EPIC GAS LTD
(Incorporated in British Virgin Islands: Registration Number: 1749293)
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
For the financial years ended 31 December 2018 and 31 December 2017

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Contents

DIRECTORS' STATEMENT
For the financial years ended 31 December 2018 and 31 December 2017

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 52 are drawn up so as to present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2018 and 2017, 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.

Charles Goodson Maltby
Director

Panaghis Nicholas Fotis
Lykiardopulo
Director

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 52, which comprise the consolidated balance sheets as of 31 December 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 Company'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 Company'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 2018 and 2017, 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, 16 April 2019

EPIC GAS LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the financial years ended 31 December 2018 and 31 December 2017

	Note	**2018** **US$**	2017 US$
Revenue	4	**154,839,663**	139,148,385
Other income		**820,441**	1,666,240
Other gains - net	5	**497,904**	614,969
Expenses			
- Brokerage commissions		**(2,536,225)**	(2,433,293)
- Voyage expenses		**(19,044,014)**	(15,523,886)
- Bareboat charter hire expenses		**(14,867,840)**	(16,559,500)
- Vessel operating expenses	6	**(59,643,887)**	(63,606,874)
- General and administrative expenses	7	**(16,878,907)**	(15,625,471)
- Finance expenses	8	**(16,714,693)**	(16,786,878)
- Depreciation	14	**(28,600,121)**	(28,241,445)
- Impairment loss on goodwill	16	**-**	(12,917,408)
Total expenses		**(158,285,687)**	(171,694,755)
Loss before income tax		**(2,127,679)**	(30,265,161)
Income tax expense	9	**(521,615)**	(545,300)
Loss after tax		**(2,649,294)**	(30,810,461)
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	25	**(16,578)**	27,435
Cash flow hedges			
- Fair value gains	25	**762,841**	471,107
Other comprehensive income		**746,263**	498,542
Total comprehensive loss		**(1,903,031)**	(30,311,919)

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

EPIC GAS LTD
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As at 31 December 2018 and 31 December 2017

	Note	2018 US$	2017 US$
ASSETS			
Current assets			
Cash and cash equivalents	10	**17,262,310**	7,673,877
Trade and other receivables, net	11	**20,048,763**	25,111,243
Inventories	12	**3,345,933**	4,312,237
Total current assets		**40,657,006**	37,097,357
Non-current assets			
Trade and other receivables, net	11	**362,970**	361,885
Restricted cash	13	**11,500,000**	13,500,000
Property, plant and equipment, net	14	**497,226,485**	524,490,923
Derivative financial instruments	21	**1,807,393**	838,773
Deferred income tax assets	22	**49,357**	49,460
Total non-current assets		**510,946,205**	539,241,041
Total assets		**551,603,211**	576,338,398
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	17	**23,317,724**	26,176,581
Deferred income	18	**9,800,405**	8,989,808
Capital lease liabilities	19	**34,741,031**	9,547,571
Current income tax liabilities	9	**272,545**	538,895
Borrowings	20	**26,487,295**	31,727,567
Total current liabilities		**94,619,000**	76,980,422
Non-current liabilities			
Trade and other payables	17	**67,003**	67,003
Capital lease liabilities	19	**12,775,328**	44,298,306
Deferred income tax liabilities	22	**100,354**	100,354
Borrowings	20	**201,229,095**	210,931,048
Derivative financial instruments	21	**209,474**	3,695
Total non-current liabilities		**214,381,254**	255,400,406
Total liabilities		**309,000,254**	332,380,828
Commitments and contingent liabilities	26		
SHAREHOLDERS' EQUITY			
Share capital, par value US$0.01 per share (2017: US$0.01 per share)	23	**704,717**	704,717
Shares issued and outstanding 70,471,771 (2017: 70,471,771)			
Additional paid-in capital	23	**339,417,713**	339,417,713
Share option reserve	24	**4,367,032**	3,818,614
Accumulated other comprehensive gains	25	**1,408,488**	662,225
Accumulated losses		**(103,294,993)**	(100,645,699)
Total shareholders' equity		**242,602,957**	243,957,570
Total liabilities and shareholders' equity		**551,603,211**	576,338,398

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial years ended 31 December 2018 and 31 December 2017

	Share capital US$ (Note 23)	Additional paid-in capital US$ (Note 23)	Share option reserve US$ (Note 24)	Accumulated other comprehensive gains US$ (Note 25)	Accumulated losses US$	Total equity US$
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**
2017						
Beginning of financial year	519,480	307,741,342	2,826,657	163,683	(69,835,238)	241,415,924
Issuance of shares	185,237	31,676,371	-	-	-	31,861,608
Share based compensation	-	-	991,957	-	-	991,957
Net loss for the year	-	-	-	-	(30,810,461)	(30,810,461)
Other comprehensive income	-	-	-	498,542	-	498,542
End of financial year	704,717	339,417,713	3,818,614	662,225	(100,645,699)	243,957,570

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

EPIC GAS LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the financial years ended 31 December 2018 and 31 December 2017

