

EPIC GAS LTD

(Incorporated in British Virgin Islands: Registration Number: 1749293)

AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2019 and 31 December 2018

EPIC GAS LTD
(Incorporated in British Virgin Islands)
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
For the financial years ended 31 December 2019 and 31 December 2018

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**EPIC GAS LTD
AND ITS SUBSIDIARIES**

DIRECTORS' STATEMENT

For the financial years ended 31 December 2019 and 31 December 2018

In the opinion of the directors,

- (a) the consolidated financial statements of Epic Gas Ltd and its subsidiaries (the "Group") as set out on pages 3 to 68 are drawn up so as to present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2019 and 2018, and the results of their operations, changes in equity and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

On behalf of the directors

Charles Goodson Maltby

Charles Goodson Maltby
Director

Panaghis Nicholas Fotis Lykiardopulo

Panaghis Nicholas Fotis
Lykiardopulo
Director

6 April 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Epic Gas Ltd

We have audited the accompanying consolidated financial statements of Epic Gas Ltd and its subsidiaries (the "Group") set out on pages 3 to 68, which comprise the consolidated balance sheets as of 31 December 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Epic Gas Ltd and its subsidiaries as of 31 December 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 6 April 2020

**EPIC GAS LTD
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial years ended 31 December 2019 and 31 December 2018

	Note	2019 US\$	2018 US\$
Revenue	4	170,634,322	154,839,663
Other income		1,739,909	820,441
Other (losses)/gains - net	5	(94,685)	497,904
Expenses			
- Brokerage commissions		(3,122,152)	(2,536,225)
- Voyage expenses		(24,545,753)	(19,044,014)
- Bareboat charter hire expenses		(13,436,500)	(14,867,840)
- Time charter hire expenses		(5,671,128)	-
- Vessel operating expenses	6	(62,909,681)	(59,643,887)
- General and administrative expenses	7	(17,745,751)	(16,878,907)
- Finance expenses	8	(19,668,839)	(16,714,693)
- Depreciation	14	(30,611,051)	(28,600,121)
Total expenses		(177,710,855)	(158,285,687)
Loss before income tax		(5,431,309)	(2,127,679)
Income tax expense	9	(303,282)	(521,615)
Loss after tax		(5,734,591)	(2,649,294)
Other comprehensive (loss)/income, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	25	(3,243)	(16,578)
Cash flow hedges			
- Fair value (losses)/gains	25	(1,717,117)	762,841
Other comprehensive (loss)/income		(1,720,360)	746,263
Total comprehensive loss		(7,454,951)	(1,903,031)

The accompanying notes form an integral part of these financial statements.

**EPIC GAS LTD
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CONSOLIDATED BALANCE SHEET

As at 31 December 2019 and 31 December 2018

	Note	2019 US\$	2018 US\$
ASSETS			
Current assets			
Cash and cash equivalents	10	41,982,325	17,262,310
Trade and other receivables, net	11	17,695,148	15,143,391
Inventories	12	4,863,240	3,345,933
Total current assets		64,540,713	35,751,634
Non-current assets			
Trade and other receivables, net	11	195,304	362,970
Restricted cash	13	8,400,000	11,500,000
Property, plant and equipment, net	14	606,272,393	497,226,485
Derivative financial instruments	21	137,413	1,807,393
Deferred income tax assets	22	78,101	49,357
Right-of-use assets	15	26,426,813	-
Total non-current assets		641,510,024	510,946,205
Total assets		706,050,737	546,697,839

The accompanying notes form an integral part of these financial statements.

**EPIC GAS LTD
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CONSOLIDATED BALANCE SHEET

As at 31 December 2019 and 31 December 2018

	Note	2019 US\$	2018 US\$
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	17	23,511,830	18,412,352
Contract liabilities	18	10,357,980	9,800,405
Capital lease liabilities	19	2,562,526	34,741,031
Current income tax liabilities	9	205,656	272,545
Borrowings	20	30,843,996	26,487,295
Lease liabilities	15	12,390,496	-
Total current liabilities		79,872,484	89,713,628
Non-current liabilities			
Trade and other payables	17	-	67,003
Capital lease liabilities	19	10,212,804	12,775,328
Deferred income tax liabilities	22	100,354	100,354
Borrowings	20	306,930,736	201,229,095
Derivative financial instruments	21	256,611	209,474
Lease liabilities	15	13,448,676	-
Total non-current liabilities		330,949,181	214,381,254
Total liabilities		410,821,665	304,094,882
Commitments and contingent liabilities			
	26		
SHAREHOLDERS' EQUITY			
Share capital, par value US\$0.01 per share (2018: US\$0.01 per share)	23	1,066,163	704,717
Shares issued and outstanding 106,616,349 (2018: 70,471,771)			
Additional paid-in capital	23	398,832,567	339,417,713
Share option reserve	24	4,671,798	4,367,032
Accumulated other comprehensive (losses)/gains	25	(311,872)	1,408,488
Accumulated losses		(109,029,584)	(103,294,993)
Total shareholders' equity		295,229,072	242,602,957
Total liabilities and shareholders' equity		706,050,737	546,697,839

The accompanying notes form an integral part of these financial statements.

**EPIC GAS LTD
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial years ended 31 December 2019 and 31 December 2018

	Share capital US\$ (Note 23)	Additional paid-in capital US\$ (Note 23)	Share option reserve US\$ (Note 24)	Accumulated other comprehensive (losses)/gains US\$ (Note 25)	Accumulated losses US\$	Total equity US\$
2019						
Beginning of financial year	704,717	339,417,713	4,367,032	1,408,488	(103,294,993)	242,602,957
Issuance of shares	361,446	59,414,854	-	-	-	59,776,300
Share based compensation	-	-	304,766	-	-	304,766
Net loss for the year	-	-	-	-	(5,734,591)	(5,734,591)
Other comprehensive income	-	-	-	(1,720,360)	-	(1,720,360)
End of financial year	1,066,163	398,832,567	4,671,798	(311,872)	(109,029,584)	295,229,072
2018						
Beginning of financial year	704,717	339,417,713	3,818,614	662,225	(100,645,699)	243,957,570
Share based compensation	-	-	548,418	-	-	548,418
Net loss for the year	-	-	-	-	(2,649,294)	(2,649,294)
Other comprehensive income	-	-	-	746,263	-	746,263
End of financial year	704,717	339,417,713	4,367,032	1,408,488	(103,294,993)	242,602,957

The accompanying notes form an integral part of these financial statements.

**EPIC GAS LTD
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CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial years ended 31 December 2019 and 31 December 2018

	Note	2019 US\$	2018 US\$
Cash flows from operating activities			
Loss after tax		(5,734,591)	(2,649,294)
Adjustments for non-cash items:			
- Gain on disposal of property, plant and equipment	5	-	(790,738)
- Employee share option expenses		304,766	548,418
- Amortization of deferred finance costs	8	1,768,283	559,395
- Allowance for doubtful debts	7	-	115,357
- Bad debts written off	7	-	106,699
- Depreciation	14	30,611,051	28,600,121
- Unrealized translation gains	25	(3,243)	(16,578)
- Exchange differences		15,359	(18,526)
		26,961,625	26,454,854
Changes in operating assets and liabilities, net of acquisition:			
- (Increase)/decrease in inventories		(1,517,307)	966,304
- (Increase)/decrease in trade and other receivables		(2,384,091)	9,744,711
- (Increase)/decrease in deferred income tax assets		(28,744)	103
- Increase/(decrease) in trade and other payables		5,032,475	(7,764,229)
- Decrease in current income tax liabilities		(66,889)	(266,350)
- Increase in contract liabilities		557,575	810,597
Net cash provided by operating activities		28,554,644	29,945,990
Cash flows from investing activities			
Additions to property, plant and equipment	14	(139,656,959)	(5,046,211)
Proceeds from disposal of vessels		-	4,519,792
Net cash used in investing activities		(139,656,959)	(526,419)
Cash flows from financing activities			
Proceeds from borrowings	20	285,812,500	65,344,307
Proceeds from capital leases		-	17,000,000
Repayments of long-term borrowings	20	(177,522,441)	(80,845,927)
Repayments of capital leases		(34,741,029)	(23,329,518)
Proceeds from issuance of shares	23	59,776,300	-
Prepayment of lease expense		(603,000)	-
Net cash provided by/(used in) financing activities		132,722,330	(21,831,138)
Net increase in cash, cash equivalents and restricted cash		21,620,015	7,588,433
Cash, cash equivalents and restricted cash at beginning of year		28,762,310	21,173,877
Cash, cash equivalents and restricted cash at end of year		50,382,325	28,762,310
Supplementary cash flow information			
Cash items:			
- Cash paid for interest expenses	8	16,249,364	16,155,298
- Cash paid for income tax expenses	9	370,170	787,965
Non-cash investing and financing activities		-	-

The accompanying notes form an integral part of these financial statements.

**EPIC GAS LTD
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CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial years ended 31 December 2019 and 31 December 2018

Reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated balance sheet

	31 December 2019 US\$	31 December 2018 US\$
Cash and cash equivalents	41,982,325	17,262,310
Restricted cash	8,400,000	11,500,000
Total cash, cash equivalents, and restricted cash shown in the consolidated statement of cash flows	50,382,325	28,762,310

The accompanying notes form an integral part of these financial statements.

**EPIC GAS LTD
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2019 and 31 December 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

The accompanying consolidated financial statements include the financial information of Epic Gas Ltd (the “Company”) and its subsidiaries (collectively, the “Group”).

The Company is incorporated and domiciled in British Virgin Islands (“BVI”) on 12 December 2012. The address of its registered office is PO Box 173, Kingston Chambers, Road Town, Tortola, VG1110 British Virgin Islands.

The Group owns and operates a fleet of fully pressurized gas carriers providing seaborne services for the transportation of liquefied petroleum gas and petrochemicals. The vessels serve leading oil majors and commodity trading houses throughout Southeast Asia, Europe, West Africa and the United States of America.

The principal activities of its significant subsidiaries are set out in Note 31 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

(a) Basis of preparation and management’s plans

The consolidated financial statements of the Group have been prepared on a going concern basis which assumes that the Group will be able to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of business, or restructuring of its operations or similar actions.

The operations of the Group require careful management of its cash and cash equivalents and its liquidity is affected by many factors including, among others, fluctuations in revenue, operating costs, as well as capital expenditures.

