

May 9, 2018



# Pingtan Marine Enterprise Reports Financial Results for the First Quarter Ended March 31, 2018

Company to Hold Conference Call Thursday, May 10, 2018, at 8:30 AM ET

FUZHOU, China, May 9, 2018 /PRNewswire/ --**Pingtan Marine Enterprise Ltd. (Nasdaq: PME) ("Pingtan" or the "Company")**, a global fishing company based in the People's Republic of China (PRC), today announced financial results for its first quarter ended March 31, 2018.

## **The Company's recent notable events are as follows:**

- April 9, 2018: The Company announced that 27 fishing vessels received approval from the Ministry of Agriculture and Rural Affairs of the People's Republic of China to operate in the international waters of the Indian Ocean. As a result of this approval, the Company expects to significantly increase its current production capacity.
- April 16, 2018: The Company announced a quarterly cash dividend of \$0.01 per ordinary share outstanding, which will be paid on or about May 15, 2018 to shareholders of record on April 30, 2018. This marked the fourteenth consecutive quarterly dividend paid by the Company.
- April 17, 2018: The Company announced it has signed an agreement with Huanghai Shipbuilding Co., Ltd regarding the above-mentioned 27 fishing vessels, and officially commenced the modification and rebuilding project for these vessels.

## **Management Comments**

Mr. Xinrong Zhuo, Chairman and CEO of the Company, commented, "The first quarter 2018 was a time of good news for Pingtan. In early January, we began sales in one of China's largest e-commerce retailers, JD.com, and achieved nationwide retail sales, which increased our profit margin by selling directly to end consumers. Also, during the first quarter 2018, 27 of our fishing vessels received approvals to operate in the international waters of the Indian Ocean from the Ministry of Agriculture and Rural Affairs, and we immediately began the modification and rebuilding of these vessels. Some of these vessels are expected to start fishing operations by the end of this year and all of the 27 vessels will be in operation in the first half of 2019."

## **Factors Affecting Pingtan's Results of Operation – Indonesia Moratorium**

As previously disclosed in our Forms 10-K and 10-Q filed since 2015, in early December 2014, the Indonesian government introduced a six-month moratorium on issuing new fishing

licenses and renewals so that the country's Ministry of Maritime Affairs and Fisheries ("MMAF") could combat illegal fishing and rectify ocean fishing order. In February 2015, the Company ceased all fishing operations in Indonesia. During the moratorium, the Company was informed that fishing licenses of four vessels operated through PT. Avona, one of the local companies through which Pingtan conducts business in Indonesia, and the fishery business license of PT. Dwikarya, the other local company through which Pingtan conducts business in Indonesia, were revoked. As a result, and because license renewal was prohibited due to the general moratorium, all local fishing licenses of the Company's vessels in Indonesia are presently inactive.

In November 2015, the Indonesian government announced that the moratorium had concluded. However, since the MMAF has not implemented new fishing policies and resumed the license renewal process, the Company does not know when exactly licensing and renewal will start. Since the Company derived a majority of its revenue from this area, this ban has caused a significant drop in production.

In September 2017, the Company was informed that the fishing licenses of 13 vessels deployed to the Indo-Pacific waters were suspended and the vessels were docked in the port by the Ministry of Agriculture and Fisheries ("MAF") of the Democratic Republic of Timor-Leste. The MAF is alleging and is investigating whether false statements were made during the licensing process and the vessels were simultaneously registered in Indonesia. The Company disputes these allegations.

As of March 31, 2018, among the Company's 140 vessels, 12 are located in the Bay of Bengal in India; 11 are located in international waters (including 1 refrigerated transport vessel); and 13 are located in the Democratic Republic of Timor-Leste but are currently not operating as described above. 27 vessels are under modification and rebuilding. The remaining 77 vessels are licensed by the MOA to operate in the Arafura Sea in Indonesia. The vessels in Indonesian waters, however, are not in operation because the licenses are currently inactive due to either the moratorium discussed above, the revocation of the fishery business license of the local entity through which the vessels operate, or, with respect to four vessels, the revocation of the local fishing licenses.