	Note	**2018**	2017
		US$	US$
Cash flows from operating activities			
Loss after tax		**(2,649,294)**	(30,810,461)
Adjustments for non-cash items:			
- Gain on disposal of property, plant and equipment	5	**(790,738)**	(693,953)
- Employee share option expenses	7	**548,418**	991,957
- Amortisation of deferred finance costs	8	**559,395**	921,171
- Allowance for doubtful debts	7	**115,357**	-
- Bad debts written off	7	**106,699**	-
- Depreciation	14	**28,600,121**	28,241,445
- Impairment loss on goodwill	16	**-**	12,917,408
- Unrealized translation (gains)/losses	25	**(16,578)**	27,435
- Exchange differences		**(18,526)**	-
		26,454,854	11,595,002
Changes in operating assets and liabilities, net of acquisition:			
- Decrease/(increase) in inventories		**966,304**	(973,458)
- Decrease/(increase) in trade and other receivables		**4,839,339**	(4,268,624)
- Decrease/(increase) in deferred income tax assets		**103**	(49,460)
- (Decrease)/increase in trade and other payables		**(2,858,857)**	7,364,295
- (Decrease)/increase in current income tax liabilities		**(266,350)**	147,254
- Increase in deferred income		**810,597**	2,377,543
Net cash provided by operating activities		**29,945,990**	16,192,552
Cash flows from investing activities			
Restricted cash		**2,000,000**	(1,340,000)
Additions to property, plant and equipment		**(5,046,211)**	(40,943,495)
Proceeds from disposal of vessels		**4,519,792**	2,920,270
Net cash provided by/(used in) investing activities		**1,473,581**	(39,363,225)
Cash flows from financing activities			
Proceeds from borrowings	20	**65,344,307**	142,495,767
Proceeds from capital leases		**17,000,000**	-
Repayments of long-term borrowings	20	**(80,845,927)**	(146,657,884)
Repayments of capital leases		**(23,329,518)**	(7,152,385)
Proceeds from issuance of shares	23	**-**	31,711,608
Net cash (used in)/provided by financing activities		**(21,831,138)**	20,397,106
Net increase/(decrease) in cash and cash equivalents		**9,588,433**	(2,773,567)
Cash and cash equivalents at beginning of year	10	**7,673,877**	10,447,444
Cash and cash equivalents at end of year	10	**17,262,310**	7,673,877
Supplementary cash flow information			
Cash items:			
- Cash paid for interest expenses	8	**16,155,298**	15,865,707
- Cash paid for income tax expenses	9	**787,965**	471,020
Non-cash investing and financing activities		**-**	-

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

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 accounts 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 28 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.

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 2018 and 2017.

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 the fair value of goodwill, the assessment of allowance for doubtful accounts, 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.

2. **Significant accounting policies** (continued)

2.1 **Basis of preparation** (continued)

(e) Interpretations and amendments to published standards effective in 2018

On 1 January 2018, the Group adopted the new or amended accounting standards updates ("ASU") issued by the Financial Accounting Standards Board ("FASB") that are mandatory for application from that date. 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.

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 and voyage chartering of vessels are recognized on a straight-line basis over the periods of such charter agreements as service is performed.

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.

2. **Significant accounting policies** (continued)

2.2 **Revenue recognition** (continued)

Charter hire income and voyage expense recognition (continued)

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.

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 recognised as an expense under "General and administrative expenses" in the consolidated statement of comprehensive income with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant.

2. Significant accounting policies (continued)

2.3 Employee compensation (continued)

(b) Share-based compensation (continued)

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 recognised 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 recognised 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 recognised 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.

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.

2. Significant accounting policies (continued)

2.4 Group accounting - subsidiaries (continued)

(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 recognised 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.

(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 recognised 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 recognised in profit or loss.

2. Significant accounting policies (continued)

2.5 Income taxes

Income taxes are accounted for under the liability method. Deferred income tax assets and liabilities are recognised 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 recognised 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 realised.

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 recognised as a component of general and administrative expenses.

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. **Significant accounting policies** (continued)

2.8 Property, plant and equipment

Property, plant and equipment are recognised 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 recognised 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:

	Estimated useful life
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 recognised in profit or loss when the changes arise.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss within "Other 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.

2. Significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

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 2018 will increase by approximately US$1,130,882 (2017: US$1,122,575).

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 consolidated statement of comprehensive income. 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.

For vessels that the Group intend to dispose by sale, a loss is recognised 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 recognised 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.

2. **Significant accounting policies** (continued)

2.8 **Property, plant and equipment** (continued)

Impairment of long-lived assets (continued)

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 2018. The independent valuers used a valuation technique based on recent vessel sales and other comparable market data.

2.9 **Vessels under construction**

According to the terms of the ship building contracts for the construction of vessels entered by the Group, payments are made to the shipbuilder at specific stages. The shipbuilder assumes substantially all risks and rewards incidental to the ship building contracts. These payments are stated at cost, together with any financing and other costs.

2.10 **Leases**

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

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.

The Group conducts a part of its operations from leased vessels. The vessel leases, which have terms ending between June 2019 and September 2019, are classified as capital leases.

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

The Group leases six vessels (2017: eight vessels) under an operating lease for a lease-term of five to eight years.

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.

2. Significant accounting policies (continued)

2.10 Leases (continued)

(b) *When the Group is the 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.

2.11 Intangible assets

Goodwill on acquisitions

Goodwill represents the cost in excess of fair value of the net assets of companies acquired. Goodwill is tested for impairment at year end date at the unit level using carrying amounts as of the end of the financial period or more frequently if events and circumstances indicate that goodwill might be impaired. The Group has the option of assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit exceeds its carrying amount. In the event that a qualitative assessment indicates that the fair value of a reporting unit exceeds its carrying value, the two-step impairment test is not necessary. If, however, the assessment of qualitative factors indicates otherwise, the standard two-step method for evaluating goodwill for impairment as prescribed by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, Intangibles-Goodwill and Other must be performed.

