by the Company's restricted cash which is a deposit with the lender of approximately $0.3 million (RMB 2 million) and collateralized by a related party's land use right	1,500,000	-
Loan from China Development Bank, due on August 22, 2017 with variable annual interest rate based on LIBOR(1) plus 230 basis points (3.510% at December 31, 2016), secured by the Company's restricted cash which is a deposit with the lender of approximately $1.0 million (RMB 6.7 million) and collateralized by a related party's two vessels	5,000,000	-
Loan from China Development Bank, due on December 9, 2017 with variable annual interest rate based on LIBOR(1) plus 230 basis points (3.593% at December 31, 2016), secured by the Company's restricted cash which is a deposit with the lender of approximately $0.5 million (RMB 3.5 million) and collateralized by a related party's two vessels	2,500,000	-
	$ 21,554,636	$ 21,971,438

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

(IN U.S. DOLLARS)

NOTE 11 – BANK LOANS (continued)

Long-term bank loans

Long-term bank loans represent the amounts due to various banks lasting over one year. Usually, the long-term bank loans cannot be renewed with these banks upon maturities. At December 31, 2016 and 2015, long-term bank loans consisted of the following:

	December 31, 2016	December 31, 2015
Loan from The Export-Import Bank of China, due on various dates until December 10, 2017 with annual interest rate of 4.900% and 4.750% at December 31, 2016 and 2015, respectively, collateralized by Hong Long's investment in equity interest of a China local bank	$ 5,852,674	$ 11,832,314
Loan from The Export-Import Bank of China, due on various dates until December 10, 2017 with annual interest rate of 4.900% and 4.750% at December 31, 2016 and 2015, respectively, collateralized by Fujian International Trading and Transportation Co., Ltd.'s investment in equity interest of a China local bank	1,153,236	2,310,999
Loan from The Export-Import Bank of China, due on various dates until December 10, 2017 with annual interest rate of 4.900% and 4.750% at December 31, 2016 and 2015, respectively, guaranteed by Hong Long	4,742,684	9,937,295
Loan from The Export-Import Bank of China, due on various dates until January 30, 2023 with annual interest rate of 4.900% at December 31, 2016, guaranteed by Huanghai Ship Construction Co., Ltd, Xinrong Zhuo and Ping Lin and collateralized by 2 fishing vessels under construction and collateralized by three related parties' investments in equity interest of two PRC local banks	18,019,317	-
Loan from China Development Bank, due on various dates until November 27, 2023 with annual interest rate of 5.145% at December 31, 2016 and 2015, guaranteed by Xinrong Zhuo, Honghong Zhuo, Mr. and Mrs. Zhiyan Lin and 6 fishing vessels	9,370,045	11,169,827
Total long-term bank loans	$ 39,137,956	$ 35,250,435
Less: current portion	(17,298,544)	(12,679,680)
Long-term bank loans, non-current portion	$ 21,839,412	$ 22,570,755

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

Due in twelve-month periods ending December 31,	Principal
2017	$ 17,298,544
2018	5,622,027
2019	5,694,104
2020	4,324,636
2021	1,513,623
Thereafter	4,685,022
	$ 39,137,956
Less: current portion	(17,298,544)
Long-term liability	$ 21,839,412

(IN U.S. DOLLARS)

NOTE 11 – BANK LOANS (continued)

The weighted average interest rate for short-term bank loans was approximately 4.2%, 3.2% and 3.6% for the years ended December 31, 2016, 2015 and 2014, respectively.

The weighted average interest rate for long-term bank loans was approximately 6.7%, 5.7% and 6.8% for the years ended December 31, 2016, 2015 and 2014, respectively.

For the years ended December 31, 2016, 2015 and 2014, interest expense related to bank loans amounted to $3,011,359, $3,630,200 and $5,652,572, respectively, of which, $1,039,092, $0 and $836,902 was capitalized to construction-in-progress, respectively.

NOTE 12 – ACCRUED LIABILITIES AND OTHER PAYABLES

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

	December 31, 2016	December 31, 2015
Accrued salaries and related benefits	$ 4,126,938	$ 4,935,942
Accrued interest due	92,329	6,635
Other	180,269	101,472
	$ 4,399,536	$ 5,044,049

NOTE 13 – SHAREHOLDERS' EQUITY

Warrants

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

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

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

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

There were no stock warrants issued, expired/terminated/forfeited, exercised during the years ended December 31, 2016 and 2015.