Management periodically reviews the liquidity position of the Group and will take actions, as necessary, to minimize the cash used in operations and retain sufficient liquidity, through its operating activities, to meet the Group’s obligations.

As at 31 December 2019, the Group’s current liabilities exceeded current assets by US\$15,331,771 (2018: US\$53,961,994). The financial statements have been prepared on a going concern basis as the management has assessed the projected cash flows of the Group for the next 12 months and there are reasonable grounds to believe that the Group has sufficient liquidity to pay its debts as and when they fall due.

**EPIC GAS LTD
AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the financial years ended 31 December 2019 and 31 December 2018*

2. Significant accounting policies (continued)**2.1 Basis of preparation** (continued)*(b) Principle of consolidation*

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). These consolidated financial statements present the Group's financial position, results from operations and cash flows as of and for the years ended 31 December 2019 and 2018.

All significant transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation. In preparing the consolidated financial statements, transactions, balances and unrealized gains on transactions between group entities are eliminated. Unrealized losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates, judgments and assumptions that affect reported amounts. Such estimates include the assessment of useful lives and recoverability of property, plant and equipment, the assessment of allowance for doubtful accounts, discount factor, the assessment of the lease term, purchase and renewal option and share based compensation. Actual results could differ from those estimates.

(d) Segment reporting

The Group follows ASC 280 "Segment Reporting". The Group's chief operating decision-maker ("CODM"), who has been identified as the senior management team which includes its Chief Executive Officer and Chief Financial Officer, reviews the consolidated results when making decisions about allocating resources and assesses performance of the Group as a whole. Hence, the Group has only one reportable segment.

The CODM manages the Group as a single reportable segment which is primarily engaged in operation of fully pressurized gas carriers, providing seaborne services for the transportation of liquefied petroleum gas and petrochemicals. Its core services are similar in nature and these are based on the same infrastructure.

**EPIC GAS LTD
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2019 and 31 December 2018

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(e) Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group early adopted the new or amended accounting standards updates ("ASU") issued by the Financial Accounting Standards Board ("FASB") that are mandatory for application for annual period beginning 15 December 2019. The Group considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Group's consolidated financial position or results of operations.

Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective accounting standards updates. The adoption of these new or amended accounting standards updates did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial periods except for the adoption of ASC 842 *Leases*:

Adoption of ASC 842 Leases

When the Group is the lessee

Prior to the adoption of ASC 842, non-cancellable operating lease payments were not recognized as liabilities in the balance sheet. These payments were recognized as bareboat charter hire and general and administrative expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of ASC 842 is as disclosed in Note 2.9.

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For the financial years ended 31 December 2019 and 31 December 2018

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(e) *Interpretations and amendments to published standards effective in 2019*
(continued)

When the Group is the lessee (continued)

On initial application of ASC 842, the Group has elected to apply the following practical expedients:

For all contracts entered into before 1 January 2019, the Group has applied consistently to all its leases:

- i) A package of practical expedients to not reassess:
 - a) Whether a contract that were previously identified as a lease under ASC 840 *Leases* is or contains a *Lease*;
 - b) the lease classification for any existing leases; and
 - c) initial direct costs for any existing leases
- ii) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease and to purchase the underlying asset; and
- iii) A single discount rate to a portfolio of leases with reasonably similar characteristics;

On a lease-by-lease basis, the Group has elected not to separate non-lease components from lease components for property and bareboat charter hire leases.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

- i) On a lease-by-lease basis, the Group chose to measure its right-of-use ("ROU") assets at amount equal to lease liability by discounting using the incremental borrowing rate at the date of initial application (i.e. 1 January 2019).
- ii) Recognized its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

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For the financial years ended 31 December 2019 and 31 December 2018

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(e) *Interpretations and amendments to published standards effective in 2019*
(continued)

When the Group is a lessor

The Group's leasing operations consist principally of the leasing of vessels to non-related parties and all such income are classified under revenue from charter hire services (Note 4). These leases expire over the next two years.

On initial application of ASC 842, the Group has elected to apply the practical expedient to not separate non-lease components from lease components for revenue earned from charter hire services. The lease component being the right to use the vessels and non-lease component being the operation and maintenance of the vessels are presented together as one combined component and accounted for under ASC 606.

There are no material changes to accounting by the Group as a lessor except when the Group is an intermediate lessor.

When the Group is the intermediate lessor

The Group leases an underlying asset under a head lease arrangement and subleases the same asset to a third party as an intermediate lessor. Prior to the adoption of ASC 842, the sublease is classified as an operating lease when the head lease is an operating lease. The intermediate lessor recorded rental and charter hire income in respect of the sublease on a straight-line basis over the term of the sublease and recorded rental and charter hire expense in respect of the head lease on a straight-line basis over the term of the head lease.

Under ASC 842, accounting by the Group as an intermediate lessor depends on the classification of the sublease with reference to the underlying asset rather than the ROU asset.

The accounting policy for subleases are disclosed in Note 2.9.

The effects of adoption of ASC 842 on the Group's financial statements as at 1 January 2019 are as follows:

	Increase/ (decrease) US\$
Right-of-use assets	36,885,300
Lease liabilities	36,157,300
Trade and other receivables, net	<u>(728,000)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2019 and 31 December 2018

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(e) *Interpretations and amendments to published standards effective in 2019*
(continued)

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognized in the balance sheet as at 1 January 2019 are as follows:

	US\$
Operating lease commitment disclosed as at 31 December 2018	40,565,866
Less: Short-term leases	(57,503)
Less: Low-value leases, except for those under a sublease arrangement	(8,281)
Less: Others	(189,031)
	<u>40,311,051</u>
Less: Discounting effect using weighted average incremental borrowing rate of 5.45%	(4,153,751)
Lease liabilities recognized as at 1 January 2019	<u>36,157,300</u>

(f) *Reclassification of comparative information*

For the financial year ended 31 December 2018, sundry debtors of US\$4,905,372 included in trade and other receivables has been reclassified to accrued operating expenses included in trade and other payables in the balance sheet. The reclassification has been made to better reflect the nature of the balances and has no impact on the net assets of the Group.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is recognized as follows:

Charter hire income and voyage expense recognition

Revenues are generated from both time and voyage charters.

Revenue from time chartering is recognized on a straight-line basis over the period of hire in accordance with the ship charter hire agreement. Revenue from voyage chartering is recognized based on the percentage of completion of the voyage.

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2. Significant accounting policies (continued)**2.2 Revenue recognition** (continued)*Charter hire income and voyage expense recognition* (continued)

Contract liabilities relate to charter revenue received in advance. When the customer pays the consideration before the revenue is rendered, a contract liability will be recognized as advance from customer.

When the Group employs its vessels on time charter, it is responsible for all the vessel operating expenses, such as crew costs, stores, insurance, repairs and maintenance. In the case of voyage charters, the vessel is contracted only for a voyage between two or more ports, and the Group pays for all voyage-related expenses in addition to the vessel operating expenses. Voyage-related expenses consist mainly of port expenses and bunker (fuel) consumption, and are recognized as incurred.

Commissions are paid by the Group for both time charters and voyage charters and are recognized on pro-rata basis. Address commissions payable to charterers are presented net of charter hire income whereas brokerage commissions are payable to brokers and are presented as operating expenses.

Demurrage income represents payments by the charterer to the vessel owner when loading or discharging time exceeds the stipulated time in a voyage charter. Demurrage income is measured in accordance with the provisions of the respective charter agreements and the circumstances under which demurrage claims arise, and is recognized when the right to receive payments is established.

Ship management service revenue

Fees from the provision of the Group's ship management services are recognized when the services have been rendered.

2.3 Employee compensation*(a) Defined contribution plans*

The Group's contributions to defined contribution plans, including the Central Provident Fund, are recognized as employee compensation expense when the contributions are due.

(b) Share-based compensation

The Group has adopted ASC 718, "Compensation - Stock Compensation", for the accounting of share options and other share-based payments. The guidance requires that share-based compensation transactions be accounted for using a fair-value-based method. To determine the fair value of the unit awards as at the financial year end, the Group primarily used the discounted cash flow approach.

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2. Significant accounting policies (continued)**2.3 Employee compensation** (continued)*(b) Share-based compensation* (continued)

The Group operates an equity-settled, share-based compensation plan. Share-based compensation includes vested and non-vested share options granted to key management. The share options that contain a time-based service vesting condition are considered non-vested shares on the grant date and a total fair value of such share options is recognized as an expense under "General and administrative expenses" in the profit and loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognized over the vesting period is determined by reference to the fair value of the options granted on the date of the grant.

Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognizes the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

The Group is required to estimate forfeiture rates at the time of grant and revise such estimates, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Share-based compensation is recorded net of estimated forfeitures such that the expense is recognized only for those share-based awards that are expected to vest.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognized in the share option reserve are credited to share capital account when new ordinary shares are issued.

When non-vested options are forfeited, the cumulative fair value that was recognized in the share option reserve is reversed to profit or loss upon forfeiture. There is no reversal of expenses to profit or loss for options that have vested but were subsequently cancelled.

Where the terms of the share option plan are modified, the expense that is not yet recognized for the award is recognized over the remaining vesting period as if the terms had not been modified. Additional expense is recognized for any increase in the total fair value of the share options due to the modification, as measured at the date of the modification.

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2. Significant accounting policies (continued)

2.4 Group accounting - subsidiaries

(a) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Company has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on which control ceases.

(b) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over (b) the fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill.

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2. Significant accounting policies (continued)**2.4 Group accounting - subsidiaries** (continued)*(c) Disposals*

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognized. Amounts previously recognized in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognized in profit or loss.

2.5 Income taxes

Income taxes are accounted for under the liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, and operating loss and tax credit carry forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the periods that include the enactment date. A valuation allowance is recorded for loss carry forwards and other deferred income tax assets where it is more likely than not that such loss carry forwards and deferred income tax assets will not be realized.

In the ordinary course of business, there is inherent uncertainty in quantifying the Group's income tax positions. The Group assesses its income tax positions and record tax benefits for all periods subject to examination based upon evaluation of the facts, circumstances and information available at the reporting dates. To be recognized in the financial statements, a tax benefit must be at least more likely than not of being sustained based on technical merits. The benefit for positions meeting the recognition threshold is measured as the largest benefit more likely than not of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. The Group recognizes interest accrued related to unrecognized tax benefits in income tax expense. Penalties, if incurred, would be recognized as a component of general and administrative expenses.

