Sarment Holding Limited (formerly Sarment Holding Pte. Ltd.)

RESPONSIBLITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements have been prepared by management and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Other information contained in this document has also been prepared by management and is consistent with the data contained in the consolidated financial statements. A system of internal control has been developed and is maintained by management to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable.

The Board of Directors approves the consolidated financial statements and ensures that management discharges its financial reporting responsibilities. The Board's review is accomplished principally through the Audit Committee, which is composed of non-executive directors. The Audit Committee meets periodically with management and the auditors to review financial reporting and control matters.

/s/ Quentin Chiarugi	*/s/ Togi Gouw*
Quentin Chiarugi	Togi Gouw
Chief Executive Officer	Chief Financial Officer

Singapore

March 27, 2019

Independent Auditor's Report
For the financial years ended December 31, 2018

Independent Auditor's Report to the Members of Sarment Holding Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sarment Holding Limited and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical requirements in accordance with the IESBA Code. In addition, we are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (cont'd)

Impairment of trade receivables

The gross balance of the Group's trade receivables as of December 31, 2018 is US$3,170, against which allowance for expected credit losses of US$193 was made. The Group applied the simplified approach and records lifetime expected credit losses on trade receivables. In applying the expected credit loss model, the Group uses historical loss rate which was based on bad debts written off in the prior years. The historical loss was also adjusted with forward-looking information which incorporated forecasted macroeconomic factors. The application of expected credit losses model required significant management judgment and estimation, as such, we determined that to be a key audit matters.

As part of our audit, we obtained an understanding of the processes and controls relating to the monitoring of trade receivables. Our audit procedures included, amongst others, requesting confirmation of trade receivable balances and reviewing for collectability by way of obtaining evidence of receipts from the customers subsequent to the year-end. We evaluated management's assumptions used to determine the provision matrix, through analyses of ageing of trade receivables and historical credit loss experience, as well as assessment of significant overdue trade receivables by reviewing historical payment patterns and whether any payments subsequent to year-end had been received up to the date of completing our audit procedures. We checked the data inputs used and arithmetic accuracy of loss allowance computation and reviewed the forward-looking factors specific to the debtors and the economic environment. We also assessed the adequacy of the Group's disclosures related to the impairment of trade receivables and the related risks such as credit risk and liquidity risk set out in Note 25 to the financial statements.

Material uncertainty related to going concern

We draw attention to Note 3.2 to the financial statements. The Group incurred a net loss of US$23,531 during the financial year ended December 31, 2018 and as at that date, the Group's current net assets and total shareholders' deficit amounted to US$3,122 and US$5,999 respectively.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As disclosed in Note 3.2, the ability of the Group to continue as a going concern depends on the Group successfully completing the funding actions as explained in the Note to enable the Group to meet its obligations as and when they fall due for a period of 12 months from the date of these financial statements.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ken Ong.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

March 27, 2019

Sarment Holding Limited (formerly Sarment Holding Pte. Ltd.)

Consolidated Statement of Financial Position
For the year ended December 31, 2018
(All figures in thousands of United States Dollars unless otherwise noted)

	Notes	2018 US$'000	2017 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	188	384
Intangible assets	6	880	50
Other receivables	7	52	117
		1,120	551
Current assets			
Trade and other receivables	7	3,673	3,892
Inventories	8	6,216	8,314
Prepayments	9	735	1,235
Cash and bank balances	10	1,327	1,349
		11,951	14,790
Total assets		13,071	15,341
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	6,359	5,790
Advances received		1,294	2,034
Advances from shareholders		–	7,188
Embedded derivatives	12(b)	199	–
Loans and borrowings	12	977	4,283
		8,829	19,295
Net current assets/(liabilities)		3,122	(4,505)
Non-current liabilities			
Loans and borrowings	12	10,171	18,115
Other liabilities	11	70	17
		10,241	18,132
Total liabilities		19,070	37,427
Equity attributable to owners of the Company			
Share capital	13a	51,421	12,977
Translation reserves		1,080	81
Accumulated losses		(71,939)	(48,583)
Other reserves	13b	14,773	14,645
		(4,665)	(20,880)
Non-controlling interests		(1,334)	(1,206)
Total shareholder deficit		(5,999)	(22,086)
Total shareholder deficit and liabilities		13,071	15,341

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 31, 2018
(All figures in thousands of United States Dollars unless otherwise noted)