#### **First Quarter 2018 Financial Highlights (all results are compared to prior year period)**

- Revenue increased by 92.3% to \$10.9 million from \$5.7 million as a result of increase in fishing activities.
- Gross profit increased by 8,743.0% to \$5.6 million from gross profit of \$63,333.
- Net income was \$1.0 million, compared to net income of \$10.8 million. Excluding the one-off effect of loss on 27 fishing vessels, which were dismantled for modification and rebuilding, net income would be \$3.2 million for this quarter.
- Net income attributable to owners of the Company was \$0.9 million, or \$0.01 per basic and diluted share, compared to net income attributable to owners of the Company of \$9.9 million, or \$0.13 per basic and diluted share.

#### **First Quarter 2018 Selected Financial Highlights**

(\$ in millions, except shares and per share) data ) **Three Months ended March 31,**

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
| Revenue                                   | \$10.9      | \$5.7       |
| Cost of Revenue                           | \$5.3       | \$5.6       |
| Gross Profit                              | \$5.6       | \$0.06      |
| Gross Margin                              | 51.5%       | 1.1%        |
| Net Income                                | \$1.0       | \$10.8      |
| Basic and Diluted Weighted Average Shares | 79.1        | 79.1        |
| EPS (in \$)                               | \$0.01      | \$0.13      |
| Net Income excluding one-off item*        | \$3.2       | \$10.8      |
| Basic and Diluted Weighted Average Shares | 79.1        | 79.1        |
| EPS (in \$)                               | \$0.04      | \$0.13      |

\*One-off item refers to loss on fixed assets disposal of \$2.2 million, which resulted from 27 fishing vessels being dismantled for modification and rebuilding project.

### Balance Sheet Highlights

(\$ in millions, except for book value per share) **3/31/2018 12/31/2017**

|  |         |         |
|--|---------|---------|
| Cash and Cash Equivalents                    | \$3.8   | \$2.0   |
| Total Current Assets                         | \$23.6  | \$20.8  |
| Total Assets                                 | \$205.5 | \$201.1 |
| Total Current Liabilities                    | \$34.3  | \$36.4  |
| Total Long-term Debt, net of current portion | \$17.9  | \$17.2  |
| Total Liabilities                            | \$52.2  | \$53.6  |
| Shareholders' Equity                         | \$153.3 | \$147.5 |
| Total Liabilities and Shareholders' Equity   | \$205.5 | \$201.1 |
| Book Value Per Share (in \$)                 | \$1.94  | \$1.87  |

### Consolidated Financial and Operating Review

#### Revenues

Revenues for the three months ended March 31, 2018 was \$10.9 million, an increase of \$5.2 million, or 92.3%, from \$5.7 million for the same period in 2017.

The increase was mainly attributable to more fishing vessels deployed to international waters for operation.

#### Gross Margin

The Company's gross margin was 51.5% for the three months ended March 31, 2018, compared to 1.1% in the prior year period.

The increase was primarily attributable to the decrease in unit sales costs of fish resulting from deploying more fishing vessels to international waters for operation.

#### Selling Expenses

For the three months ended March 31, 2018, selling expenses for the fishing business was \$0.5 million compared to \$0.4 million in the prior year period. The increase was mainly due to the different insured fishing vessel mix, and the Company purchased insurance for the new fishing vessels deployed in late 2017.

#### General & Administrative Expenses

For the three months ended March 31, 2018, general and administrative expenses for the fishing business was \$3.1 million, compared to \$1.1 million in the prior year period. The increase is due to recording the depreciation of approximately \$1.6 million as operating expense rather than cost of revenue for vessels located in Indonesian and Indo-Pacific waters that are not operating as a result of the reasons mentioned above.