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2. Significant accounting policies (continued)

2.6 Other comprehensive income

The Group follows the guidance in US GAAP regarding reporting comprehensive income which requires separate presentation of certain transactions, such as unrealized gains and losses from effective portion of cash flow hedges, which are recorded directly as components of shareholders' equity.

2.7 Inventories

Inventories comprise mainly victualing and bonded stores, lubricating oil and bunker remaining on board. Cost is determined on a first-in, first-out basis. These inventories will be used for the operation of vessels, therefore they are not written down to the net realisable value when the market price falls below cost if the overall shipping activity is expected to be profitable.

2.8 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises its purchase price and any cost that is directly attributable to bringing it to its working condition and location for its intended use.

Subsequent expenditure relating to property, plant and equipment that has already been recognized is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over its estimated useful life. The estimated useful life from the date it is ready to be used is as follows:

	<u>Estimated useful life</u>
Vessels	30 years
Dry docking costs	2 - 5 years
Office equipment	4 years
Computers	4 years
Furniture and fittings	4 years
Office renovation	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognized in profit or loss when the changes arise.

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2. Significant accounting policies (continued)**2.8 Property, plant and equipment** (continued)

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognized in profit or loss within "Other (losses)/gains - net".

Dry docking costs relating to vessels owned by the Group are capitalized and amortized on a straight-line basis over the estimated period to the next dry-docking session. Dry docking costs incurred in relation to the bareboat charter vessels under operating leases are accrued on a monthly basis from the start of the lease period.

The Group determines the estimated useful lives and related depreciation charges for its vessels and dry-docking costs. The estimate is based on the historical experience of the actual useful lives of vessels and dry dockings of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions. Management will change the depreciation charge where the useful lives are different from previously estimated.

If the useful lives of the vessels are decreased by one year from management's estimate, the Group's loss before income tax for the year ended 31 December 2019 will increase by approximately US\$1,266,363 (2018: US\$1,130,882).

Impairment of long-lived assets

In accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"), 360-10-15, "Accounting for the impairment of disposal of Long-lived Assets", long-lived assets, such as vessels and vessels under construction, to be held and used, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is tested whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indicators of impairment are present, impairment reviews are performed to determine whether the carrying value of an asset group is impaired, based on comparison to the undiscounted expected future cash flows. If this comparison indicates that the carrying amounts exceeds the undiscounted cash flows, the impaired asset group is written down to the fair value and the difference is recorded as an impairment loss in the profit and loss. Fair value is defined as the price that would be received to sell an asset in an ordinary transaction between market participants at the measurement date.

The carrying amounts of vessels and vessels under construction are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such an event occurs, the Group estimates the undiscounted future cash flows expected to result from the use of the asset and its eventual disposition.

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2. Significant accounting policies (continued)**2.8 Property, plant and equipment** (continued)*Impairment of long-lived assets* (continued)

For vessels that the Group intend to dispose by sale, a loss is recognized for any reduction of the vessel's carrying amount to its fair value less cost to sell. For vessels that the Group intends to hold for use, if the total of the expected separately identifiable future undiscounted cash flows produced by the vessels is less than its carrying amount, a loss is recognized for the difference between the fair value less cost to sell against the carrying amount of the vessels. In assessing future undiscounted cash flows, the Group used cash flow projections for each vessel based on financial budgets approved by management and compared it to the vessel's carrying value. Management determined the budgeted cash flows by considering the revenue from existing charters for those vessels that have long term employment and where there is no charter in place, the budgeted cash flows are estimated based on past performance and its expectations of market development.

In assessing the fair value less cost to sell, the Group engaged independent valuation specialists to determine the fair value less cost to sell of the vessels as at 31 December 2019. The independent valuers used a valuation technique based on recent vessel sales and other comparable market data.

2.9 Leases

The accounting policy for leases before 1 January 2019 are as follows:

(a) When the Group is the lessee*Lessee – Capital leases*

Leases are classified as capital leases if they meet at least one of the following criteria: (i) the leased asset automatically transfers title at the end of the lease term; (ii) the lease contains a bargain purchase option; (iii) the lease term equals or exceeds 75% of the remaining estimated economic life of the leased asset; or (iv) the present value of the minimum lease payments equals or exceeds 90% of the excess of fair value of the leased property. If none of the above criteria is met, the lease is accounted for as an operating lease.

Most of the vessel leases do not have renewal clauses but provide the Group with options to purchase the vessels during the lease term.

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2. Significant accounting policies (continued)

2.9 Leases (continued)

(a) *When the Group is the lessee* (continued)

Lessee – Operating leases

The Group leases vessels under an operating lease for a lease-term of five to eight years from non-related parties.

In addition, the Group leases office premises, office equipment and staff accommodation under operating leases expiring during the next three years.

In most circumstances, management expects that in the normal course of business, leases will be renewed or replaced by other leases.

(b) *When the Group is the lessor*

Lessor – Operating leases

The Group's leasing operations consist principally of the leasing of vessels to non-related parties and all such income are classified under revenue from charter hire services (Note 4). These leases expire over the next two years.

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2. Significant accounting policies (continued)

2.9 Leases (continued)

The accounting policy for leases after 1 January 2019 are as follows:

(a) *When the Group is the lessee*

Lessee – Operating leases

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use assets

The Group recognized a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date.

The amortisation of the right-of-use asset is calculated as the difference between the operating lease expense recorded under “Time charter hire expenses” and “Bareboat charter hire expenses” on a straight-line basis over the lease term and the accretion of interest on the lease liability each period.

- Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the incremental borrowing rate.

Lease payments include the following:

- Fixed payment; and
- The exercise price of a purchase option if it is reasonably certain to exercise the option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property and bareboat charter hire leases and account these as one single lease component.

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2. Significant accounting policies (continued)

2.9 Leases (continued)

(a) *When the Group is the lessee* (continued)

Lessee – Operating leases (continued)

- Short-term and low-value leases

The Group has elected to not recognize right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value based on the Group's capitalization threshold. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Lessee – Capital leases

Leases are classified as capital leases if they meet at least one of the following criteria: (i) the underlying asset automatically transfers title at the end of the lease term; (ii) the lease grant the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise; (iii) the lease term forms a major part of the remaining estimated economic life of the underlying asset; or (iv) the present value of the sum of the lease payments and any residual value guaranteed by the lessee, that is not otherwise included in the lease payments, forms substantially all of the fair value of the underlying asset. If none of the above criteria is met, the lease is accounted for as an operating lease.

Most of the vessel leases do not have renewal clauses but provide the Group with options to purchase the vessels during the lease term.

(b) *When the Group is the lessor*

The accounting policy applicable to the Group as a lessor in the comparative period were the same under ASC 840 except when the Group is an intermediate lessor.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the underlying asset arising from the head lease, rather than the right-of-use asset.

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2. Significant accounting policies (continued)**2.9 Leases (continued)****(b) When the Group is the lessor (continued)**

When the sublease is assessed as an operating lease, the Group recognize lease income from sublease in profit or loss within "Other income" and "Revenue". The right-of-use asset relating to the head lease is not derecognized.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

Impairment of Right-of-use assets

Right-of-use assets is a long-lived asset and is subject to the *Impairment or Disposal of Long-lived Assets* of ASC 360 and are evaluated for impairment whenever there is any objective evidence or indication that these assets may be impaired.

2.10 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market. Loans and receivables are presented as "Trade and other receivables, net" (Note 11), "Cash and cash equivalents" (Note 10) and "Restricted cash" (Note 13) on the balance sheet. They are initially recognized at their fair values plus transaction costs and subsequently carried at amortized cost using the effective interest method, less accumulated impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognizes an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are example of objective evidence that these financial assets are impaired.

These assets are presented as current assets except for those that are expected to be realized later than 12 months after the balance sheet date, which are presented as non-current assets.

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2. Significant accounting policies (continued)

2.11 Deferred finance costs

Debt issuance costs, including fees, commissions and legal expenses, are presented net of the related borrowings and are deferred and amortized on an effective interest rate method over the term of the relevant loan. Amortization of debt issuance costs is included in interest expense.

When there is a modification of the existing debt, the remaining unamortized debt issuance costs, including fees, commissions and legal expenses are amortized over the modified liability's remaining term.

Such costs are classified as non-current. The Group reclassifies the deferred finance costs in relation to the bank loan principal amounts to be paid due in the next twelve months as current.

When there is an extinguishment of the existing debt, the remaining unamortized debt issuance costs, including fees, commissions and legal expenses are expensed off immediately in profit or loss.

2.12 Trade and other payables

Trade and other payables represent unpaid liabilities for goods and services provided to the Group prior to the end of year. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognized at fair value (net of transaction costs) and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

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2. Significant accounting policies (continued)**2.14 Derivative financial instruments and hedging activities**

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings.

The Group designates its derivatives based upon guidance on ASC 815, "Derivatives and Hedging" which establishes accounting and reporting requirements for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The guidance on accounting for certain derivative instruments and certain hedging activities requires all derivative instruments to be recorded on the balance sheet as either an asset or liability measured at its fair value, with changes in fair value recognized in earnings unless specific hedge accounting criteria are met.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

(a) Cash flow hedge

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy undertaken for the hedge. The documentation includes identification of the hedging instrument, hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting exposure to changes in the hedged item's cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine whether they actually have been highly effective throughout the financial reporting periods for which they were designated. Contracts which meet the strict criteria for hedge accounting are accounted for as cash flow hedges.

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2. Significant accounting policies (continued)**2.14 Derivative financial instruments and hedging activities** (continued)*(a) Cash flow hedge* (continued)*Interest rate swaps*

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognized in other comprehensive income, accumulated in the fair value reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognized in profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognized immediately in profit or loss.

(b) Other derivatives

Changes in the fair value of derivative instruments that have not been designated as hedging instruments are reported in current period earnings.

2.15 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable and estimable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value.

2.17 Restricted cash

Restricted cash reflects deposits with certain banks that can only be used to pay the current loan instalments or which are required to be maintained as a certain minimum cash balance per mortgaged vessel. In the event that the obligation relating to such deposits is expected to be terminated within the next twelve months, these deposits are classified as current assets; otherwise they are classified as non-current assets.

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2. Significant accounting policies (continued)

2.18 Currency translation

(a) Functional and presentation currency

Foreign currency translation

The functional currency of the Company is US Dollar. Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in US Dollar, which is the Group's presentation currency.