	Notes	2018 US$'000	2017 US$'000
Revenue	14	20,581	16,939
Cost of sales		(14,162)	(11,989)
Gross profit		6,419	4,950
Staff costs	15	(12,975)	(9,798)
Depreciation and amortization	5, 6	(280)	(291)
Stock-based compensation	13(a)(c)	(1,007)	–
Other operating expenses	17	(14,194)	(7,390)
Operating expenses		(28,456)	(17,479)
Operating loss		(22,037)	(12,529)
Other income	19	1,080	106
Finance costs	16	(2,574)	(3,046)
Loss before income tax		(23,531)	(15,469)
Income tax expenses	18	–	–
Net loss for the year		(23,531)	(15,469)
Other comprehensive income that may be reclassified subsequently to profit or loss:			
- Foreign currency translation		1,046	(1,066)
Total comprehensive income for the year		(22,485)	(16,535)
Loss attributable to:			
Equity holders of the Company		(23,356)	(15,335)
Non-controlling interests		(175)	(134)
		(23,531)	(15,469)
Total comprehensive income attributable to:			
Equity holders of the Company		(22,357)	(16,385)
Non-controlling interests		(128)	(150)
		(22,485)	(16,535)
Earnings per share attributable to owners of the Company (dollar per share)			
Basic and diluted	20	(0.95)	(1.10)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sarment Holding Limited (formerly Sarment Holding Pte. Ltd.)

Consolidated Statement of Changes in Equity
(All figures in thousands of United States Dollars unless otherwise noted)

	Attributable to equity holders of the Company						
	Share capital (Note 13a) US$'000	**Other reserves (Note 13b) US$'000**	**Accumulated losses US$'000**	**Translation reserves US$'000**	**Total US$'000**	**Non-controlling interests US$'000**	**Total US$'000**
At January 1, 2017	12,977	14,645	(33,248)	1,131	(4,495)	(1,056)	(5,551)
Total comprehensive income for the year	–	–	(15,335)	(1,050)	(16,385)	(150)	(16,535)
At December 31, 2017 and January 1, 2018	12,977	14,645	(48,583)	81	(20,880)	(1,206)	(22,086)
Issuance of share capital – Restructuring exercise	24,572	–	–	–	24,572	–	24,572
Issuance of share capital – IPO	14,606	–	–	–	14,606	–	14,606
Shares issuance costs	(1,613)	–	–	–	(1,613)	–	(1,613)
Stock-based compensation	879	128	–	–	1,007	–	1,007
Total comprehensive income for the year	–	–	(23,356)	999	(22,357)	(128)	(22,485)
At December 31, 2018	51,421	14,773	(71,939)	1,080	(4,665)	(1,334)	(5,999)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows
(All figures in thousands of United States Dollars unless otherwise noted)

	Notes	2018 US$'000	2017 US$'000
Cash flows from operating activities			
Loss before income tax		(23,531)	(15,469)
Adjustment for:			
Depreciation of property, plant and equipment	5	174	250
Amortization of intangible assets	6	106	41
Allowance for expected credit losses/ doubtful debts	7	175	11
Loss on disposal of property, plant and equipment		50	9
Share-based compensation	13(a)(c)	1,007	–
Impairment loss for property, plant and equipment		–	21
Fair value gain on convertible loans	12(b)	(959)	–
Finance costs	16	2,361	2,980
Interest income		–	(4)
Foreign exchange differences		1,157	(841)
Operating cash flows before working capital changes		(19,460)	(13,002)
Changes in working capital			
Decrease in inventories		2,098	1,247
Decrease/(increase) in trade and other receivables		41	(1,847)
Increase in trade and other payables		544	3,660
(Decrease)/increase in advances received		(740)	832
Decrease/(increase) in prepayments		500	(280)
Cash flows used in operations		(17,017)	(9,390)
Interest paid		(975)	–
Interest income	19	–	4
Net cash used in operating activities		(17,992)	(9,386)
Cash flows from investing activities			
Payments to acquire plant and equipment	5	(75)	(122)
Proceeds from disposal of plant and equipment		92	11
Net cash received from acquisition of a group of assets		2	–
Net cash generated from/(used in) investing activities		19	(111)
Cash flows from financing activities			
Capital contributed by shareholders	13(a)	2,000	–
Proceeds from initial public offering	13(a)	14,606	–
Transaction costs related to initial public offering		(1,613)	–
Advances from shareholders for issuance of shares	13(a)	–	7,200
Proceeds from issuance of convertible loans	12(b), 13(d)	6,000	–
Proceeds from a short-term bridge loan	12(d)	1,000	–
Repayment of a short-term bridge loan	12(d)	(1,000)	–
Repayment of Galia loan	12(a)	(3,000)	–
Repayment of finance leases		–	(15)
Short term deposits pledged to bank		–	(5)
Proceeds from a related party		–	2,500
Net cash generated from financing activities		17,993	9,680
Net change in cash and cash equivalents		20	183
Cash and cash equivalents at beginning of the year		1,264	1,354
Effect of foreign exchange rate changes		(41)	(273)
Cash and cash equivalents at end of the year	10	1,243	1,264