### *Net Income*

Net income the three months ended March 31, 2018 was \$1.0 million, compared to net income of \$10.8 million in the same period of 2017, a decrease of \$9.9 million. Excluding the one-off effect of a loss on fixed assets disposal of \$2.2 million, which resulted from 27 fishing vessels being dismantled for modification and rebuilding, the net income would be \$3.2 million for the three months ended March 31, 2018.

### *Net Income Attributable to Owners of the Company*

Net income attributable to owners of the Company for the three months ended March 31, 2018 was \$0.9 million, or \$0.01 per basic and diluted share, compared to net income attributable to owners of the Company of \$9.9 million, or \$0.13 per basic and diluted share, in the same period of 2017.

### **Conference Call Details**

Pingtan also announced that it will discuss financial results in a conference call Thursday, May 10, 2018 – 8:30 a.m. ET.

The dial-in numbers are:

Live Participant Dial-in (Toll Free): +1 877-407-0310

Live Participant Dial-in (International): +1 201-493-6786

To listen to the live webcast, please go to <http://www.ptmarine.com> and click on the conference call link at the top of the page, or go to: <http://ptmarine.equisolvewebcast.com/q1-2018>. This webcast will be archived and accessible through the Company's website for approximately 30 days following the call.

### **About Pingtan**

Pingtan is a global fishing company engaging in ocean fishing through its subsidiary, Fujian Provincial Pingtan County Ocean Fishing Group Co., Ltd., or Pingtan Fishing.

### **Business Risks and Forward-Looking Statements**

This press release may contain forward-looking statements that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934. Although forward-looking statements reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Risks include the ability to successfully finish the modification and rebuilding of the 27 vessels and being fishing

operations as expected; unanticipated delays in the modification and rebuilding process; 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; operational, mechanical, climatic or other unanticipated issues that adversely affect the production capacity of the Company's fishing vessels and their ability to generate expected annual revenue and net income; construction delays, cost overruns and inability to obtain proper permits for the processing factory; inability to sell products to the end-customer at the levels anticipated; and other risk factors contained in Pingtan's SEC filings available at [www.sec.gov](http://www.sec.gov), including Pingtan's most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q. Readers are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date on which they are made. Pingtan undertakes no obligation to update or revise any forward-looking statements for any reason.

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

|   | For the Three Months Ended<br>March 31, |                      |
|---|---|----------------------|
|   | 2018                                    | 2017                 |
| <b>REVENUE</b>  | <b>\$ 10,884,268</b>                    | <b>\$ 5,661,140</b>  |
| COST OF REVENUE   | 5,283,716                               | 5,597,807            |
| GROSS PROFIT  | 5,600,552                               | 63,333               |
| OPERATING EXPENSES:   |   |                      |
| Selling   | 481,451                                 | 388,718              |
| General and administrative  | 1,559,597                               | 1,087,872            |
| General and administrative - depreciation                               | 1,566,019                               | -                    |
| Grant income  | (1,052,112)                             | (12,719,275)         |
| Loss on fixed assets disposal   | 2,181,455                               | -                    |
| Total Operating Expenses (Profit)                                       | 4,736,410                               | (11,242,685)         |
| PROFIT FROM OPERATIONS  | 864,142                                 | 11,306,018           |
| OTHER INCOME (EXPENSE):   |   |                      |
| Interest income   | 19,764                                  | 147,383              |
| Interest expense  | (462,259)                               | (703,076)            |
| Foreign currency transaction gain                                       | 573,992                                 | 98,451               |
| Loss on equity method investment  | (10,951)                                | (6,252)              |
| Total Other Income (Expense), net                                       | 120,546                                 | (463,494)            |
| INCOME BEFORE INCOME TAXES  | 984,688                                 | 10,842,524           |
| INCOME TAXES  | -                                       | -                    |
| <b>NET INCOME</b>   | <b>\$ 984,688</b>                       | <b>\$ 10,842,524</b> |
| LESS: NET INCOME ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST           | 112,395                                 | 922,370              |
| NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY                        | \$ 872,293                              | \$ 9,920,154         |
| COMPREHENSIVE INCOME:   |   |                      |
| NET INCOME  | 984,688                                 | 10,842,524           |
| OTHER COMPREHENSIVE GAIN  |   |                      |
| Unrealized foreign currency translation gain                            | 5,603,908                               | 641,048              |
| COMPREHENSIVE INCOME  | \$ 6,588,596                            | \$ 11,483,572        |
| LESS: COMPREHENSIVE INCOME ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST | 560,609                                 | 973,026              |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY              | \$ 6,027,987                            | \$ 10,510,546        |
| NET INCOME PER ORDINARY SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY     |   |                      |
| Basic and diluted   | \$ 0.01                                 | \$ 0.13              |
| WEIGHTED AVERAGE ORDINARY SHARES OUTSTANDING:                           |   |                      |
| Basic and diluted   | 79,055,053                              | 79,055,053           |