Transactions in other currencies are translated into the US Dollar using the exchange rates in effect at the time of the transactions. Monetary assets and liabilities that are denominated in other currencies are translated into US Dollar at the prevailing exchange rates at the balance sheet dates. Resulting gains or losses are separately reflected in the accompanying consolidated statements of income. Foreign exchange gains or losses resulting from the translation process are reported in the consolidated financial statements.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognized in profit or loss.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the profit and loss within "Finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the profit and loss within "Other (losses)/gains - net".

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2. Significant accounting policies (continued)**2.18 Currency translation** (continued)*(c) Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the balance sheet date;
- (ii) shareholders' equity at historical rate of exchange;
- (iii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iv) all resulting currency translation differences are recognized in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.20 Concentration of credit risk

Financial instruments, which potentially subject the Group to significant concentrations of credit risk, consist principally of cash and cash equivalents and trade and other receivables.

The Group has limited credit risk with its banks and financial institutions, which are leading and reputable and are assessed as having low credit risk. The Group has not had any loss arising from non-performance by these parties.

The Group has policies in place to assess the credit worthiness of customers to ensure vessels are chartered to customers with an appropriate credit history. Credit terms are not normally given to customers and payments are due upon the issue of invoices.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet.

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2. Significant accounting policies (continued)**2.21 Fair value of financial instruments**

The estimated fair value of financial instruments, such as cash and cash equivalents, trade receivables, deposits, sundry deposits and trade and other payables approximate their individual carrying amounts as at the financial year end due to their short-term maturity. Derivative financial instruments are carried in the balance sheet at fair value.

2.22 Borrowing costs

Borrowing costs that are attributable to the acquisition and with production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss in the period in which they are incurred.

Borrowing costs are recognized using the effective interest method except for those costs that are directly attributable to a bank loan acquired specifically for the acquisition or construction of vessels.

The actual borrowing costs incurred during the acquisition or construction period is capitalized in the cost of the vessels.

2.23 Guidance on new accounting standards

Measurement of credit losses on financial instruments - In June 2016, the FASB issued accounting guidance to introduce a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. The new guidance will apply to loans, accounts receivable, trade receivables, other financial assets measured at amortized cost, loan commitments and other off-balance sheet credit exposures. The new guidance will also apply to debt securities and other financial assets measured at fair value through other comprehensive income. The FASB subsequently issued an accounting standard update in November 2019 with amendments to the expected recoveries for purchased financial assets with credit deterioration, transition relief for troubled debt restructurings, disclosures related to accrued interest receivables and financial assets secured by collateral maintenance provisions. The new guidance is effective 1 January 2020, with early adoption permitted beginning 1 January 2019. The Group is in the process of evaluating the effect of the new guidance on the financial statements.

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2. Significant accounting policies (continued)**2.23 Guidance on new accounting standards (continued)**

Targeted improvements to accounting for hedging activities – In August 2017, the FASB issued an update on the accounting guidance for ASC 815, Derivatives and Hedging to simplify the application of the hedge accounting guidance in the current generally accepted accounting principles (GAAP). The amendments in the update expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The new update is effective December 15, 2020, with early adoption permitted. The Group is in the process of evaluating the effect of the new guidance on the financial statements.

Changes to the disclosure requirements for fair value measurement – In August 2018, the FASB issued an update on the disclosures requirements on fair value measurements for ASC 820, Fair Value Measurement. The update provides certain disclosure requirements that were removed, modified and added to ASC 820. The new update is effective December 15, 2019, with early adoption permitted. The Group is in the process of evaluating the effect. The adoption is not expected to have a material impact on the financial statements of the Group.

Codification improvements on Leases – In March 2019, the FASB issued an update on the accounting guidance for ASC 842, Leases on determining the fair value of the underlying asset by lessors that are not manufacturers or dealers. Lessors apart from manufacturers or dealers will have an explicit exception for determining the fair value of the underlying asset as defined in ASC 820, Fair Value Measurement. The update also addresses the concerns of lessor within the scope of ASC 942, Financial Services – Depository and Lending in the presentation of sales-type and direct financing lease on the statement of cash flows. The new update is effective December 15, 2021, with early adoption permitted. The Group is in the process of evaluating the effect. The adoption is not expected to have a material impact on the financial statements of the Group.

Income taxes: Simplifying the accounting for income taxes – In December 2019, the FASC issued an update on the accounting guidance for ASC 740, Income Taxes on simplifying the accounting for income taxes by removing certain exceptions such as the incremental approach for intraperiod tax allocation, the requirement to recognize a deferred tax liability for equity method investments, the ability to not recognize a deferred tax liability for a foreign subsidiary and the general methodology for calculating income taxes in an interim period. The new update is effective December 15, 2021, with early adoption permitted. The Group is in the process of evaluating the effect of the new guidance on the financial statements.

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2. Significant accounting policies (continued)

2.23 Guidance on new accounting standards (continued)

Reference rate reform on financial reporting – In March 2020, the FASB issued an update to provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in the update provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The new update is effective March 12, 2020 through December 31, 2022. The Group is in the process of evaluating the effect of the new guidance on the financial statements.

3. Transactions with related parties

The Group provides remuneration and compensation to its key management personnel and its Directors in the amount of US\$2,152,322 (2018: US\$1,961,067), and the amount is included in the consolidated statement of comprehensive income under the caption “General and administrative expenses”. The Group also receives certain insurance and risk management services from a subsidiary of its immediate holding corporation.

4. Revenue

(a) *Disaggregation of revenue from contracts with customers*

The Group derives revenue from the transfer of goods and services in the following major revenue streams. All revenues are recognized over time.

	2019	2018
	US\$	US\$
Revenue from:		
- Time charters	99,807,325	99,031,848
- Voyage charters	68,965,705	52,668,464
- Ship management services	771,036	916,771
- Others	1,090,256	2,222,580
	<u>170,634,322</u>	<u>154,839,663</u>

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4. Revenue (continued)

(b) Trade receivables from contracts with customers

	31 December		1 January
	2019	2018	2018
	US\$	US\$	US\$
<i>Current assets</i>			
Trade receivables from contracts with customers	12,752,800	10,500,598	11,811,030
Less: Allowance for doubtful debts	-	(115,357)	-
	12,752,800	10,385,241	11,811,030

5. Other (losses)/gains - net

	2019	2018
	US\$	US\$
Gain on disposal of property, plant and equipment	-	790,738
Foreign currency exchange losses	(94,685)	(292,834)
	(94,685)	497,904

6. Vessel operating expenses

	2019	2018
	US\$	US\$
Crew expenses	38,613,051	37,232,735
Messing and stores expenses	7,534,884	7,214,803
Insurance expenses	2,412,922	2,882,626
Maintenance and repairs expenses	8,996,183	7,634,930
Technical management fees	273,938	-
Vessel takeover and delivery expenses	92,646	151,908
(Reversal of overprovision for dry-docking costs)/dry-docking costs	(100,937)	897,913
Others	5,086,994	3,628,972
	62,909,681	59,643,887

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7. General and administrative expenses

	2019	2018
	US\$	US\$
Staff costs (including directors' remuneration)	11,331,711	10,591,394
Directors' fees	100,659	-
Legal and professional fees	1,821,819	1,470,990
Information technology costs	768,005	629,173
Employee share option expenses	379,968	548,418
Rental and utilities expenses	1,403,911	1,293,701
Consultancy expenses	242,012	330,357
Travelling and entertainment expenses	707,850	689,833
Recruitment costs	10,561	87,011
Allowance for doubtful debts (Note 11)	-	115,357
Bad debts written off	-	106,699
Insurance	90,806	104,038
Others	888,449	911,936
	<u>17,745,751</u>	<u>16,878,907</u>

8. Finance expenses

	2019	2018
	US\$	US\$
Interest expense on capital leases	2,311,534	3,047,224
Interest expense on borrowings	13,937,830	13,108,074
Amortization of deferred finance costs (Note 20)	1,768,283	559,395
Termination fee on interest rate swaps	1,651,192	-
	<u>19,668,839</u>	<u>16,714,693</u>

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9. Income taxes

The Company and each of its subsidiaries are taxed at the rates applicable within each respective company's jurisdiction. The composite income tax rate will vary according to the jurisdictions in which profits arise.

(a) *Income tax expense*

	2019	2018
	US\$	US\$
Tax expense attributable to profit is made up of:		
- Current income tax	280,394	320,880
- Withholding tax	90,338	243,467
	370,732	564,347
Over provision in prior financial years		
- Current income tax	(38,992)	(42,629)
- Deferred income tax	(28,458)	(103)
	303,282	521,615

The Company is incorporated in the British Virgin Islands with a statutory tax rate of 0% (2018: 0%). The Group also has significant operations in Singapore with statutory tax rate of 17% (2018: 17%).

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using Singapore's standard rate of income tax as follows:

	2019	2018
	US\$	US\$
Loss before income tax	(5,431,309)	(2,127,679)
Tax calculated at statutory rate of 17% (2018: 17%)	(923,323)	(361,705)
Effects of:		
- Different tax rates in other countries	88,408	5,418
- Income not subject to tax	(28,417,185)	(25,052,610)
- Tax incentives	(12,920)	(19,049)
- Expenses not deductible for tax purposes	29,545,414	25,748,826
- Over-provision in prior financial years	(67,450)	(42,732)
- Withholding tax	90,338	243,467
Tax charge	303,282	521,615

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9. Income taxes (continued)

(a) *Income tax expense (continued)*

The results of the Group are mainly derived from the operations of vessels registered in Singapore and the Republic of Marshall Islands. Under the laws of the countries of the Company and its subsidiaries' incorporation and/or vessels' registration, the Group is subject to tax incentives on international shipping income.

(b) *Movement in current income tax liabilities*

	2019	2018
	US\$	US\$
Beginning of financial year	272,545	538,895
Income tax paid	(370,170)	(787,965)
Tax expense	370,731	564,347
Over-provision in prior financial years	(67,450)	(42,732)
End of financial year	205,656	272,545

10. Cash and cash equivalents

	2019	2018
	US\$	US\$
Cash at bank	41,408,023	16,690,369
Cash on board vessels	574,302	571,941
	41,982,325	17,262,310

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11. Trade and other receivables, net

	2019 US\$	2018 US\$
<i>Current</i>		
Trade receivables from:		
- Non-related corporations	12,813,256	10,500,598
Less: Allowance for doubtful debts	-	(115,357)
Trade receivables, net of allowance	12,813,256	10,385,241
GST recoverable	285,855	222,450
Prepayments	1,808,036	2,707,838
Deposits	302,150	136,851
Sundry debtors	2,485,851	1,691,011
	17,695,148	15,143,391
<i>Non-current</i>		
Deposits	195,304	362,684
Others	-	286
	195,304	362,970

12. Inventories

	2019 US\$	2018 US\$
Bonded stores	70,537	84,925
Bunkers	3,169,066	1,734,406
Lubricating oil	1,500,343	1,439,222
Victualing	123,294	87,380
	4,863,240	3,345,933

13. Restricted cash

The restricted cash are fixed deposits placed and pledged with financial institutions as security for bank borrowings held by the Group. Such deposits can only be withdrawn upon the full repayment of the borrowings. The effective interest rate on these fixed deposits was 1.045% (2018: 0.014%) per annum. During the financial year, US\$3,100,000 was released as part of the refinancing arrangement entered by the Group (Note 20).