Step one involves comparing the fair value of the reporting unit based on discounted future cash flow to its carrying amount. If the fair value of the reporting unit is greater than its carrying amount, there is no impairment. If the reporting unit's carrying amount is greater than the fair value, the second step must be completed to measure the amount of impairment, if any.

Step two involves calculating the implied fair value of goodwill by deducting the fair value of all tangible and separately identifiable intangible assets of the reporting unit from the fair value of the reporting unit as determined in step one. The implied fair value of goodwill determined in this step is compared to the carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, an impairment loss is recognised equal to the difference.

The Group determined the discounted projected cash flows for the reporting unit based on the projected cash flows generated, and compared it to the fair value of the reporting unit. The significant factors and assumptions used in the discounted projected cash flow analysis used for the above, revenue from existing charters for those vessels that have long term employment and where there are no charters in place, the budgeted cash flows are estimated based on past performance and its expectations of market development.

2. Significant accounting policies (continued)

2.12 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 recognised 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 realised later than 12 months after the balance sheet date, which are presented as non-current assets.

2.13 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.

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.

2.14 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. Significant accounting policies (continued)

2.15 Derivative financial instruments and hedging activities

The Group enters into bunker forward contracts from time to time to manage exposures to fluctuating bunker prices and not for trading or speculative purposes. Bunker forward contracts are not designated for hedge accounting.

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 recognised 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 Company formally designates and documents the hedge relationship to which the Company 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.

2. **Significant accounting policies** (continued)

2.15 **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 recognised 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 recognised in profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognised 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.

2.16 **Provisions for other liabilities and charges**

Provisions for other liabilities and charges are recognised 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.

2.17 **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.

2.18 **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.

2. Significant accounting policies (continued)

2.19 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 recognised 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 consolidated statement of comprehensive income within "finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the consolidated statement of comprehensive income within "Other gains - net".

2. **Significant accounting policies** (continued)

2.19 **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 recognised 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.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.20 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.

2.21 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.

2. Significant accounting policies (continued)

2.21 Concentration of credit risk (continued)

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.

2.22 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.

2.23 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 consolidated statement of comprehensive income in the period in which they are incurred.

Borrowing costs are recognised 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.

2.24 Guidance on new accounting standards

Revenue recognition - In May 2014, the Financial Accounting Standards Board (FASB) issued new revenue recognition guidance to provide a single, comprehensive revenue recognition model for all contracts with customers. Under the new guidance, an entity will recognize revenue to depict the transfer of promised goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. A five step model has been introduced for an entity to apply when recognizing revenue. The new guidance also includes enhanced disclosure requirements, and was effective January 1, 2018. Entities have the option to apply the new guidance under a retrospective approach to each prior reporting period presented, or a modified retrospective approach with the cumulative effect of initially applying the new guidance recognized at the date of initial application within the Consolidated Statement of Changes in Shareholders' Equity. The adoption is not expected to have a material impact on the financial statements of the Group.

2. Significant accounting policies (continued)

2.24 Guidance on new accounting standards (continued)

Recognition and measurement of financial assets and financial liabilities - In January 2017, the FASB issued accounting guidance that affects the accounting for equity investments, financial liabilities accounted for under the fair value option and the presentation and disclosure requirements for financial instruments. Under the new guidance, all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. There will no longer be an available-for-sale classification for equity securities with readily determinable fair values. For financial liabilities when the fair value option has been elected, changes in fair value due to instrument-specific credit risk will be recognized separately in other comprehensive income. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The guidance was effective January 1, 2018, and will be applied on a modified retrospective basis through a cumulative effect adjustment to retained earnings as of January 1, 2018. The adoption is not expected to have a material impact on the financial statements of the Group.

Lease accounting - In February 2017, the FASB issued accounting guidance that revises the accounting for leases. Under the new guidance, lessees are required to recognize a right-of-use asset and a lease liability for all leases. The new guidance will continue to classify leases as either financing or operating, with classification affecting the pattern of expense recognition. The accounting applied by a lessor under the new guidance will be substantially equivalent to current lease accounting guidance. The new guidance is effective January 1, 2019, with early adoption permitted. The new standard is required to be applied with a modified retrospective approach to each prior reporting period presented and provides for certain practical expedients. An implementation team is in the process of evaluating the effect of the new guidance on our financial statements. The Group plans to adopt the new guidance effective January 1, 2019.

Measurement of credit losses on financial instruments - In June 2017, 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 new guidance is effective January 1, 2020, with early adoption permitted beginning January 1, 2019. The Group is in the process of evaluating the effect of the new guidance on our financial statements.

2. Significant accounting policies (continued)

2.24 Guidance on new accounting standards (continued)

Classification for certain cash receipts and cash payments - In August 2017, the FASB issued accounting guidance related to the presentation and classification of certain transactions in the statement of cash flows where diversity in practice exists. The guidance was effective January 1, 2018, and we do not expect the adoption to have a material impact on our financial statements.

Classification of restricted cash - In November 2017, the FASB issued accounting guidance related to the presentation and classification of changes in restricted cash on the statement of cash flows where diversity in practice exists. The new standard is required to be applied with a retrospective approach. The guidance was effective January 1, 2018, and we do not expect the adoption to have a material impact on our financial statements.

Measurement of goodwill impairment – In January 2018, the FASB issued guidance to simplify the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The new guidance will be applied prospectively and is effective January 1, 2020, with early adoption permitted beginning January 1, 2018. The Group has adopted the new guidance effective January 1, 2018.