(IN U.S. DOLLARS)

NOTE 13 – SHAREHOLDERS' EQUITY (continued)

The following table summarizes the shares of the Company's ordinary stock issuable upon exercise of warrants outstanding and exercisable at December 31, 2016:

Warrants (continued)

Warrants outstanding				Warrants exercisable	
Exercise price	Number outstanding at December 31, 2016	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at December 31, 2016	Weighted average exercise price
$ 12.00	8,966,667	1.2	$ 12.00	8,966,667	$ 12.00

Statutory reserve

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

The profit arrived at must be set off against any accumulated losses sustained by the Company in prior years, before allocation is made to the statutory reserve. Appropriation to the statutory reserve must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends. As of December 31, 2015, the Company appropriated the required 50% of its registered capital to statutory reserve for Heyue. Accordingly, no additional statutory reserve for Heyue is required for the year ended December 31, 2016. The Company did not make any appropriation to statutory reserve for Pingtan Fishing during the year ended December 31, 2016 as it incurred a net loss in the year.

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

For the years ended December 31, 2016 and 2015, statutory reserve activities for Pingtan Fishing and Fujian Heyue were as follows:

	Pingtan Fishing	Fujian Heyue	Total
Balance - December 31, 2014	$ 6,412,892	$ -	$ 6,412,892
Addition to statutory reserve	2,174,753	804,182	2,978,935
Balance – December 31, 2015	8,587,645	804,182	9,391,827
Addition to statutory reserve	-	-	-
Balance – December 31, 2016	$ 8,587,645	$ 804,182	$ 9,391,827

NOTE 14 – CERTAIN RISKS AND CONCENTRATIONS

Credit risk

At December 31, 2016 and 2015, the Company's cash included bank deposits in accounts maintained within the PRC and Hong Kong where there are currently no rules or regulations in place for obligatory insurance to cover bank deposits in event of bank failure. However, the Company does not experience any losses in such accounts and believes it is not exposed to any significant risks on its cash in bank accounts.

Major customers

No customer accounted for 10% or more of the Company's sales during the years ended December 31, 2016, 2015 and 2014.

No customer accounted for 10% or more of the Company's total outstanding accounts receivable at December 31, 2016 and 2015.

(IN U.S. DOLLARS)

NOTE 14 – CERTAIN RISKS AND CONCENTRATIONS (continued)

Major suppliers

The following table sets forth information as to each supplier that accounted for 10% or more of the Company's purchases for the years ended December 31, 2016, 2015 and 2014.

	Year Ended December 31,		
Supplier	2016	2015	2014
A (Hong Fa Shipping Limited, a related party)	44%	30%	23%
B (Hai Yi Shipping Limited, a related party)	25%	14%	*
C	13%	*	*
D (PT Avona Mina Lestari, a related party)	*	34%	*
E (Hong Long, a related party)	*	11%	44%
F	*	*	10%

* less than 10%

Three suppliers, whose outstanding accounts payable accounted for 10% or more of the Company's total outstanding accounts payable and accounts payable – related parties at December 31, 2016, accounted for 95.9% of the Company's total outstanding accounts payable and accounts payable – related parties at December 31, 2016. Three suppliers, whose outstanding accounts payable accounted for 10% or more of the Company's total outstanding accounts payable and accounts payable – related parties at December 31, 2016, accounted for 99.2% of the Company's total outstanding accounts payable and accounts payable – related parties at December 31, 2015.

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 December 31, 2016 and 2015, which have not been reflected in its consolidated financial statements.

Operating lease

See note 10 for related party operating lease commitment.

Rental payment and related administrative service charge

See note 10 for related party rental and related administrative service agreement commitment.