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14. Property, plant and equipment, net

	<u>Vessels</u> US\$	Drydocking <u>costs</u> US\$	Office <u>equipment</u> US\$	<u>Computers</u> US\$	Furniture <u>and fittings</u> US\$	Office <u>renovations</u> US\$	<u>Total</u> US\$
2019							
<u>Cost</u>							
Beginning of financial year	576,523,164	27,007,736	162,815	2,013,297	405,420	1,332,881	607,445,313
Additions	131,732,870	7,535,393	26,975	352,417	9,304	-	139,656,959
Disposals and write-offs	-	(5,868,513)	-	-	-	-	(5,868,513)
Reclassification	-	-	(2,467)	-	2,467	-	-
End of financial year	<u>708,256,034</u>	<u>28,674,616</u>	<u>187,323</u>	<u>2,365,714</u>	<u>417,191</u>	<u>1,332,881</u>	<u>741,233,759</u>
<u>Accumulated depreciation</u>							
Beginning of financial year	93,191,147	14,259,864	122,356	1,110,699	389,257	1,145,505	110,218,828
Depreciation charge	23,131,380	7,092,885	23,422	192,618	15,089	155,657	30,611,051
Disposals and write-offs	-	(5,868,513)	-	-	-	-	(5,868,513)
Reclassification	-	-	(257)	-	257	-	-
End of financial year	<u>116,322,527</u>	<u>15,484,236</u>	<u>145,521</u>	<u>1,303,317</u>	<u>404,603</u>	<u>1,301,162</u>	<u>134,961,366</u>
Net book value							
End of financial year	<u>591,933,507</u>	<u>13,190,380</u>	<u>41,802</u>	<u>1,062,397</u>	<u>12,588</u>	<u>31,719</u>	<u>606,272,393</u>

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14. Property, plant and equipment, net (continued)

	<u>Vessels</u> US\$	<u>Drydocking</u> <u>costs</u> US\$	<u>Office</u> <u>equipment</u> US\$	<u>Computers</u> US\$	<u>Furniture</u> <u>and fittings</u> US\$	<u>Office</u> <u>renovations</u> US\$	<u>Total</u> US\$
2018							
<u>Cost</u>							
Beginning of financial year	580,425,727	27,304,485	137,429	1,558,430	396,600	1,283,497	611,106,168
Additions	181,722	4,326,032	25,386	454,867	8,820	49,384	5,046,211
Disposals and write-offs	(4,084,285)	(4,622,781)	-	-	-	-	(8,707,066)
End of financial year	<u>576,523,164</u>	<u>27,007,736</u>	<u>162,815</u>	<u>2,013,297</u>	<u>405,420</u>	<u>1,332,881</u>	<u>607,445,313</u>
<u>Accumulated depreciation</u>							
Beginning of financial year	72,538,299	11,784,695	105,559	954,605	323,789	908,298	86,615,245
Depreciation charge	21,180,146	6,925,883	16,797	174,620	65,468	237,207	28,600,121
Disposals and write-offs	(527,298)	(4,450,714)	-	-	-	-	(4,978,012)
Revaluation adjustments	-	-	-	(18,526)	-	-	(18,526)
End of financial year	<u>93,191,147</u>	<u>14,259,864</u>	<u>122,356</u>	<u>1,110,699</u>	<u>389,257</u>	<u>1,145,505</u>	<u>110,218,828</u>
Net book value							
End of financial year	<u>483,332,017</u>	<u>12,747,872</u>	<u>40,459</u>	<u>902,598</u>	<u>16,163</u>	<u>187,376</u>	<u>497,226,485</u>

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14. Property, plant and equipment, net (continued)

- (a) The vessels with carrying amount of US\$523,028,610 (2018: US\$399,018,151) have been pledged as collaterals for the borrowings described under Note 20 and the amortized dry-docking costs relating to these vessels are US\$9,987,273 (2018: US\$9,630,476).
- (b) The carrying amount of vessels held under capital leases and their related amortized dry-docking costs was US\$30,036,434 (2018: US\$74,512,324) and US\$382,713 (2018: US\$2,212,111) respectively as at the balance sheet date.
- (c) During 2019, borrowing costs incurred to finance the vessels, amounting to US\$41,795 (2018: US\$nil) were capitalized at a rate of 4.06% (2018: 0%) per annum in the cost of the vessel.
- (d) On 12 July 2019, the Group took delivery of the vessels “Kahyasi” and “Kris Kin”, and the payments to take delivery of both vessels were satisfied by the Group’s cash balances and drawdown of a loan facility from financial institutions.
- (e) On 26 July 2019 and 30 July 2019, the Group took delivery of the vessels “Kisber” and “Kingcraft”, and the payments to take delivery of both vessels were satisfied by the Group’s cash balances and drawdown of a loan facility from financial institutions.
- (f) On 15 November 2019, the Group exercised the option to purchase an existing vessel “Epic Sicily”, that was under an operating lease for a lease term of five years and the payments for the acquisition were satisfied by the Group’s cash balances and drawdown of a loan facility from financial institutions.

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15. Leases – The Group as a lessee

Nature of the Group's leasing activities

Property

The Group leases office premises for the purpose of office operations.

Vessels

The Group leases vessels from non-related corporations under non-cancellable operating lease agreements. The leases have varying terms, options to purchase and extension rights.

(a) Carrying amounts

Right-of-use assets

	31 December 2019 US\$	1 January 2019 US\$
Property	994,719	1,610,152
Vessels	25,432,094	35,275,148
	26,426,813	36,885,300

(b) Lease expense not capitalized in lease liabilities

	2019 US\$
Lease expense:	
- short-term leases*	3,212,695
- low-value leases	13,911
- non-lease component for vessel*	1,175,000
- others	146,909
Total	4,548,515

* included in bareboat and time charter hire expenses

(c) Total income from subleasing ROU assets in 2019 was US\$23,238,972.

(d) Total cash outflow for all the leases in 2019 was US\$23,705,387.

(e) Additions of ROU assets during the financial year 2019 was US\$4,572,787.

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15. Leases – The Group as a lessee (continued)

(f) Future cash outflow which are not capitalized in lease liabilities

i. Extension options

The leases for certain vessels contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension option. The Group negotiates extension options to optimize operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

ii. Purchase options

The leases for the vessels contain purchase option, for which the exercise price had not been included in lease liabilities as the Group is not reasonably certain to exercise these purchase option. The Group considers market-based factors and any significant economic incentive to exercise the purchase option. The purchase options are exercisable by the Group according to the charter party agreements and is not obligatory.

iii. Short-term leases

Short-term leases that have lease terms of 12 months or less were not included in lease liabilities as the remaining lease term does not extend more than 12 months from the end of the previously determined lease term.

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15. Leases – The Group as a lessee (continued)

- (g) The following table shows the maturity analysis of the undiscounted lease payments due after the reporting date:

	31 December 2019 US\$	1 January 2019 US\$
1 st Year	13,480,641	14,665,749
2 nd Year	11,461,900	11,426,841
3 rd Year	2,427,150	10,565,500
4 th Year	39,100	2,565,250
	27,408,791	39,223,340
Less: Future finance charges	(1,569,619)	(3,066,040)
Lease liabilities	25,839,172	36,157,300
	12,390,496	13,580,680
Current	13,448,676	22,576,620
Non-current	25,839,172	36,157,300
Lease liabilities	25,839,172	36,157,300

16. Leases – The Group as a lessor

Nature of the Group's leasing activities – Group as a lessor

The Group leased out their vessels to non-related parties for monthly lease payments. The lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Revenue from charter hire services are disclosed in Note 4.

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16. Leases – The Group as a lessor (continued)

Nature of the Group's leasing activities – Group as an intermediate lessor

Subleases – classified as operating leases

The Group acts as an intermediate lessor under arrangement in which it sub-leases out office premises and vessels to non-related parties for monthly lease payments. The sub-lease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the sub-leases are classified as an operating leases.

Income from subleasing the office premises and vessels recognized during the financial year 2019 was US\$34,631,201 (2018: US\$40,335,401).

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	31 December 2019 US\$	1 January 2019 US\$
1 st Year	10,547,091	14,376,237
2 nd Year	75,625	1,314,014
Total undiscounted lease payments to be received	<u>10,622,716</u>	<u>15,690,251</u>

17. Trade and other payables

	2019 US\$	2018 US\$
<i>Current</i>		
Trade payables to:		
- Non-related corporations	8,287,105	5,787,121
Non-trade payables to:		
- Non-related corporations	1,902,050	2,139,741
	<u>10,189,155</u>	<u>7,926,862</u>
Accrued operating expenses	11,708,421	9,129,938
Accrued staff costs	1,614,254	1,355,552
	<u>23,511,830</u>	<u>18,412,352</u>
<i>Non-current</i>		
Deposits	<u>-</u>	<u>67,003</u>

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18. Contract liabilities

	31 December		1 January
	2019	2018	2018
	US\$	US\$	US\$
Deferred income	10,357,980	9,800,405	8,989,808
 (i) <i>Revenue recognized in relation to contract liabilities</i>			
		2019	2018
		US\$	US\$
Revenue recognized in current year that was included in the contract liabilities balance at the beginning of the year		9,800,405	8,989,808

Contract liabilities relate to charter revenue received in advance as at the financial year end. Revenue from time charter will be recognized on a straight-line basis over the period of hire in accordance with the ship charter hire agreement.

(ii) *Unsatisfied performance obligations*

As permitted under ASC 606, the aggregated transaction price allocated to unsatisfied contracts is not disclosed as the Group has a right to invoice their customers in an amount that corresponds on a straight-line basis over the period of hire.

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19. Capital lease liabilities

The Group leases vessels from third parties under capital leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets.