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

The consolidated financial statements of Sarment Holding Limited (formerly Sarment Holding Pte. Ltd. (Singapore)) (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended December 31, 2018 were authorized for issue in accordance with a resolution of the directors on March 27, 2019.

The Company is a limited liability company which is domiciled and incorporated in Singapore. The Company’s registered office is 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. The Group is principally engaged in sale of wines and other luxury products and related services.

The common shares of the Company commenced trading on the TSX Venture Exchange (“TSXV”) under the symbol “SAIS” on August 21, 2018.

On August 21, 2018, the Company completed a share split of its share capital on the basis of one existing common share for 780 new common shares (the “Share Split”). As a result of the Share Split, the 30,641 common shares issued and outstanding on that date were split to 23,899,980 common shares. The Company recorded the effect of the Share Split retroactively to all disclosures of share capital and per share amount.

2. The Restructuring Exercise

In the fourth quarter of 2017, the Board of Directors of Sarment Holding Limited (Hong Kong) (“Sarment Hong Kong”) resolved that Sarment Hong Kong and its subsidiaries are to be held by a Singapore incorporated company, for the purpose of the Group’s listing on the TSXV. Accordingly, the Company was incorporated on January 24, 2018 to be the new holding entity of the Group.

On March 21, 2018, the Group carried out a restructuring exercise (the “Restructuring”), pursuant to which, inter alia, the shareholders of Sarment Hong Kong, exchanged their shares in the capital of Sarment Hong Kong on a 1:1 basis for shares in the capital of the Company, such that the Company became the holding company for the Sarment Group (the “Share Swap”). Following completion of the Share Swap, Sarment Hong Kong became a subsidiary of the Company.

The Restructuring also involves the incorporation of legal entities in Singapore and Macau Special Administrative Region of People’s Republic of China (“Macau”), the partial capitalization of shareholder loans, additional cash capital contributions by existing shareholders in the aggregate amount of US$9,200 in consideration of the issuance by the Company of 2,961,660 post-Share Split ordinary shares, and the contribution of the shares in the capital of Sarment Sàrl (Luxembourg) into the Company by shareholders Bertrand Faure Beaulieu and Vino Ventures Limited (each previously holding 50% of the shares in Sarment Sàrl).

The Company converted into a public company limited by shares on August 3, 2018. By converting to a public company limited by shares, the Company no longer has restrictions on a member’s right to transfer ordinary shares and the Company is permitted to have more than 50 members. In accordance with the conversion of the Company to a public company limited by shares, it has changed its name from “Sarment Holding Pte. Ltd.” to “Sarment Holding Limited”.

3. Summary of significant accounting policies (cont'd)

3.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (US$) and all values in the tables and disclosures are rounded to the nearest thousand (US$'000) except when otherwise indicated. It has been determined that the Company's functional currency is US$, as the main purpose of the Company is to raise funds denominated in US$ and for contributing capital to its foreign subsidiaries.

3.2 Going concern uncertainty

The Group incurred a net loss of US$23,531 (2017: US$15,469) during the financial year ended December 31, 2018 and as at that date, the Group's current net assets and total shareholders' deficit amounted to US$3,122 (2017: net current liabilities of US$4,505) and US$5,999 (2017: US$22,806) respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Notwithstanding the above, the consolidated financial statements of the Group is prepared on a going concern basis as the Directors are confident that the Group would be able to obtain the funding to enable the Company to meet its obligations as and when they fall due for a period of 12 months from the date of this financial statements via the following:

- Loans from shareholders/ interested parties (See Note 27);

- Secondary investments from third-party wine families into the wine business of the Group; and

- Investment from private investors in the convertible bonds to be issued by the Group.