3. Transactions with related parties

The Group provides remuneration and compensation to its key management personnel and its Directors in the amount of US$1,961,067 (2017: US$1,945,605), and the amount is included in the consolidated statement of comprehensive income under the caption "General and administrative expenses".

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 charter revenue is recognised over time while all other revenue is recognised at a point in time.

	2018	2017*
	US$	US$
Revenue from:		
- Time charters	**99,031,848**	86,781,426
- Voyage charters	**45,544,626**	45,267,595
- Ship management services	**916,771**	1,097,493
- Others	**9,346,418**	6,001,871
	154,839,663	139,148,385

* The Group has applied ASC 606 using the modified retrospective method. No opening balance restatements were required on application of ASC 606.

(b) *Allocation of transaction price to performance obligations*

	Lease	Non-lease	Total
	US$	US$	US$
2018			
Revenue from:			
- Time charters	84,179,348	14,852,500	99,031,848
- Voyage charters	45,544,626	-	45,544,626
- Ship management services	-	916,771	916,771
- Others	9,346,418	-	9,346,418
	139,070,392	**15,769,271**	**154,839,663**
2017			
Revenue from:			
- Time charters	73,768,269	13,013,157	86,781,426
- Voyage charters	45,267,595	-	45,267,595
- Ship management services	-	1,097,493	1,097,493
- Others	6,001,871	-	6,001,871
	125,037,735	14,110,650	139,148,385

5. Other gains - net

	2018	2017
	US$	US$
Gain on disposal of property, plant and equipment	**790,738**	693,953
Loss on bunker forwards	**-**	(4,922)
Foreign currency exchange losses	**(292,834)**	(74,062)
	497,904	614,969

6. Vessel operating expenses

	2018	2017
	US$	US$
Crew expenses	**37,232,735**	38,403,172
Messing and stores expenses	**7,214,803**	7,832,779
Insurance expenses	**2,882,626**	2,888,549
Maintenance and repairs expenses	**7,634,930**	7,906,431
Technical management fees	**-**	166,959
Vessel takeover and delivery expenses	**151,908**	791,172
Dry-docking costs	**897,913**	1,011,967
Others	**3,628,972**	4,605,845
	59,643,887	63,606,874

7. General and administrative expenses

	2018	2017
	US$	US$
Staff costs (including directors' remuneration)	**10,591,394**	9,541,607
Legal and professional fees	**1,470,990**	1,217,181
Information technology costs	**629,173**	348,566
Employee share option expenses	**548,418**	991,957
Rental and utilities expenses	**1,293,701**	1,178,576
Consultancy expenses	**330,357**	351,792
Travelling and entertainment expenses	**689,833**	625,466
Recruitment costs	**87,011**	41,498
Allowance for doubtful debts (Note 11)	**115,357**	-
Bad debts written off	**106,699**	-
Insurance	**104,038**	144,820
Others	**911,936**	1,184,008
	16,878,907	15,625,471

8. Finance expenses

	2018 **US$**	2017 US$
Interest expense on capital leases	**3,047,224**	3,223,502
Interest expense on borrowings	**13,108,074**	12,642,205
Amortisation of deferred finance costs (Note 20)	**559,395**	921,171
	16,714,693	16,786,878

9. Income tax expense

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*

	2018 **US$**	2017 US$
Tax expense attributable to profit is made up of:		
- Current income tax	**320,880**	428,727
- Deferred income tax	**-**	(72,974)
- Withholding tax	**243,467**	73,024
	564,347	428,777
(Over)/under-provision in prior financial years		
- Current income tax	**(42,629)**	66,801
- Deferred income tax	**(103)**	-
- Withholding tax	**-**	49,722
	521,615	545,300

The Company is incorporated in the British Virgin Islands with a statutory tax rate of 0% (2017: 0%). The Group also has significant operations in Singapore with statutory tax rate of 17% (2017: 17%).

9. Income tax expense (continued)

(a) *Income tax expense* (continued)

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:

	2018 US$	2017 US$
Loss before income tax	**(2,127,679)**	(30,265,161)
Tax calculated at statutory rate of 17% (2017: 17%)	**(361,705)**	(5,145,077)
Effects of:		
- Different tax rates in other countries	**5,418**	29,645
- Income not subject to tax	**(25,052,610)**	(20,232,272)
- Tax incentives	**(19,049)**	(19,385)
- Expenses not deductible for tax purposes	**25,857,301**	25,820,621
- (Over)/under-provision in prior financial years	**(42,732)**	66,801
- Utilisation of previously unrecognised deferred tax assets	**(108,475)**	(72,974)
- Utilisation of tax losses carried forward	**-**	(24,805)
- Withholding tax	**243,467**	122,746
Tax charge	**521,615**	545,300

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*

	2018 US$	2017 US$
Beginning of financial year	**538,895**	391,641
Income tax paid	**(787,965)**	(471,020)
Tax expense	**564,347**	551,473
(Over)/under-provision in prior financial years	**(42,732)**	66,801
End of financial year	**272,545**	538,895

10. Cash and cash equivalents

	2018 US$	2017 US$
Cash at bank	**16,690,369**	6,982,694
Cash on board vessels	**571,941**	691,183
	17,262,310	7,673,877

11. Trade and other receivables, net

	2018 US$	2017 US$
Current		
Trade receivables from:		
- Non-related corporations	**10,500,598**	11,811,030
Less: Allowance for doubtful debts	**(115,357)**	-
Trade receivables, net of allowance	**10,385,241**	11,811,030
GST recoverable	**222,450**	194,386
Prepayments	**2,707,838**	2,138,151
Deposits	**136,851**	188,175
Sundry debtors	**6,596,383**	10,779,501
	20,048,763	25,111,243
Non-current		
Deposits	**362,684**	361,885
Others	**286**	-
	362,970	361,885

12. Inventories

	2018 US$	2017 US$
Bonded stores	**84,925**	108,969
Bunkers	**1,734,406**	2,698,124
Lubricating oil	**1,439,222**	1,385,115
Victualing	**87,380**	120,029
	3,345,933	4,312,237

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 0.014% (2017: 0%) per annum.