	2019	2018
	US\$	US\$
Not later than one year	2,562,526	34,741,031
Between one and five years	10,212,804	12,775,328
	12,775,330	47,516,359

Current deferred finance costs of US\$1,430 (2018: US\$1,430) and non-current deferred finance costs of US\$3,216 (2018: US\$4,646) relating to legal and debt issuance costs directly related to the commencement of the capital lease liabilities are presented net of the lease liabilities. The amortization of these deferred finance costs are recognized as interest expenses in Note 8.

	2019	2018
	US\$	US\$
Minimum lease payments due		
- 1 st Year	3,432,890	36,727,888
- 2 nd Year	3,432,000	3,432,888
- 3 rd Year	3,432,000	3,432,000
- 4 th Year	4,558,000	3,432,000
- 5 th Year	-	4,558,000
	14,854,890	51,582,776
Less: Future finance charges	(2,074,914)	(4,060,341)
Present value of capital lease liabilities	12,779,976	47,522,435
Less: Deferred finance costs	(4,646)	(6,076)
Total	12,775,330	47,516,359

The Group has the intention to purchase these leased vessels at the end of the lease. The minimum lease payments due on these leases are recognized until the end of the lease.

Capital lease liabilities of the Group are secured over the leased vessels.

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20. Borrowings

	2019 US\$	2018 US\$
Not later than one year	30,843,996	26,487,295
Between one and five years	306,930,736	201,229,095
	<u>337,774,732</u>	<u>227,716,390</u>

The movement of borrowings during the year was as follows:

	2019 US\$	2018 US\$
Beginning of financial year	227,716,390	242,658,615
Additions	285,812,500	65,344,307
Repayments of long-term borrowings	(177,522,441)	(80,845,927)
Amortization of deferred finance costs (Note 8)	1,768,283	559,395
End of financial year	<u>337,774,732</u>	<u>227,716,390</u>

Current deferred finance costs of US\$799,912 (2018: US\$523,953) and non-current deferred finance costs of US\$3,333,376 (2018: US\$1,753,707) for legal and debt issuance costs directly related to the issuance of the borrowings are presented net of borrowings. The amortization of these deferred finance costs are recognized as interest expenses in Note 8.

During the financial year, the Group renegotiated its existing loan facilities to refinance vessels belonging to the Group. The refinancing resulted in a write-off of unamortized finance costs of US\$1,014,426 associated with the borrowings that are extinguished in profit and loss within "Amortization of deferred finance costs" in Note 8.

On 24 October 2019, the Group had drawn down loans from a refinancing arrangement for facilities totalling US\$175,437,500 for the purpose of refinancing 19 vessels belonging to the Group. On 15 November 2019, the Group had drawn down an additional loan from the facility, amounting to US\$15,975,000, to finance the acquisition of a vessel. The key terms of the loan agreement are as follows:

Interest rate : 2% per annum plus 3M-LIBOR
 Payment term : 20 fixed consecutive quarterly instalments, plus a final lump sum repayment as final settlement

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20. Borrowings (continued)

The borrowings are secured by the following:

- (i) First priority mortgage on all vessels;
- (ii) First priority general assignment of the insurances, earnings, charters and requisition compensation claims for each vessel;
- (iii) First priority assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;
- (iv) First priority account security deeds over the Earnings Account, the Retention Account and the Deposit Account;
- (v) First priority charge or pledge of shares of the Borrowers;
- (vi) First priority assignment of the benefits arising from the Master Agreement entered into by the Borrowers;
- (vii) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrowers;
- (viii) Unconditional and irrevocable on demand guarantees from Epic Gas Ltd and Epic Gas Opco II Ltd with respect to the Facility Agreement and all other customary security documents deemed necessary.

On 5 September 2019, the Group had drawn down loans from two refinancing arrangement for a facility totalling US\$30,500,000 for the purpose of refinancing 2 vessels belonging to the Group. The key terms of the loan agreement are as follows:

Interest rate : 6.13% per annum
 Payment term : 10 years with purchase options exercisable for the first time after 5 years and subsequently on each anniversary of the delivery date, subject to a purchase obligation on the 10th anniversary of the delivery date

On 11 July 2019 and 23 July 2019, the Group had drawn down loans from a loan agreement for borrowings totalling US\$63,900,000 to partially finance the acquisition of 4 vessels. The key terms of the loan agreement are as follows:

Interest rate : 1.95% per annum plus 3M-LIBOR
 Payment term : 28 fixed consecutive quarterly instalments, plus a final lump sum repayment as final settlement

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20. Borrowings (continued)

The borrowings are secured by the following:

- (i) First priority mortgage on all vessels;
- (ii) First priority general assignment of the insurances, earnings, charters and requisition compensation claims for each vessel;
- (iii) First priority assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;
- (iv) First priority account security deeds over the Earnings Account and the Retention Account;
- (v) First priority charge of shares of the Borrowers;
- (vi) First priority assignment of the benefits arising from the Master Agreement entered into by the Borrowers;
- (vii) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrowers;
- (viii) Unconditional and irrevocable on demand guarantees from Epic Gas Ltd and Epic Gas Opco II Ltd with respect to the Facility Agreement and all other customary security documents deemed necessary.

On 18 October 2018, the Group had drawn down loans from a refinancing arrangement for a facility totalling US\$14,700,000 for the purpose of refinancing 1 vessel belonging to the Group. The key terms of the loan agreement are as follows:

- Interest rate : 6% to 7.69% per annum depending on the period when the purchase option is exercised
- Payment term : 11 years with purchase options exercisable for the first time after 6 years and subsequently on each anniversary of the delivery date, subject to a purchase obligation on the 11th anniversary of the delivery date

On 2 July 2018, the Group had drawn down loans from a refinancing arrangement for facilities totalling US\$34,000,000 for the purpose of refinancing 5 vessels belonging to the Group. This facility was fully repaid as part of the refinancing completed on 24 October 2019. The key terms of the loan agreement were as follows:

- Interest rate : 3.15% per annum plus 3M-LIBOR
- Payment term : 20 fixed consecutive quarterly instalments, plus a final lump sum repayment as final settlement

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20. Borrowings (continued)

The borrowings were secured by the following:

- (i) First priority mortgage on all vessels;
- (ii) First priority general assignment of the earnings and requisition compensation claims for each vessel;
- (iii) First priority assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks
- (iv) First priority assignment of any Sub-Charter and its earnings with a duration longer than 12 months (excluding optional periods) for all Vessels;
- (v) First priority assignment of Time Charter(s);
- (vi) First priority pledge of shares of the Borrowers;
- (vii) Pledge over the Charterer Account, the Earnings Account, Retention Account and the Deposit Account;
- (viii) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrowers;
- (ix) Unconditional and irrevocable on demand guarantees from Epic Gas Ltd and Epic Gas Opco II Ltd with respect to the Facility Agreement and all other security customary documents deemed necessary.

On 26 April 2018, the Group had drawn down loans from a loan agreement for borrowings totalling US\$1,644,307 resulting from the finance lease restructures of 3 vessels belonging to the Group. The key terms of the loan agreement are as follows:

Interest rate : 1.95% per annum
Payment term : 42 fixed consecutive monthly instalments

On 28 March 2018, the Group had drawn down loan from a refinancing arrangement for a facility totalling US\$15,000,000 for the purpose of refinancing 1 vessel belonging to the Group. The key terms of the loan agreement are as follows:

Interest rate : 6.05% per annum
Payment term : 10 years with purchase options exercisable for the first time after 5 years and subsequently on each anniversary of the delivery date to purchase the vessel at the end of the term

On 7 September 2017, the Group had drawn down loan from a refinancing arrangement for a facility totalling US\$29,000,000 for the purpose of refinancing 1 vessel belonging to the Group. The key terms of the loan agreement are as follows:

Interest rate : 4.80% per annum
Payment term : 10 years with purchase options exercisable for the first time after 3 years and subsequently on each anniversary of the delivery date

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20. Borrowings (continued)

On 13 June 2017, the Group had drawn down loan from a loan agreement for a borrowing totalling US\$8,500,000 to partially finance the acquisition of 1 vessel. This facility was fully repaid as part of the refinancing completed on 24 October 2019. The key terms of the loan agreement were as follows:

Interest rate : 3.40% per annum plus 3M-LIBOR
 Payment term : 19 fixed consecutive quarterly instalments, plus a final lump sum repayment as final settlement

The borrowings were secured by the following:

- (i) First priority mortgage on the vessel;
- (ii) First priority general assignment of the earnings and requisition compensation claims for the vessel;
- (iii) First priority assignment of the vessel's insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;
- (iv) First priority assignment of any Sub-Charter and its earnings with a duration longer than 12 months (excluding optional periods) for the vessel;
- (v) First priority assignment of Time Charter(s);
- (vi) First priority pledge of shares of the Borrower;
- (vii) Pledge over the Charterer Account, the Earnings Account, the Retention Account and the Deposit Account;
- (viii) First priority assignment of the benefits arising from the Master Agreement entered into by the Borrower;
- (ix) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrower;
- (x) Unconditional and irrevocable on demand guarantees from Epic Gas Ltd and Epic Gas Opco II Ltd with respect to the Facility Agreement and all other customary security documents deemed necessary.

On 31 March 2017, the Group had drawn down loans from a refinancing arrangement for facilities totalling US\$89,925,000 to refinance 14 vessels. This facility was fully repaid as part of the refinancing completed on 24 October 2019. The key terms of the loan agreement were as follows:

Interest rate : 3.50% per annum plus 3M-LIBOR
 Payment term : 28 fixed consecutive quarterly instalments, plus a final lump sum repayment as final settlement

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20. Borrowings (continued)

The borrowings were secured by the following:

- (i) First priority mortgage on all vessels;
- (ii) First priority general assignment of the earnings and requisition compensation claims for each vessel;
- (iii) First priority assignment of the vessels' insurances, including but not limited to Hull & Machinery, Protection & Indemnity and War Risks;
- (iv) First priority assignment of any Sub-Charter and its earnings with a duration longer than 12 months (excluding optional periods) for all Vessels;
- (v) First priority assignment of Time Charter(s);
- (vi) First priority pledge of shares of the Borrowers;
- (vii) Pledge over the Charterer Account, the Earnings Account, the Retention Account and the Deposit Account;
- (viii) First priority assignment of the benefits arising from the Master Agreement entered into by the Borrowers;
- (ix) Full subordination undertakings on any shareholder loans/Guarantors' debt to the Borrowers;
- (x) Unconditional and irrevocable on demand guarantees from Epic Gas Ltd and Epic Gas Opco II Ltd with respect to the Facility Agreement and all other customary security documents deemed necessary.