Should the funding exercise not materialize on time, the Group will have to rely on the continuous support from some of the existing shareholders to support the business as and when financial obligations fall due for a period of 12 months from the date of this financial statements.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

3. Summary of significant accounting policies (cont'd)

3.3 Changes in accounting standards

The Group has adopted these standards on January 1, 2018.

(a) IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: recognition and measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Classification and measurement

The adoption of IFRS 9 has no change in the measurement categories below:

	IAS 39 and IFRS 9
Cash and bank balances	Amortized cost
Trade and other receivables (excluding taxes receivable)	Amortized cost
Trade and other payables (excluding taxes payable)	Amortized cost
Embedded derivatives	Fair value through profit or loss
Loans and borrowings	Amortized cost
Other liabilities	Amortized cost

3. Summary of significant accounting policies (cont'd)

3.3 Changes in accounting standards (cont'd)

(a) IFRS 9 Financial Instruments (cont'd)

Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical observed default rates with necessary adjustments for forward-looking factors specific to the debtors and the economic environment.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group considers a financial asset in default when contractual payments are 270 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The Group has applied IFRS 9 on a modified retrospective approach, with the initial application date of 1 January 2018. The adoption of the ECL requirements of IFRS 9 did not result in any material change on the carrying amounts of the Group's financial instruments at the transition date.

3. Summary of significant accounting policies (cont'd)

3.3 Changes in accounting standards (cont'd)

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under IFRS 15, revenue is recognized at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after January 1, 2018. The Group elected to adopt IFRS 15 using the modified retrospective method.

<u>Sale of goods</u>

The Group's contracts with customers for the sale of goods generally include a single performance obligation. The Group has concluded that revenue from sale of inventory should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. However, the amount of revenue to be recognized was affected by volume rebates granted to certain customers.

<u>Variable consideration</u>

The Group provides retrospective volume rebates to its customers on all products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer on subsequent purchases. Prior to adoption of IFRS 15, the Group estimated the expected volume rebates using the probability-weighted average amount of rebates approach and included a provision for rebates offset against trade and other receivables.

Under IFRS 15, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Group applied the 'most likely amount method' for contracts with a single volume threshold and the 'expected value method' for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration. Upon adoption of IFRS 15, the Group assessed the quantum of expected future rebates and concluded the impact from such variable consideration is not material as of January 1, 2018. Hence no cumulative catch-up adjustment to the opening balance of retained earnings as at January 1, 2018 was recorded.

3. Summary of significant accounting policies (cont'd)

3.3 Changes in accounting standards (cont'd)

(b) IFRS 15 Revenue from Contracts with Customers (cont'd)

Storage services

The Group is in the business of sale of wine. Some of the contracts with customers for the sale of wine may be bundled with storage services. Under IFRS 15, storage service is considered a separate performance obligation and hence, the transaction price should be allocated between sale of wine and storage services on a relative stand-alone selling price basis and recognized separately. Upon adoption of IFRS 15, the Group assessed the quantum of transaction price to be allocated to storage services and concluded the impact from such separate performance obligation is not material as of January 1, 2018. Hence no cumulative catch-up adjustment to the opening balance of retained earnings as at January 1, 2018 was recorded.

Rights of return

Under IFRS 15, the Group estimated the amount of expected returns in determining the transaction price. The Group assessed the quantum of expected future returns and concluded the no impact as of January 1, 2018. Hence no cumulative catch-up adjustment to the opening balance of retained earnings as at January 1, 2018 was recorded.

3.4 Standards issued but not yet effective

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

3. Summary of significant accounting policies (cont'd)

3.4 Standards issued but not yet effective (cont'd)

IFRS 16 Leases (cont'd)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group will apply IFRS 16 on its effective date of January 1, 2019 retrospectively, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information. The Group has elected to measure its right of use assets at amounts equal to the associated lease liabilities; as such, the adjustment to retained earnings will be nil. Upon adoption, the Group has elected to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight-line basis for short term leases and low value assets. The Group has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of initial application would be accounted for in the same way as short-term leases.