14. Property, plant and equipment, net

	Vessels US$	Drydocking costs US$	Office equipment US$	Computers US$	Furniture and fittings US$	Office renovations US$	Total US$
2018							
Cost							
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	576,523,164	27,007,736	162,815	2,013,297	405,420	1,332,881	607,445,313
Accumulated depreciation							
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	93,191,147	14,259,864	122,356	1,110,699	389,257	1,145,505	110,218,828
Net book value							
End of financial year	**483,332,017**	**12,747,872**	**40,459**	**902,598**	**16,163**	**187,376**	**497,226,485**

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

	Vessels US$	Drydocking costs US$	Office equipment US$	Computers US$	Furniture and fittings US$	Office renovations US$	Total US$
2017							
Cost							
Beginning of financial year	525,640,208	19,966,594	156,914	1,140,374	396,078	1,283,497	548,583,665
Additions	30,785,210	9,909,192	7,408	391,163	522	-	41,093,495
Disposals and write-offs	(2,487,006)	(2,571,301)	-	-	-	-	(5,058,307)
Transfer from vessels under construction	26,487,315	-	-	-	-	-	26,487,315
Reclassification	-	-	(26,893)	26,893	-	-	-
End of financial year	580,425,727	27,304,485	137,429	1,558,430	396,600	1,283,497	611,106,168
Accumulated depreciation							
Beginning of financial year	51,764,815	7,725,763	87,679	727,504	229,446	668,081	61,203,288
Depreciation charge	21,065,886	6,596,018	20,866	224,115	94,343	240,217	28,241,445
Disposals and write-offs	(292,402)	(2,537,086)	-	-	-	-	(2,829,488)
Reclassification	-	-	(2,986)	2,986	-	-	-
End of financial year	72,538,299	11,784,695	105,559	954,605	323,789	908,298	86,615,245
Net book value							
End of financial year	**507,887,428**	**15,519,790**	**31,870**	**603,825**	**72,811**	**375,199**	**524,490,923**

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

(a) The vessels with carrying amount of US$399,018,151 (2017: US$429,609,205) have been pledged as collaterals for the borrowings described under Note 20 and the amortised dry-docking costs relating to these vessels are US$9,630,476 (2017: US$12,758,462).

(b) During the year ended 31 December 2018, the Group did not take delivery of any (2017: three) vessels and consequently, no considerations were paid (2017: US$56,936,467) (Note 15).

(c) During the year ended 31 December 2018, the Group did not recognise any impairment charge (2017: nil) which represents the impairment of certain vessels to their recoverable amounts. The recoverable amount was based on the estimated fair value less costs to sell, with each vessel being regarded as one CGU.

The estimated fair value less costs to sell was based on independent third party valuation reports which make reference to comparable transaction prices of similar vessels. These are regarded as Level 2 fair values.

(d) The carrying amount of vessels held under capital leases and their related amortised dry-docking costs was US$74,512,324 (2017: US$78,440,561) and US$2,212,111 (2017: US$2,761,327) respectively as at the balance sheet date.

(e) During 2018, no borrowing costs (2017: US$59,046) were incurred to finance the vessels which were capitalised at a rate of 0% (2017: 4.32%) per annum in the cost of the vessel.

15. Vessels under construction

	2018 **US$**	2017 US$
Beginning of financial year	-	26,487,315
Vessels delivered	-	(26,487,315)
End of financial year	-	-

16. Goodwill

	2018 **US$**	2017 US$
Goodwill	-	12,917,408
Less: Impairment loss on goodwill	-	(12,917,408)
	-	-

Goodwill arose from the merger of Epic Shipping Pte Ltd and Pantheon Carriers LPG LLC, which led to the set-up of the Company in 2012. The Company's goodwill has been fully impaired as at 31 December 2017.

17. Trade and other payables

	2018 **US$**	2017 US$
Current		
Trade payables to:		
- Non-related corporations	**5,787,121**	7,414,399
Non-trade payables to:		
- Non-related corporations	**987,351**	1,709,800
	6,774,472	9,124,199
Accrued operating expenses	**15,187,700**	15,644,250
Accrued staff costs	**1,355,552**	1,408,132
	23,317,724	26,176,581
Non-current		
Deposits	**67,003**	67,003

18. Deferred income

The amounts shown in the consolidated balance sheets represent charter revenues received in advance as at the financial year end.

19. Capital lease liabilities

The Group leases vessels and office equipment 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.