On 21 October 2016, the Group had drawn down loan from a refinancing arrangement for a facility totalling US\$29,750,000 for the purpose of refinancing 1 vessel belonging to the Group. The key terms of the loan agreement are as follows:

Interest rate : 3.98% per annum
Payment term : 7 years with a purchase option exercisable any time after 5 years

For the period from February 2016 to December 2016, the Group had drawn down loans from a loan agreement for facilities totaling US\$120,300,000 to partially finance the acquisition of an additional 7 vessels. On 15 March 2017, the Group had drawn down additional loans from the facility, amounting to US\$17,850,000, to finance the acquisition of a vessel. This facility was fully repaid as part of the refinancing completed on 24 October 2019. The key terms of the loan agreement were as follows:

Interest rate : 3.25% per annum plus 3M-LIBOR
Payment term : 28 fixed consecutive quarterly instalments, plus a final lump sum repayment as final settlement

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20. Borrowings (continued)

The borrowings were secured by the following:

- (i) First and second priority cross-collateralized mortgages over the vessels;
- (ii) First and second priority assignment of the vessels' earnings, insurances and requisition compensation;
- (iii) Share charges creating security over the share capital of the borrowing entities;
- (iv) Account security deeds creating security over the accounts of the borrowing entities;
- (v) Intra-Group loan assignments creating security over intercompany loans;
- (vi) First and second priority undertakings of the commercial and technical managers of the vessels; and
- (vii) First priority assignment of the benefits arising from the Master Agreement entered into by the Borrowers;
- (viii) Unconditional and irrevocable on demand guarantees from Epic Gas Ltd and Epic Gas Opco II Ltd and the borrowing entities covering all amounts outstanding under the loan agreements.

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20. Borrowings (continued)

The respective maturity dates of the borrowings (excluding deferred finance charges) as at the financial year end are:

<u>Issue date</u>	<u>Maturity date</u>	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
17 February 2016	17 February 2023	-	11,077,601
25 February 2016	25 February 2023	-	14,501,643
08 August 2016	08 August 2023	-	11,471,440
21 October 2016	21 October 2023	16,987,454	18,138,751
17 November 2016	17 November 2023	-	15,329,423
23 December 2016	23 December 2023	-	11,812,500
31 March 2017	31 December 2019	-	2,217,188
31 March 2017	31 December 2020	-	3,388,802
31 March 2017	31 December 2022	-	3,705,625
31 March 2017	31 December 2023	-	22,302,827
31 March 2017	28 March 2024	-	29,464,475
13 June 2017	08 June 2022	-	6,621,053
07 September 2017	07 August 2027	17,795,253	18,774,836
28 March 2018	28 March 2028	13,192,285	14,203,048
26 April 2018	31 October 2021	875,278	1,339,688
02 July 2018	02 July 2023	-	31,980,000
18 October 2018	31 Oct 2029	12,876,689	13,665,150
11 July 2019	01 July 2026	47,055,978	-
23 July 2019	01 July 2026	15,727,717	-
05 September 2019	05 September 2029	29,530,771	-
24 October 2019	24 October 2024	172,052,159	-
15 November 2019	24 October 2024	15,814,436	-
		<u>341,908,020</u>	<u>229,994,050</u>

The weighted-average interest rates on the above outstanding borrowings were 4.34% (2018: 5.44%) per annum.

Some of the Group's loan agreements are subjected to financial covenant clauses whereby the Group is required to meet certain financial ratios. The banks are contractually entitled to request for immediate payment of the outstanding borrowings in an event where financial covenants required under the terms of the loan agreements are not fulfilled and not cured. As at 31 December 2019 and 2018, the Group was in compliance with all of its financial covenants.

As of 31 December 2019, the undrawn borrowing facilities amounted to US\$10,000,000 (2018: nil).

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20. Borrowings (continued)

As at the financial year end, the fair values of non-current borrowings approximate their carrying amounts.

The annual principal repayments to be made for the borrowings (excluding deferred finance charges) as set out above, after the financial year ends are as follows:

	2019	2018
	US\$	US\$
- 1 st Year	31,544,274	27,011,247
- 2 nd Year	31,784,403	24,977,176
- 3 rd Year	31,716,098	22,792,052
- 4 th Year	44,472,725	23,348,094
- 5 th Year	120,722,635	86,275,197
- 6 th Year	12,024,531	18,463,895
- 7 th Year	38,839,772	4,006,549
- 8 th Year	15,728,683	4,260,452
- 9 th Year	7,439,777	12,544,224
- 10 th Year	7,635,122	4,054,583
- 11 th Year	-	2,260,581
	<u>341,908,020</u>	<u>229,994,050</u>

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21. Derivative financial instruments

	Contract notional <u>amount</u> US\$	Fair value <u>asset</u> US\$	Fair value <u>liability</u> US\$
2019			
<i>Derivatives held for hedging</i>			
<i>Cash flow hedges</i>			
- Interest rate swaps	126,279,254	137,413	256,611
Total		<u>137,413</u>	<u>256,611</u>
Less: Current portion		-	-
Non-current portion		<u>137,413</u>	<u>256,611</u>
2018			
<i>Derivatives held for hedging</i>			
<i>Cash flow hedges</i>			
- Interest rate swaps	125,388,273	1,807,393	209,474
Total		<u>1,807,393</u>	<u>209,474</u>
Less: Current portion		-	-
Non-current portion		<u>1,807,393</u>	<u>209,474</u>

Interest rate swaps are transacted to hedge variable quarterly interest payments on borrowings. Fair value gains and losses on the interest rate swaps recognized in the other comprehensive income are reclassified to profit or loss as part of interest expense over the period of the borrowings.

During the financial year, the Group renegotiated its existing loan facilities to refinance vessels belonging to the Group. The refinancing resulted in a termination fee on interest rate swaps for its existing loan facilities of US\$1,651,192 presented in profit and loss within "Finance expenses" (Note 8).

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22. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movement in deferred income tax assets and liabilities is as follows:

Deferred income tax assets

	<u>Accelerated tax depreciation</u> US\$	<u>Provisions</u> US\$	<u>Total</u> US\$
2019			
Beginning of financial year	-	49,357	49,357
Charged to profit or loss	-	28,744	28,744
End of financial year	<u>-</u>	<u>78,101</u>	<u>78,101</u>
2018			
Beginning of financial year	-	49,460	49,460
Charged to profit or loss	-	(103)	(103)
End of financial year	<u>-</u>	<u>49,357</u>	<u>49,357</u>

Deferred income tax liabilities

	<u>Accelerated tax depreciation</u> US\$	<u>Provisions</u> US\$	<u>Total</u> US\$
2019			
Beginning and end of financial year	<u>101,378</u>	<u>(1,024)</u>	<u>100,354</u>
2018			
Beginning and end of financial year	<u>101,378</u>	<u>(1,024)</u>	<u>100,354</u>

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23. Share capital

	Issued no. of ordinary <u>shares</u>	<u>Amount</u>	
		<u>Share capital</u> US\$	<u>Additional paid-in capital</u> US\$
<u>Group and Company</u>			
2019			
Beginning of financial year	70,471,771	704,717	339,417,713
Issuance of shares	36,144,578	361,446	59,414,854
End of financial year	<u>106,616,349</u>	<u>1,066,163</u>	<u>398,832,567</u>
2018			
Beginning and end of financial year	<u>70,471,771</u>	<u>704,717</u>	<u>339,417,713</u>

The Company's share capital comprise fully paid-up 106,616,349 (2018: 70,471,771) ordinary shares at par value of US\$0.01, amounting to a total of US\$1,066,163 (2018:US\$704,717).

The holders of the shares are entitled to one vote on all matters submitted to a vote of shareholders and to receive all dividends, if any.

On 17 May 2019, the Group issued and allocated 36,144,578 ordinary shares at a subscription price of NOK14.5 (equivalent to US\$1.66 at prevailing exchange rate) which amounted to US\$60,000,000, as part of the purchase consideration paid to the seller of the newly acquired vessel. The total expenses directly attributable to the issuance of shares amounted to US\$223,700.

The newly issued shares rank pari passu in all respects with the previously issued shares.

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24. Share option reserve

	2019	2018
	US\$	US\$
Beginning of financial year	4,367,032	3,818,614
Epic Gas Ltd Share Option Plan		
- Value of employee services	379,968	584,112
- Share options forfeited	-	(35,694)
- Reversal of share options	(75,202)	-
End of financial year	4,671,798	4,367,032

Employee share options

Pursuant to the Epic Gas Ltd Share Option Plan, the Company granted share options to key management personnel and employees who are in service at the date of grant.

The vesting schedule for the share options is as follows:

40% on the Second anniversary of the Grant Date;
20% on the Third anniversary of the Grant Date;
20% on the Fourth anniversary of the Grant Date; and
20% on the Fifth anniversary of the Grant Date;

Modification of share-based payment arrangements

On 26 June 2019, the Company modified the Epic Gas Ltd Share Option Plan.

The details of modification of share option plan is as follows:

- Cancelled the share options granted in March 2013 and December 2013
- Decreased the vesting period for the employee share options granted in January 2016, January 2017 and August 2017 from five to three years and reduced the exercise price from US\$2.25 to US\$2.05
- Decreased the vesting period for the employee share options granted in January 2018 from five to three years and reduced the exercise price from US\$1.85 to US\$1.79
- Decreased the vesting period for the employee share options granted in January 2019 from five to three years and reduced the exercise price from US\$1.75 to US\$1.72

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24. Share option reserve (continued)

Employee share options (continued)

Once vested, the options are exercisable during the contractual option term of six (2018: ten) years from grant date.

Prior to delivery of the shares (as evidenced by the entry in the shareholders' register), no right to vote or receive dividends or any rights as a shareholder shall exist with respect to the options, notwithstanding the exercise of the option.