Equity investment commitment

On June 12, 2014, Pingtan Fishing incorporated an equity investment with two companies for the fishery processing purpose. Total registered capital of the equity investment is RMB 1 billion (approximately $144.2 million) and Pingtan Fishing accounted for 35% of the total ownership. Accordingly, Pingtan Fishing has the obligation to contribute RMB 350 million (approximately $50.5 million) as the equity investment's registered capital. In the fourth quarter of 2015, Pingtan fishing transferred 15% of the total ownership to another shareholder of the fishery processing company. Therefore, Pingtan Fishing has the obligation to contribute RMB 200 million (approximately $28.8 million) as the equity investment's registered capital. As of December 31, 2016, the Pingtan Fishing has contributed RMB 198 million (approximately $28.5 million) as registered capital that was included in equity method investment on the accompanying consolidated balance sheets. Pingtan Fishing intends to use its present working capital together with bank loans to fund the project cost.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

Fishing vessels construction agreements

In December 2015, Hong Long entered into an agreement with Fujian Xinchang Ship Construction Co., Ltd. ("Xinchang") related to the construction of 4 fishing vessels ("Xinchang Construction Agreement"). The agreement expired in October 2016. In March 2016, Pingtan Fishing and Hong Long and Xinchang entered into a Three-party Agreement. According to the Three-party Agreement, Hong Long assigned all of its rights and obligations related to the Xinchang Construction Agreement to Pingtan Fishing. The project requires a total investment of RMB 140 million (approximately $20.2 million). The funds are required to be invested over the construction period of the project. As of December 31, 2016, Pingtan Fishing has paid RMB 133.0 million (approximately $19.2 million) of the total investment that was recorded as property, plant and equipment (construction-in-progress) and prepayment for long-term assets on the accompanying balance sheets.

NOTE 16 – CONDENSED PARENT COMPANY FINANCIAL INFORMATION

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

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

(IN U.S. DOLLARS)

NOTE 16 – CONDENSED PARENT COMPANY FINANCIAL INFORMATION (continued)

PINGTAN MARINE ENTERPRISE LTD.
Condensed Parent Company Balance Sheets

	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash	$ 136,750	$ 171,329
Other receivable	75,000	75,000
Investments in subsidiaries and VIEs at equity	128,507,533	149,195,133
Total current assets	128,719,283	149,441,462
Other assets:		
Property, plant and equipment	22,359,945	23,681,715
Total assets	$ 151,079,228	$ 173,123,177
LIABILITIES AND EQUITY		
Current liabilities:		
Due to related parties	$ 11,366,974	$ 6,283,354
Total liabilities	11,366,974	6,283,354
Shareholders' equity:		
Equity attributable to owners of the company:		
Ordinary shares ($0.001 par value; 225,000,000 shares authorized; 79,055,053 shares issued and outstanding at December 31, 2016 and 2015)	79,055	79,055
Additional paid-in capital	111,008,085	111,008,085
Retained earnings	26,830,042	43,709,867
Accumulated other comprehensive loss	(12,879,051)	(4,326,351)
Total equity attributable to owners of the company	125,038,131	150,470,656
Non-controlling interest	14,674,123	16,369,167
Total shareholders' equity	139,712,254	166,839,823
Total liabilities and equity	$ 151,079,228	$ 173,123,177

(IN U.S. DOLLARS)

NOTE 16 – CONDENSED PARENT COMPANY FINANCIAL INFORMATION (continued)

PINGTAN MARINE ENTERPRISE LTD.
Condensed Parent Company Statements of Operations

	For the Year Ended December 31,		
	2016	2015	2014
Revenue	$ -	$ -	$ -
Cost of revenue	-	-	-
Operating expenses:			
General and administrative	(2,456,219)	(2,074,964)	(1,899,368)
Total operating expenses	(2,456,219)	(2,074,964)	(1,899,368)
Loss from operations	(2,456,219)	(2,074,964)	(1,899,368)
Other (expense) income	(542)	(593)	82,855
Loss attributable to parent only	(2,456,761)	(2,075,557)	(1,816,513)
Equity in (loss) income of subsidiaries and VIEs	(12,220,550)	21,633,959	87,577,218
Net (loss) income	(14,677,311)	19,558,402	85,760,705
Less: net (loss) income attributable to the non-controlling interest	(959,688)	1,205,485	-
Net (loss) income attributable to owners of the company	$ (13,717,623)	$ 18,352,917	$ 85,760,705

(IN U.S. DOLLARS)