The present value of capital lease liabilities under Level 3 fair value inputs are analysed as follows:

	2018	2017
	US$	US$
- 1st Year	**34,741,031**	9,547,571
- 2nd Year	**2,562,525**	44,297,613
- 3rd Year	**2,760,174**	693
- 4th Year	**2,973,864**	-
- 5th Year	**4,478,765**	-
	47,516,359	53,845,877

Current deferred finance costs of US$1,430 (2017: nil) and non-current deferred finance costs of US$4,646 (2017: nil) 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 amortisation of these deferred finance costs are recognised as interest expenses in Note 8.

	2018	2017
	US$	US$
Minimum lease payments due		
- 1st Year	**36,727,888**	12,264,383
- 2nd Year	**3,432,888**	45,657,536
- 3rd Year	**3,432,000**	-
- 4th Year	**3,432,000**	-
- 5th Year	**4,558,000**	-
	51,582,776	57,921,919
Less: Future finance charges	**(4,060,341)**	(4,076,042)
Capital lease liabilities	**47,522,435**	53,845,877

The Group has exercised the option to purchase 3 of the leased vessels in 2018 and subsequently entered into another capital lease with a lease term of 5 years. The Group has the option to purchase these leased vessels in 2021 at the end of the third year following the delivery of the vessels, and thereafter on the end of the fourth year or at the end of the charter period according to the charter party agreements. The Group has the intention to purchase the vessels before or at the end of the lease. The minimum lease payments due on these leases are recognised until the end of the lease.

19. Capital lease liabilities (continued)

The Group also has options to purchase 2 other leased vessels in 2019 at the end of the fifth year of the charter party agreements, which have a lease term of eight years. The Group has the intention to purchase the vessels before or at the end of the lease. The minimum lease payments due on these leases are recognised until the earliest period that the purchase options become exercisable.

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

20. Borrowings

	2018	2017
	US$	US$
Not later than one year	**26,487,295**	31,727,567
Between one and five years	**201,229,095**	210,931,048
	227,716,390	242,658,615

Current deferred finance costs of US$523,953 (2017: US$522,132) and non-current deferred finance costs of US$1,753,707 (2017: US$1,597,933) for legal and debt issuance costs directly related to the issuance of the borrowings are presented net of borrowings. The amortisation of these deferred finance costs are recognised as interest expenses in Note 8.

On 18 December 2013 and 23 July 2014, the Group entered into two loan agreements for borrowings totalling US$77,965,000 to partially finance the acquisition of 7 vessels. The key terms of the loan agreement are as follows:

Interest rate : 3.80% to 4.20% per annum over 3M-LIBOR
Payment term : 20 fixed consecutive quarterly instalments, plus a final lump sum repayment as final settlement. The principal amount has been fully repaid in October 2018.

On 30 September 2015, the Group entered into 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. The key terms of the loan agreement are as follows:

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

20. Borrowings (continued)

The borrowings are 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) Unconditional and irrevocable on demand guarantees from Epic Gas Ltd, Epic Gas Opco II Ltd and the borrowing entities covering all amounts outstanding under the loan agreements.

On 13 October 2016, the Group entered into a refinancing arrangement for a facility totalling US$29,750,000 for the purpose of refinancing one 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 final purchase obligation of US$12,400,000

On 24 March 2017, the Group entered into a refinancing arrangement for facilities totalling US$89,925,000 to refinance 14 vessels. The key terms of the loan agreement are as follows:

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

The borrowings are 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 Earnings Account, the Retention Account and the Deposit Account;

20. Borrowings (continued)

The borrowings are secured by the following: (continued)

(viii) Full subordination undertakings on any shareholder loans/Guarantors debt to the Borrowers;
(ix) Unconditional and irrevocable on demand guarantees from Epic Gas Ltd, Epic Gas Opco II Ltd with respect to Facility Agreement and all other customary documents deemed necessary.

On 8 June 2017, the Group entered into a loan agreement for borrowings totalling US$8,500,000 to partially finance the acquisition of one vessel. The key terms of the loan agreement are as follows:

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

On 28 July 2017, the Company entered into a refinancing arrangement for a facility totalling US$29,000,000 for the purpose of refinancing one vessel belonging to the Company. The key terms of the loan agreement are as follows:

Interest rate : 4.80% per annum
Payment term : 10 years with a final purchase obligation of US$8,500,000

On 6 March 2018, the Group entered into a refinancing arrangement for a facility totalling US$15,000,000 for the purpose of refinancing one 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 anytime after 5 years

On 20 April 2018, the Group entered into 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 27 June 2018, the Group entered into a refinancing arrangement for facilities totaling US$34,000,000 to refinance 5 vessels. The key terms of the loan agreement are as follows:

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

20. Borrowings (continued)

The borrowings are 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 Earnings Account, the 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, Epic Gas Opco II Ltd with respect to Facility Agreement and all other customary documents deemed necessary.

On 26 September 2018, the Group entered into a refinancing arrangement for a facility totalling US$14,700,000 for the purpose of refinancing one 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 anytime after 6 years

The movement of borrowings during the year was as follows:

	2018 **US$**	2017 US$
Beginning of financial year	**242,658,615**	245,899,561
Additions	**65,344,307**	142,495,767
Repayments of long-term borrowings	**(80,845,927)**	(146,657,884)
Amortisation of deferred finance costs (Note 8)	**559,395**	921,171
End of financial year	**227,716,390**	242,658,615