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

|  | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--|---------------------------|------------------------------|
|  | <b>(Unaudited)</b>        |                              |
| <b>ASSETS</b>  |                           |                              |
| CURRENT ASSETS:  |                           |                              |
| Cash   | \$ 3,818,837              | \$ 2,005,540                 |
| Restricted cash  | 779,250                   | 1,821,187                    |
| Accounts receivable, net of allowance for doubtful accounts  | 13,141,682                | 13,012,671                   |
| Inventories, net of reserve for inventories  | 5,451,133                 | 3,560,261                    |
| Prepaid expenses   | -                         | 110,536                      |
| Other receivables  | 408,179                   | 273,151                      |
|  | <hr/>                     | <hr/>                        |
| <b>Total Current Assets</b>  | <b>23,599,081</b>         | <b>20,783,346</b>            |
| OTHER ASSETS:  |                           |                              |
| Cost method investment   | 3,339,642                 | 3,213,859                    |
| Equity method investment   | 31,704,915                | 30,521,466                   |
| Prepayment for long-term assets  | 12,030,153                | 11,577,057                   |
| Property, plant and equipment, net   | 134,838,554               | 135,042,467                  |
|  | <hr/>                     | <hr/>                        |
| Total Other Assets   | 181,913,264               | 180,354,849                  |
|  | <hr/>                     | <hr/>                        |
| <b>Total Assets</b>  | <b>\$ 205,512,345</b>     | <b>\$ 201,138,195</b>        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                           |                              |
| CURRENT LIABILITIES:   |                           |                              |
| Accounts payable   | \$ 7,514,298              | \$ 4,301,146                 |
| Accounts payable - related parties   | 1,271,257                 | 1,803,698                    |
| Short-term bank loans  | 9,780,666                 | 14,600,978                   |
| Long-term bank loans - current portion   | 6,202,191                 | 5,968,596                    |
| Accrued liabilities and other payables   | 4,348,268                 | 5,354,616                    |
| Accrued liabilities and other payables - related party   | -                         | 38,208                       |
| Due to related parties   | 5,201,527                 | 4,348,693                    |
|  | <hr/>                     | <hr/>                        |
| <b>Total Current Liabilities</b>   | <b>34,318,207</b>         | <b>36,415,935</b>            |
| OTHER LIABILITIES:   |                           |                              |
| Long-term bank loans - non-current portion   | 17,890,937                | 17,217,104                   |
|  | <hr/>                     | <hr/>                        |
| <b>Total Liabilities</b>   | <b>52,209,144</b>         | <b>53,633,039</b>            |
| <b>COMMITMENTS AND CONTINGENCIES</b>   |                           |                              |
| 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 March 31, 2018 and December 31, 2017) | 79,055                    | 79,055                       |
| Additional paid-in capital   | 81,682,599                | 81,682,599                   |
| Retained earnings  | 40,430,931                | 40,349,189                   |
| Statutory reserve  | 12,978,343                | 12,978,343                   |
| Accumulated other comprehensive loss   | (576,195)                 | (5,731,889)                  |
| Total equity attributable to owners of the company   | 134,594,733               | 129,357,297                  |
| Non-controlling interest   | 18,708,468                | 18,147,859                   |
|  | <hr/>                     | <hr/>                        |
| Total Shareholders' Equity   | 153,303,201               | 147,505,156                  |
|  | <hr/>                     | <hr/>                        |