Movements in the number of unissued common shares under option and their exercise prices are as follows:

	Number of ordinary shares under award				At the end of the year	Exercise price US\$
	At the beginning of the year	Granted during the year	Forfeited/ expired during the year	Cancelled during the year		
2019						
March 2013 Awards	286,340	-	-	(286,340)	-	-
December 2013 Awards	880,800	-	-	(880,800)	-	-
January 2016 Awards	2,689,868	-	-	(66,667)	2,623,201	2.05
January 2017 Awards	357,368	-	-	(46,666)	310,702	2.05
August 2017 Awards	33,333	-	-	-	33,333	2.05
January 2018 Awards	355,393	-	-	(16,216)	339,177	1.79
January 2019 Awards	-	297,220	-	(17,142)	280,078	1.72
Total	4,603,102	297,220	-	(1,313,831)	3,586,491	
2018						
March 2013 Awards	298,500	-	(12,160)	-	286,340	10
December 2013 Awards	880,800	-	-	-	880,800	8
January 2016 Awards	2,689,868	-	-	-	2,689,868	2.25
January 2017 Awards	357,368	-	-	-	357,368	2.25
August 2017 Awards	33,333	-	-	-	33,333	2.25
January 2018 Awards	-	355,393	-	-	355,393	1.85
Total	4,259,869	355,393	(12,160)	-	4,603,102	

The number of options vested and exercisable as at 31 December 2019 was 2,760,814 (2018: 2,243,089).

	2019	2018
Number of share options to be vested		
- 1 st Year	206,422	610,893
- 2 nd Year	339,177	609,464
- 3 rd Year	280,078	591,949
- 4 th Year	-	262,376
- 5 th Year	-	285,331
	825,677	2,360,013

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24. Share option reserve (continued)

Employee share options (continued)

The Company estimated the fair value of the share options using the Binomial Option pricing model, which incorporated subjective assumptions including expected volatility, expected term and interest rates.

The expected volatility was based on the historical volatility and trading history of the shares of comparable companies in similar industry over the most recent years that commensurate with the estimated expected term of the share options. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity awards.

Expected terms for the above options were determined by the simplified method.

The assumptions used for the estimation of fair value of the share options at grant date are as follows:

	2019	2018
Weighted average expected term	6.78 years	6.58 years
Dividend yield	0%	0%
Risk-free interest rate	1.77 - 2.12%	0.18 - 2.57%
Weighted average volatility	40.17%	37.46%

The fair value of the options granted was estimated to be US\$5,275,835 (2018: US\$5,047,633) under Level 3 fair value inputs. The amount of unvested awards to be recognized on straight-line basis over the vesting period is US\$528,845 (2018: US\$680,616).

25. Accumulated other comprehensive gains

(a) *Composition:*

	2019	2018
	US\$	US\$
Currency translation reserve	(192,674)	(189,431)
Hedging reserve	(119,198)	1,597,919
	(311,872)	1,408,488

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25. Accumulated other comprehensive gains (continued)

(b) *Movements:*

(i) *Currency translation reserve*

	2019 US\$	2018 US\$
Beginning of financial year	(189,431)	(172,853)
Net currency translation differences of financial statements of foreign subsidiaries	(3,243)	(16,578)
End of financial year	(192,674)	<u>(189,431)</u>

(ii) *Hedging reserve*

	2019 US\$	2018 US\$
Beginning of financial year	1,597,919	835,078
Fair value (losses)/gains	(1,717,117)	762,841
End of financial year	(119,198)	<u>1,597,919</u>

26. Commitments

(a) *Operating lease commitments - where the Group is a lessee*

The Group leases vessels, office premises, office equipment, and staff accommodation from non-related corporations under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognized as liabilities, are as follows:

	2018 US\$
1 st Year	15,170,747
2 nd Year	11,650,861
3 rd Year	10,565,500
4 th Year	3,178,758
	<u>40,565,866</u>

As disclosed in Note 2.1, the Group has adopted ASC 842 on 1 January 2019. These lease payments have been recognized as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases as disclosed in Note 15.

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26. Commitments (continued)

(b) *Operating lease commitments - where the Group is a lessor*

The Group leases out its vessels to non-related corporations under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognized as receivables, are as follows:

	2019 US\$	2018 US\$
1 st Year	52,091,927	57,227,870
2 nd Year	6,000,833	2,915,797
	<u>58,092,760</u>	<u>60,143,667</u>

On 1 January 2019, the Group has adopted ASC 842 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 is disclosed in Note 16.

27. Fair value measurements

The Group applies ASC 820, "Fair Value Measurements", with respect to fair value measurements of (a) all financial assets and liabilities and (b) non-financial assets and liabilities that are recognized or disclosed in the financial statements at fair value on a recurring basis (at least annually). Under ASC 820, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

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27. Fair value measurements (continued)

ASC 820 specifies a hierarchy of inputs to valuation techniques based on the extent to which inputs used in measuring fair value are observable in the market. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability. ASC 820 requires the use of observable market data if such data is available without undue cost and effort. Each fair value measurement is reported in one of three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

(a) Valuation technique

Level 1 - Inputs are unadjusted quoted prices for identical assets and liabilities in active markets. Level 1 assets and liabilities include equity securities and derivative contracts that are traded in an active market.

Level 2 - Inputs are based on observable inputs other than level 1 prices, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category includes the majority of government debt securities, corporate debt securities and derivative contracts.

Level 3 - One or more significant inputs are unobservable. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow techniques, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation of assumptions that market participants would use in pricing the asset or liability. This category primarily includes certain private equity investments and certain hybrid financial instruments not classified within Level 1 or 2.

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27. Fair value measurements (continued)

(a) *Valuation technique (continued)*

The following table presents the fair values for assets and liabilities measured on a recurring basis categorized based upon the lowest level of significant input to the valuations as of 31 December 2019:

	Fair value US\$	Fair value measurements using		
		Quoted prices in active markets for identical assets (Level 1) US\$	Significant other observable inputs (Level 2) US\$	Significant unobservable inputs (Level 3) US\$
As of 31 December 2019				
Assets				
Derivative financial instruments	137,413	-	137,413	-
Total	137,413	-	137,413	-
Liabilities				
Derivative financial instruments	256,611	-	256,611	-
Total	256,611	-	256,611	-
As of 31 December 2018				
Assets				
Derivative financial instruments	1,807,393	-	1,807,393	-
Total	1,807,393	-	1,807,393	-
Liabilities				
Derivative financial instruments	209,474	-	209,474	-
Total	209,474	-	209,474	-

Interest rate swaps are valued using a discounted cash-flow method based on market-based LIBOR swap yield curves. LIBOR swap rates are observable at commonly quoted intervals for the full term of the swaps and therefore, these derivative instruments are classified within Level 2.

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27. Fair value measurements (continued)

(b) *Financial instruments* (continued)

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and trade and other payables approximated their fair values due to their short-term nature. For non-current bank borrowings and notes payables, the fair value is estimated based on current interest rates available to the Group for issuance of debts of similar terms and remaining maturities.

Apart from the derivative financial instruments, the Group does not have financial instruments carried at fair value as of 31 December 2019.

28. Immediate holding corporation

The Company's immediate holding corporation is BW Group Limited, incorporated in Bermuda.

On 18 March 2019, BW Group Limited entered into an agreement to acquire 54.7% of the outstanding shares of the Company from certain existing shareholders. During the year, BW Group Limited acquired an additional 28.63% of the outstanding shares, holding a total of 83.33% shareholdings of the Company. As a result, BW Group Limited became the Company's immediate holding corporation.

29. Events occurring after balance sheet date

On 4 February 2020, Navi One Pte. Ltd (previously known as Epic Barbados Pte. Ltd.) and Navi Two Pte. Ltd. (Epic St. Ivan Pte. Ltd.) have been dissolved.

30. New or revised accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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31. Listing of significant subsidiaries in the Group

Name of significant subsidiaries	Principal activities	Country of business/ incorporation	Equity holding	
			2019 %	2018 %
Epic Gas OPCI I Ltd ^(c)	Investment Holding	British Virgin Islands	100	100
Epic Gas OPCI II Ltd ^(a)	Investment Holding	British Virgin Islands	100	100
Epic Gas (UK) Limited ^(b)	Provision of Commercial and Technical Management Services	United Kingdom	100	100
Epic Ship Management Pte. Ltd. ^(a)	Provision of Technical Management Services	Singapore	100	100
Epic Ship Management Gmbh ^(c)	Provision of Technical Management Services	Germany	100	100
Botany Shipping Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Elba Shipping Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Bali Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Baluan Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Barbados Ltd. ^(b)	Vessel owning and chartering	Malta	100	100
Epic Bonaire Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Borinquen Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Borneo Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Boracay Inc. ^(c)	Vessel owning and chartering	Marshall Islands	100	100
Epic Caledonia Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Camelot Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Curacao Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Gas Echo Pte. Ltd. ^{(a), (d)}	Vessel owning and chartering	Singapore	100	0
Epic Gas Chartering Ltd. ^(c)	Vessel chartering	British Virgin Islands	100	100
Epic Wave One Pte. Ltd. ^{(a), (d)}	Vessel owning and chartering	Singapore	100	0
Epic Wave Two Pte. Ltd. ^{(a), (d)}	Vessel owning and chartering	Singapore	100	0
Epic Madeira Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Manhattan Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Salina Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Samos Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Sardinia Pte. Ltd. ^(a)	Vessel chartering	Singapore	100	100
Epic Sentosa Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Shikoku Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Sicily Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic St Agnes Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic St Croix Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic St George Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic St Ivan Ltd. ^(b)	Vessel owning and chartering	Malta	100	100
Epic St Thomas Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Super League Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epic Vessels (Singapore) Pte. Ltd. ^(a)	Vessel chartering	Singapore	100	100
Epic York Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
Epirus Enterprises Inc. ^(c)	Vessel owning and chartering	Marshall Islands	100	100
Macedonian Enterprises Inc. ^(c)	Vessel owning and chartering	Marshall Islands	100	100
Olympian Enterprises Inc. ^(c)	Vessel owning and chartering	Marshall Islands	100	100
Navi One Pte. Ltd. ^{(a), (e), (g)}	Vessel owning and chartering	Singapore	100	100
Navi Two Pte. Ltd. ^{(a), (f), (g)}	Vessel owning and chartering	Singapore	100	100
St. Kitts Shipping Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
St. Lucia Shipping Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
St. Martin Shipping Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100
St. Vincent Shipping Pte. Ltd. ^(a)	Vessel owning and chartering	Singapore	100	100

(a) Audited by PricewaterhouseCoopers LLP, Singapore

(b) Audited by local accounting firm

(c) Not required to be audited under the laws of the country of incorporation

(d) Incorporated during the financial year

(e) Previously known as Epic Barbados Pte. Ltd.

(f) Previously known as Epic St. Ivan Pte. Ltd.

(g) Subsequently dissolved on 4 February 2020