20. Borrowings (continued)

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

Issue date	Maturity date	**2018** **US$**	2017 US$
13 January 2014	13 January 2019	**-**	5,280,000
21 January 2014	21 January 2019	**-**	1,340,000
27 January 2014	27 January 2019	**-**	8,680,000
08 August 2014	08 August 2019	**-**	7,330,556
24 July 2014	24 July 2019	**-**	9,768,750
26 November 2014	26 November 2019	**-**	9,220,313
30 March 2015	30 March 2020	**-**	9,048,334
17 February 2016	17 February 2023	**11,077,601**	11,987,601
25 February 2016	25 February 2023	**14,501,643**	15,691,643
08 August 2016	08 August 2023	**11,471,440**	12,381,440
21 October 2016	21 October 2023	**18,138,751**	19,292,221
17 November 2016	17 November 2023	**15,329,423**	16,519,423
23 December 2016	23 December 2023	**11,812,500**	12,722,500
31 March 2017	31 December 2018	**-**	4,640,625
31 March 2017	31 December 2019	**2,217,188**	4,434,375
31 March 2017	31 December 2020	**3,388,802**	5,083,203
31 March 2017	31 December 2022	**3,705,625**	4,632,031
31 March 2017	31 December 2023	**22,302,827**	41,884,403
31 March 2017	28 March 2024	**29,464,475**	17,297,236
13 June 2017	08 June 2022	**6,621,053**	7,835,453
07 September 2017	07 August 2027	**18,774,836**	19,708,570
28 March 2018	28 March 2028	**14,203,048**	-
26 April 2018	31 October 2021	**1,339,688**	-
02 July 2018	02 July 2023	**31,980,000**	-
18 October 2018	31 October 2029	**13,665,150**	-
		229,994,050	244,778,677

20. **Borrowings** (continued)

The weighted-average interest rates on the above outstanding borrowings for the applicable periods were:

Year ended 31 December 2018: 5.44% per annum
Year ended 31 December 2017: 4.97% per annum

Some of the Group's loan agreements are subjected to 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 2018, the Group was in compliance with all of its loan covenants.

As of 31 December 2018, there were no undrawn borrowing facilities (2017: nil).

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

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

	2018	2017
	US$	US$
- 1st Year	**27,011,247**	32,249,699
- 2nd Year	**24,977,176**	56,568,760
- 3rd Year	**22,792,052**	26,400,401
- 4th Year	**23,348,094**	19,868,692
- 5th Year	**86,275,197**	15,726,617
- 6th Year	**18,463,895**	79,836,252
- 7th Year	**4,006,549**	2,001,455
- 8th Year	**4,260,452**	1,306,027
- 9th Year	**12,544,224**	1,370,158
- 10th Year	**4,054,583**	9,450,616
- 11th Year	**2,260,581**	-
	229,994,050	244,778,677

21. Derivative financial instruments

	Contract notional amount US$	Fair value asset US$	Fair value liability US$
2018			
Derivatives held for hedging			
Cash flow hedges			
- Interest rate swaps	125,388,273	1,807,393	209,474
Total		1,807,393	209,474
Less: Current portion		-	-
Non-current portion		**1,807,393**	**209,474**
2017			
Derivatives held for hedging			
Cash flow hedges			
- Interest rate swaps	113,827,196	838,773	3,695
Total		838,773	3,695
Less: Current portion		-	-
Non-current portion		**838,773**	**3,695**

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

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

	Accelerated tax depreciation US$	Provisions US$	Total US$
2018			
Beginning of financial year	-	49,460	49,460
Charged to profit or loss	-	(103)	(103)
End of financial year	-	**49,357**	**49,357**
2017			
Beginning and end of financial year	-	49,460	49,460

22. Deferred income taxes (continued)

Deferred income tax liabilities

	Accelerated tax depreciation US$	Provisions US$	Total US$
2018			
Beginning and end of financial year	**101,378**	**(1,024)**	**100,354**
2017			
Beginning and end of financial year	101,378	(1,024)	100,354

23. Share capital

	Issued no. of ordinary shares	Amount	
		Share capital US$	Additional paid-in capital US$
Group and Company			
2018			
Beginning and end of financial year	**70,471,771**	**704,717**	**339,417,713**
2017			
Beginning of financial year	51,948,022	519,480	307,741,342
Issuance of shares	18,523,749	185,237	31,676,371
End of financial year	70,471,771	704,717	339,417,713

All issued and outstanding ordinary shares are fully paid as at the financial year end.

The total authorised ordinary shares of the Company is 200,000,000 shares. On date of incorporation, the Company issued 1 share at par value of US$1. 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 30 March 2017, the Group issued and allocated 18,438,035 ordinary shares at a subscription price of NOK15 (equivalent to US$1.755 at prevailing exchange rate) through a private placement. The gross proceeds from the private placement amounted to NOK276,570,525 (equivalent to US$32,358,784) which will be used for working capital and general corporate purpose. The underwriters' discounts and commission and other related expenses amounted to US$647,175.

23. **Share capital** (continued)

On 14 June 2017, the Group issued and allocated 85,714 ordinary shares at a subscription price of NOK15 (equivalent to US$1.75 at prevailing exchange rate) which amounted to US$150,000, as part of the purchase consideration paid to the seller of the newly acquired vessel.

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

24. Share option reserve

	2018	2017
	US$	US$
Beginning of financial year	**3,818,614**	2,826,657
Epic Gas Ltd Share Option Plan		
- Value of employee services	**584,112**	1,040,303
- Share options forfeited	**(35,694)**	(48,346)
End of financial year	**4,367,032**	3,818,614

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;

Once vested, the options are exercisable during the contractual option term of 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.

