

**INTANGIBLE ASSET
VALUATION**



Prepared for

PINGTAN MARINE ENTERPRISE LTD.

In respect of

The Market Value of the Fishing License of Fu Yuan Yu 001

Valuation Date : 30 April 2015
Report Date : 23 June 2015
Our Reference : P23182/BV15051P/4867(R2)/BV1

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Our Ref.: P23182/BV15051P/4867(R2)/BV1

23 June 2015

The Directors

Pingtang Marine Enterprise Ltd.

18th Floor, Tower A, Zhongshan Building

No.154 Hudong Road, Gulou District

Fuzhou City, Fujian Province

The People's Republic of China

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Pingtang Marine Enterprise Ltd. (referred to as the "Company") for us to provide our opinion on the market value of the fishing license of Fu Yuan Yu 001 (referred to as the "Fishing License") as at 30 April 2015.

This report presents the purpose of valuation, the date of valuation, the background of the Fishing License, an industry overview, the source of information, the scope of work and the valuation assumptions. It also explains the valuation methodology utilized and presents our conclusion of value.

PURPOSE OF VALUATION

The purpose of our valuation is to value the Fishing License for your acquisition reference purposes only.

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BASIS OF VALUATION

Our valuation has been carried out on the basis of market value. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

DATE OF VALUATION

The date of valuation is 30 April 2015.

BACKGROUND OF THE FISHING LICENSE

The approved fishing conditions of the Fishing License are as follows:

Category of Fishing Method	Type of Fishing Method	License No.
Longline	Longline	No.GH-0705(2013)Guoyu(gong)

Target Species	Area of Fishing	Duration of Fishing
Tuna	Pacific Ocean	23 September 2013 to 31 March 2016

The information of Fu Yuan Yu 001 is as follows:

Name of Vessel	Fishing Vessel Code	Date of Completion
Fu Yuan Yu 001	412677190	14 March 1978

Gross Tonnage	Total Power	Vessel Inspection Certificate No.
495	808 kw	3500000Y13060

As per the senior management of the Company, the Fishing License can be renewed every three years with minimal costs and has infinite life. The Fishing License can be used by other vessels after the end of the useful life of Fu Yuan Yu 001.

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The harvested tuna is marketed to many countries, including Thailand, Japan, Taiwan, Hong Kong and other countries.

INDUSTRY OVERVIEW

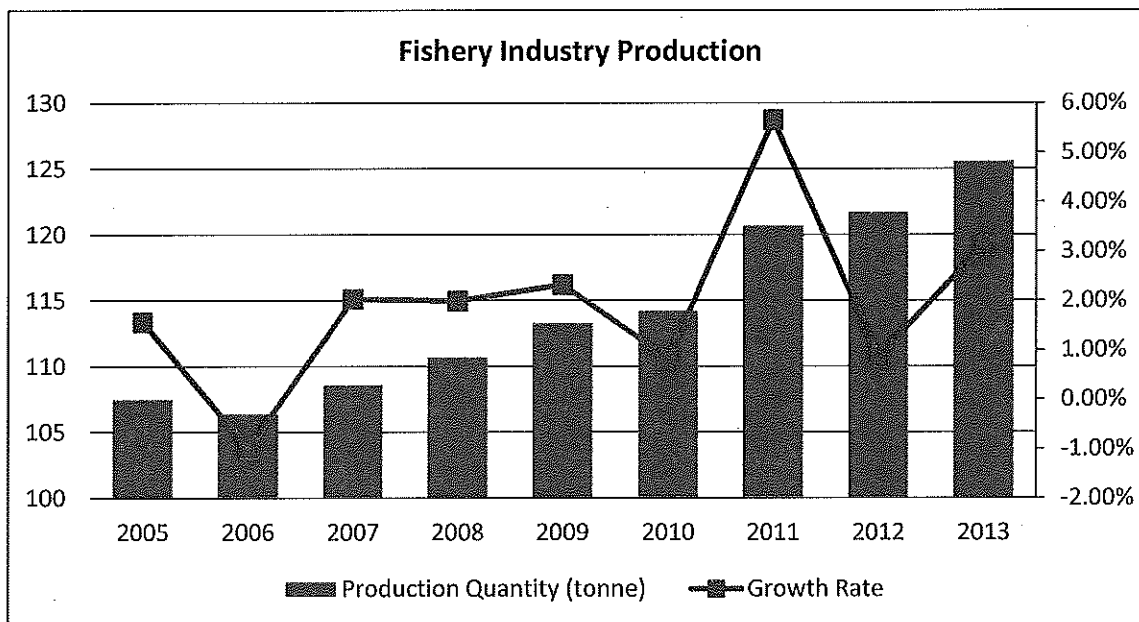
Seafood Market

Fisheries and aquaculture make a vital contribution to the food security, nutrition and livelihoods of hundreds of millions of people. They are a source of healthy food and animal protein, providing essential micronutrients such as vitamins, minerals and fatty acids. According to Food and Agriculture Organization (referred to as "FAO"), the livelihoods of more than one-tenth of the global population are dependent on fisheries and aquaculture. They also generate significant government revenue and foreign currency. However, both fisheries and aquaculture require good governance and careful management to be sustainable.