Total Liabilities and Shareholders' Equity

\$ 205,512,345    \$ 201,138,195

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

|   | For the Three Months Ended<br>March 31, |                   |
|---|---|-------------------|
|   | 2018                                    | 2017              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |   |                   |
| Net income  | \$ 984,688                              | \$ 10,842,524     |
| Adjustments to reconcile net income from operations to net cash provided by operating activities: |   |                   |
| Depreciation  | 2,433,126                               | 2,112,525         |
| Increase in allowance for doubtful accounts   | 168,945                                 | 96,399            |
| Decrease in reserve for inventories   | 64,468                                  | 277,017           |
| Loss on equity method investment  | 10,951                                  | 6,252             |
| Loss on disposal of fixed assets  | 2,181,455                               |                   |
| Changes in operating assets and liabilities:  |   |                   |
| Accounts receivable   | 206,838                                 | 73,099            |
| Inventories   | (1,795,329)                             | (8,262,638)       |
| Advances to suppliers   | -                                       | 1,485,594         |
| Prepaid expenses  | 113,507                                 | 8,205             |
| Prepaid expenses - related party  | -                                       | (602,715)         |
| Other receivables   | (125,770)                               | 29,923,685        |
| Accounts payable  | 3,008,880                               | 27,651            |
| Accounts payable - related parties  | (595,916)                               | 1,880,905         |
| Accrued liabilities and other payables  | (1,200,760)                             | 677,512           |
| Accrued liabilities and other payables - related party  | (38,208)                                | (18,281,290)      |
| Due to related parties  | (497,164)                               | (20,000)          |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>4,919,711</b>                        | <b>20,244,725</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |   |                   |



|   |                     |                     |
|---|---------------------|---------------------|
| Purchase of property, plant and equipment   | -                   | (9,763,774)         |
| Payments made for acquisition of fishing vessels from related party                 | -                   | (12,252,689)        |
| Payments for equity method investment   | -                   | (290,440)           |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>  | <b>-</b>            | <b>(22,306,903)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                     |                     |
| Proceeds from short-term bank loans   | -                   | 5,100,335           |
| Repayments of short-term bank loans   | (5,000,000)         | (3,190,832)         |
| Decrease/(Increase) in restricted cash  | 1,100,075           | (435,660)           |
| Advances from related parties   | 1,847,136           | 1,180,000           |
| Payments made for dividend  | (790,551)           | (790,551)           |
| <b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>                          | <b>(2,843,340)</b>  | <b>1,863,292</b>    |
| <b>EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>                         | <b>(263,074)</b>    | <b>(50,205)</b>     |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                                      | <b>1,813,297</b>    | <b>(249,091)</b>    |
| <b>CASH AND CASH EQUIVALENTS - beginning of period</b>                              | <b>2,005,540</b>    | <b>820,396</b>      |
| <b>CASH AND CASH EQUIVALENTS - end of period</b>                                    | <b>\$ 3,818,837</b> | <b>\$ 571,305</b>   |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                            |                     |                     |
| Cash paid for:  |                     |                     |
| Interest  | \$ 424,054          | \$ 587,221          |
| Income taxes  | \$ -                | \$ -                |
| <b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>                                 |                     |                     |
| Acquisition of property and equipment by decreasing prepayment for long-term assets | \$ -                | \$ 1,016,541        |
| Property and equipment acquired on credit as payable                                | \$ -                | \$ 658,827          |
| Fishing vessels acquired on credit as payable – related party                       | \$ -                | \$ 16,889,095       |

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