24. **Share option reserve** (continued)

Employee share options (continued)

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 beginning of the year	Granted during the year	Forfeited/ expired during the year	Cancelled during the year	At the end of the year	Exercise price US$
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**	
2017						
March 2013 Awards	298,500	-	-	-	298,500	10
December 2013 Awards	880,800	-	-	-	880,800	8
January 2016 Awards	2,779,592	-	(89,724)	-	2,689,868	2.25
January 2017 Awards	-	357,368	-	-	357,368	2.25
August 2017 Awards	-	33,333	-	-	33,333	2.25
Total	3,958,892	390,701	(89,724)	-	4,259,869	

The number of options vested and exercisable as at 31 December 2018 was 2,243,089 (2017: 979,900).

	2018	2017
Number of share options to be vested		
- 1st Year	**610,893**	1,275,349
- 2nd Year	**609,464**	610,894
- 3rd Year	**591,949**	574,433
- 4th Year	**262,376**	574,433
- 5th Year	**285,331**	244,860
	2,360,013	3,279,969

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.

24. Share option reserve (continued)

Employee share options (continued)

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 realised 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:

Weighted average expected term	6.58 years
Dividend yield	0%
Risk-free interest rate	0.18 - 2.57%
Weighted average volatility	37.46%

The fair value of the options granted was estimated to be US$5,047,633 (2017: US$4,808,069) under Level 3 fair value inputs. The amount of unvested awards to be recognised on straight-line basis over the vesting period is US$680,616 (2017: US$989,462).

25. Accumulated other comprehensive gains

(a) *Composition:*

	2018 **US$**	2017 US$
Currency translation reserve	**(189,431)**	(172,853)
Hedging reserve	**1,597,919**	835,078
	1,408,488	662,225

(b) *Movements:*

(i) *Currency translation reserve*

	2018 **US$**	2017 US$
Beginning of financial year	**(172,853)**	(200,288)
Net currency translation differences of financial statements of foreign subsidiaries	**(16,578)**	27,435
End of financial year	**(189,431)**	(172,853)

25. Accumulated other comprehensive gains (continued)

(b) *Movements* (continued):

(ii) Hedging reserve

	2018 US$	2017 US$
Beginning of financial year	**835,078**	363,971
Fair value gains	**762,841**	471,107
End of financial year	**1,597,919**	835,078

26. Commitments and contingent liabilities

(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.

Charter hire and rental expenses under operating leases accounted for on a straight-line basis for the financial year are as follows:

	2018 US$	2017 US$
Leasing of vessels	**14,867,840**	16,559,500
Leasing of office premises and equipment	**1,254,674**	1,178,576
Leasing of employees' accommodation	**166,582**	146,302

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

	2018 US$	2017 US$
1st Year	**15,170,747**	16,130,849
2nd Year	**11,650,861**	14,950,852
3rd Year	**10,565,500**	11,588,213
4th Year	**3,178,758**	10,565,500
5th Year	**-**	3,179,592
	40,565,866	56,415,006

26. Commitments and contingent liabilities (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 recognised as receivables, are as follows:

	2018 **US$**	2017 US$
1st Year	**57,227,870**	44,679,678
2nd Year	**2,915,797**	7,146,903
3rd Year	**-**	12,617
	60,143,667	51,839,198

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 recognised 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.

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:

27. **Fair value measurements** (continued)

(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.

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 2018:

		Fair value measurements using		
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	US$	US$	US$	US$
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**	**-**

27. Fair value measurements (continued)

(a) *Valuation technique* (continued)

		Fair value measurements using		
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	US$	US$	US$	US$
As of 31 December 2017				
Assets				
Derivative financial instruments	838,773	-	838,773	-
Total	838,773	-	838,773	-
Liabilities				
Derivative financial instruments	3,695	-	3,695	-
Total	3,695	-	3,695	-

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.

(b) *Financial instruments*

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 2018 and 31 December 2017.

28. Listing of significant subsidiaries in the Group

Name of significant subsidiaries	Principal activities	Country of business/ incorporation	Equity holding 2018 %	Equity holding 2017 %
Epic Gas OPCO I Ltd [c]	Investment Holding	British Virgin Islands	**100**	100
Epic Gas OPCO 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
Aegean Enterprises Inc. [c], [e]	Vessel owning and chartering	Marshall Islands	**0**	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], [d]	Vessel owning and chartering	Malta	**100**	0
Epic Barbados Pte. Ltd. [a]	Vessel owning and chartering	Singapore	**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 Chartering Ltd. [c]	Vessel chartering	British Virgin Islands	**100**	100
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 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], [d]	Vessel owning and chartering	Malta	**100**	0
Epic St Ivan Pte. Ltd. [a]	Vessel owning and chartering	Singapore	**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
Oinoussian Enterprises Inc. [c], [e]	Vessel owning and chartering	Marshall Islands	**0**	100
Olympian Enterprises Inc. [c]	Vessel owning and chartering	Marshall Islands	**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) Dissolved during the financial year

29. Events occurring after balance sheet date

On 2 January 2019, the Group took delivery of a 7,500 cbm vessel, "Emmanuel", under a one year lease charter agreement at a total consideration of US$3,420,000 with an option to extend the lease for an additional year upon the completion of the initial lease term.

On 19 March 2019, BW Group Limited acquired 54.7% of the outstanding shares of the Company from certain existing shareholders. Andreas Sohmen-Pao and Billy Chiu have been appointed as Directors of the Company. Brian Paul Friedman, James John Dowling and Edwin Erik Gerlbert Jager resigned as Directors of the Company.