Already, fish represents 16% of all animal protein consumed globally, and this proportion of the world's food basket is likely to increase as consumers with rising incomes seek higher-value seafood and as aquaculture steps up to meet increasing demand.

Similar to the seafood demand amount, the fishery industry production is also volatile with global economic environment. Figure 1 demonstrates how the historical production changed.

Figure 1: Global Fishery Industry Annual Production



Source: FAO GLOBEFISH

Tuna Market

- Non-canned tuna market (fresh and frozen)

In Japan, imports of all tunas were 2.75% higher during Jan-Sep 2014 than the same period in the previous year, at 168,204 tonnes, due to the increases in frozen tunas. Red meat quality frozen tuna loin imports increased from 18,470 to 19,087 tonnes in first three quarters of 2014 than the same period in the previous year.

In the USA, fresh tuna imports increased by 3.2%, with supplies of premium priced bluefin tunas 24% higher than that in the previous year. Fresh bluefin tuna imports from Mexico were 35% higher, at 228 tonnes. Frozen bluefin tuna imports also increased by 18%, at 414 tonnes. Imports of cooked loins increased by 7.7%, and 65% of the supplies came from China and Thailand. The imports from China and Thailand increased 60% and 8.7% respectively.

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- Canned Tuna

In the USA, demands for higher value products, such as pouched tunas, increased. Imports of semi-processed cooked loins had also increased, with supplies from China increased significantly.

In the EU, cooked loin imports rose slightly. Imports of higher value canned and pouched tunas increased. Supplies increased from Mauritius (8.3%), Philippines (16.3%), Indonesia (6%), and Vietnam (11%). Canned tuna imports were slightly higher in Italy, Netherlands, Belgium, Czech, Romania, Slovenia and Malta. Imports of cooked tuna loins were 88,000 tonnes, 2% higher than the previous period, and Spain was the largest buyer.

In Japan, imports were stable at 41,000 tonnes, among the same volume of the previous period. Supplies increased from China, Indonesia and Philippines.

Australia, Canada, and Egypt also imported more than the previous period. Brazil, Mexico and Morocco recorded strong import growths.

- Exports

Exports of processed tunas increased from producers in Asia and Latin America. Export quantity increases were 13.3% for China, 9% for Ecuador and Thailand, and 2.5% for Spain. Canned tuna exports (higher value products) increased from Italy, Portugal and Spain. Exports from Italy to Middle Eastern markets increased too.

- Forecast

In Japan, demands for sashimi tunas were expected to be good throughout the winter season. Farmed tuna global production forecasts were to reach 35,000 tonnes in 2014 (500 tonnes more than 2013). The stable and low prices of tuna materials were likely to stimulate better demands in the canned tuna market worldwide.

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SOURCE OF INFORMATION

We have been furnished with information provided by the senior management of the Company. The valuation required the consideration of pertinent factors, including, but not limited to, the following:

- The nature of operation of the Company including the industry sector and geographical location;
- The information provided by the senior management of the Company; and
- Other factors that will materially affect the operation of the Company.

SCOPE OF WORK

The following processes have been conducted by us in the course of our valuation:

- Interviewed with the senior management of the Company and obtained information in respect of the Fishing License;
- Examined the information provided by the senior management of the Company;
- Prepared the valuation based on accepted valuation procedures and practices; and
- Presented the purpose of valuation, the bases of valuation, the date of valuation, the background of the Fishing License, an industry overview, the source of information, the scope of work, the valuation assumptions, the valuation methodology and our conclusion of value in this report.

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VALUATION ASSUMPTIONS

The following assumptions have been adopted in the valuation:

- All licenses issued by any authorized entity that will materially affect the operation of the Company have been obtained or can be obtained upon request;
- There will be no material change in the political, legal, fiscal, technological, market and economic conditions in the jurisdiction where the Company operates;
- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- The core operation of the Company will not differ materially from those of present or expected;
- The information in respect of the Fishing License have been prepared after due and careful consideration by the senior management of the Company; and
- There will be no human disruptions or natural disasters that will materially affect the operation of the Company.