NOTE 16 – CONDENSED PARENT COMPANY FINANCIAL INFORMATION (continued)

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

	For the Year Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income	$ (14,677,311)	$ 19,558,402	$ 85,760,705
Adjustments to reconcile net (loss) income to net cash used in operating activities:			
Equity in loss (income) of subsidiaries and VIEs	12,220,550	(21,633,959)	(87,577,218)
Changes in assets and liabilities:			
Prepaid expenses	-	2,819	1
Other receivable	-	(75,000)	(33)
Accrued liabilities and other payables	-	(11,099)	(198,075)
Due to related parties	20,000	2	23,352
NET CASH USED IN OPERATING ACTIVITIES	(2,436,761)	(2,158,835)	(1,991,268)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment payments to subsidiaries and VIEs	(114,036)	(244,033)	-
NET CASH USED IN INVESTING ACTIVITIES	(114,036)	(244,033)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash acquired from subsidiaries and VIEs	614,800	636,000	584,983
Advances from related parties	5,063,620	3,910,000	2,350,000
Payments made for dividend	(3,162,202)	(2,371,652)	(790,550)
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,516,218	2,174,348	2,144,433
NET (DECREASE) INCREASE IN CASH	(34,579)	(228,520)	153,165
CASH - beginning of year	171,329	399,849	246,684
CASH - end of year	$ 136,750	$ 171,329	$ 399,849

NOTE 16 – CONDENSED PARENT COMPANY FINANCIAL INFORMATION (continued)

Notes to the Condensed Parent Company Financial Statements

Note 1. Basis of Preparation

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

Note 2. Investments in Subsidiaries and VIEs

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

Note 3. Retained Earnings

The retained earnings in the Company's stand-alone financial statements do not represent the distributable earnings of the Group as it includes the statutory reserve of its subsidiaries and VIEs in PRC of $9,391,827 as of December 31, 2016 and 2015.

NOTE 17 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

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

	Quarter			
2016	First	Second	Third	Fourth
Revenue	$ 4,115	$ 2,104	$ 1,169	$ 13,153
Gross (loss) profit	(3,313)	(3,041)	(12,313)	9,879
Net (loss) income	(5,479)	(4,522)	(13,899)	9,223
Net (loss) income attributable to owners of the company	(5,100)	(4,225)	(12,823)	8,430
Basic and diluted net (loss) income per ordinary share attributable to owners of the company	$ (0.06)	$ (0.05)	$ (0.16)	$ 0.11

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

NOTE 18 – SUBSEQUENT EVENT

On January 17, 2017, the Company's Board of Directors declared a cash dividend of $0.01 per share to the Company's common stock shareholders of record on January 31, 2017.

The Company received the refund for prepayments made for fish goods of $29,848,189 from a third party in January and February 2017 (See Note 5).

Exhibit 23.1

立信会计师事务所(特殊普通合伙)
BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement No. 333-215327 on Form S-3 of our reports dated March 23, 2017, relating to the consolidated financial statements of Pingtan Marine Enterprise Ltd. and subsidiaries (the "Company"), appearing in the Annual Report on Form 10-K of Pingtan Marine Enterprise Ltd. for the year ended December 31, 2016.

/s/ BDO China Shu Lun Pan Certified Public Accountants LLP
Beijing, China
March 23, 2017

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Xinrong Zhuo, certify that:

1. I have reviewed this annual report on Form 10-K of Pingtan Marine Enterprise Ltd.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 controls 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 annual 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;

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;

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

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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

Dated: March 23, 2017

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

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Roy Yu, certify that:

1. I have reviewed this annual report on Form 10-K of Pingtan Marine Enterprise, Ltd.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 controls 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 annual 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;

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;

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

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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

Dated: March 23, 2017

By: /s/ Roy Yu
Roy Yu
Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Annual Report of Pingtan Marine Enterprise, Ltd. (the "Company") on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xinrong Zhuo, chief executive officer of the Company, and I, Roy Yu, chief financial officer of the Company, certify, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

(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 Company.

Date: March 23, 2017

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

Date: March 23, 2017

By: /s/ Roy Yu
Roy Yu
Chief Financial Officer (Principal Financial and Accounting Officer)