VALUATION METHODOLOGY

The Valuation Approach

Under the income approach, the Discounted Cash Flow (DCF) method was adopted. In applying the DCF method, the free cash flows for each year in the future were determined. The results were then discounted using a discount rate to determine the present value of the free cash flows.

Under the income approach, the Excess Earnings Method was adopted. The Excess Earnings Method is predicated on the basis that the value of an intangible asset is the present value of the earnings it generates, net of a reasonable return on other assets which also contribute to that stream of earnings.

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In the valuation, the after-tax required rates of return on the net fixed assets, the net working capital and the workforce assembled of 11.50%, 5.35% and 11.50% respectively were adopted.

The Comparable Companies

The market value of the Fishing License was determined with reference to publicly listed companies that are principally engaged in the fishing industry (referred to as the "Comparable Companies"). Details of the Comparable Companies are as follows:

List of the Comparable Companies	Bloomberg Ticker
1. Shanghai Kaichuang Marine International Co., Ltd.	600097 CH
2. CNFC Overseas Fishery Co., Ltd	000798 CH
3. China Fishery Group Limited	CFG SP
4. Oceana Group Limited	OCE SJ
5. Dongwon Industries Co., Ltd.	006040 KS
6. Silla Co., Ltd.	004970 KS
7. Oyang Corp.	006090 KS
8. Dong Won Fisheries Co., Ltd.	030720 KS

The Discount Rate

The Weighted Average Cost of Capital (WACC) was adopted as the discount rate. The WACC comprises two components: the cost of equity and the cost of debt. The cost of equity was determined using the Capital Asset Pricing Model (CAPM).

The yield rate of the 10-year Government Bond of Thailand of 2.48% was adopted as the risk-free rate.

The market risk premium of Thailand of 8.98% was determined by the market risk premium of the United States and the country risk premium of Thailand.

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The beta coefficient of 0.751 was determined by the median of the unlevered betas of the Comparable Companies, then being relevered based on the specific corporate tax rate and the weight of debt applied to the Fishing License.

By considering the size, a size premium of 3.87% was adopted. As a result, the cost of equity was calculated as 13.10%.

The cost of debt of 5.90% was determined by the expected lending rate of the Company. The after-tax cost of debt of 5.90% was calculated by multiplying one minus the corporate tax rate of 0% by the cost of debt.

The weight of debt of 22.16% was determined by the median of the weights of debt of the Comparable Companies, and the weight of equity of 77.84% was calculated as one minus the weight of debt.

As a result, the WACC of the Fishing License was calculated as 11.50%.

Intangible assets are generally perceived to have greater risk than tangible assets and companies would expect to earn a higher rate of return on intangible assets than on tangible assets. In the valuation, a risk premium of 1.00% was adopted to reflect the additional risk associated with the Fishing License. As a result, the discount rate of the operating right of the Fishing License was calculated as 12.50%.

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COMMENTS

For the purpose of our valuation, we have been furnished with information provided by the senior management of the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made or liability assumed for the accuracy of any data, opinions or estimates identified as being furnished by others, which have been used in formulating our analysis.

REMARKS

Neither the whole nor any part of this report or any reference thereto may be included in any document, circular or statement nor published in any way (except the announcement of the Company's interim and final results) without our written approval of the form and context in which it will appear.

Finally and in accordance with our standard practice, we must state that this report is for the exclusive use of the addressee and for the purpose stated herein. No responsibility is accepted to any third party for the whole or any part of its contents.

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB).

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CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to uncertainties and contingencies that are beyond the control of the Company or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market value of the Fishing License as at 30 April 2015 was **RMB55,200,000 (RENMINBI FIFTY FIVE MILLION AND TWO HUNDRED THOUSAND ONLY)**.

We hereby certify that we have neither present nor prospective interest in the Company, the Fishing License or the result reported.

This report is subject to the limiting conditions attached.

Yours faithfully,

BMI APPRAISALS LIMITED



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LIMITING CONDITIONS

1. We have assumed the accuracy of, and have relied on, information from public sources together with such financial information, project documentation and other pertinent data concerning the project. We have relied to a considerable extent on such information provided in arriving at our conclusion of value.
2. We shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation, with reference to the project described herein, unless prior arrangements have been made.
3. No opinion is intended to be expressed for matters, which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers.
4. Our conclusion of value assumes continuation of prudent management policies over whatever period of time is reasonable and necessary to maintain the character and integrity of the subject asset.
5. We assume that there are no hidden or unexpected conditions associated with the subject asset that might adversely affect the conclusion of value. Further, we assume no responsibility for changes in market conditions which may require an adjustment in the valuation.