Upon the adoption of IFRS 16, the Group expects to recognize additional right of use assets and lease liabilities related to the Group's office rentals. Based on the Group's assessment of the expected impact of IFRS 16, the Group expects that the adoption of the new standard will result in the recognition of additional right of use assets and lease liabilities. The Group does not expect there will be a material impact to the consolidated statement of profit or loss or the consolidated statement of cash flows.

3.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

As a result of the Share Swap as described in Note 2 above, the Company is the sole shareholder of Sarment Hong Kong and its subsidiaries in exchange for the issue of equity of the Company. The transaction is not a business combination and does not result in any change of economic substance. Accordingly, the consolidated financial statements of the Company are a continuation of the existing group. Comparatives presented represent consolidated financial results of the Group which include subsidiaries as disclosed in Note 21 since inception of the Group.

3. Summary of significant accounting policies (cont'd)

3.6 Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognized on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognized as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

3.7 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

3. Summary of significant accounting policies (cont'd)

3.8 Foreign currency

The financial statements are presented in United States Dollars (US$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognized in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into United States Dollars at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

3.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives at the following rates per annum as follows:

- Furniture and fixtures - 25%
- Computers and office equipment - 25%-30%
- Machinery - 18%-25%
- Motor vehicles - 20%-25%
- Leasehold improvements - Over lease term

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

3. Summary of significant accounting policies (cont'd)

3.9 Property, plant and equipment (cont'd)

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognized.

3.10 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

The Group acquired computer software and recorded as intangible assets with finite useful lives. Computer software are amortised over the estimated useful lives of three years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

3. Summary of significant accounting policies (cont'd)

3.10 Intangible assets (cont'd)

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible assets when the Group can demonstrate:

- The technical feasibility of completing the intangible assets so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in technology and content expenses. During the period of development, the asset is tested for impairment annually.

3.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognized in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized previously. Such reversal is recognized in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3. Summary of significant accounting policies (cont'd)

3.12 Subsidiary

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

3.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of FVTPL, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

3. Summary of significant accounting policies (cont'd)

3.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

All financial assets of the Group in 2017 and 2018 are classified as financial assets at amortized cost (Note 7).

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

De-recognition

A financial asset is derecognized where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. Summary of significant accounting policies (cont'd)

3.13 Financial instruments (cont'd)

(a) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognized when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

All interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method at initial recognition. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. The EIR amortisation is included as finance costs in the statement of profit or loss.

All financial liabilities of the Group in 2017 and 2018 are classified as financial liabilities at amortized cost, except for the embedded derivative which is classified as FVTPL.

The Group's financial liabilities at amortised cost have been disclosed in Note 11.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

Financial liabilities designated as FVTPL are measured at fair value through profit or loss.

De-recognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

3. Summary of significant accounting policies (cont'd)

3.14 Fair value measurement

The Group measures financial instruments such as embedded derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.15 Cash and bank balances

Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3. Summary of significant accounting policies (cont'd)

3.16 Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

Finished goods: purchase costs on a weighted average cost basis

Where necessary, allowance is provided for damaged and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.18 Employee benefits

Employee benefits are all forms of considerations including wages, salaries, allowances and contributions to retirement benefit schemes in exchange for services rendered by its employees and directors.

(a) Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to defined contribution pension schemes are recognized as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

3. Summary of significant accounting policies (cont'd)

3.18 Employee benefits (cont'd)

(c) Restricted share unit plans

The Company granted restricted share units (the "RSUs") to directors, officers, employees and consultants of the Company and certain of its affiliates and to enable the Company and certain of its affiliates to obtain and retain services of these individuals.

The RSUs granted to the officers, employees and non-management directors will vest in three equal instalments, on each of the first, second and third anniversary dates following the respective grant dates. Unvested RSUs are subject to forfeiture if the holder's employment with the Company (or its subsidiaries) terminates.

Compensation cost for all RSUs expected to vest is measured at fair value on the date of grant and recognized over the service period. The fair value of restricted share units is determined based on the number of shares granted and the quoted price of the Company's common stock on the date of grant. Such a value is recognised as expense over the service period, net of estimated forfeitures, using the accelerated method.

3.19 Leases

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight–line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. Summary of significant accounting policies (cont'd)

3.20 Revenue from contracts with customers

The Group is in the business of sales of wines and spirits and rendering of professional services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

(a) Sale of goods

Revenue from sale of goods is recognized based on agreed shipping term with customer, which is typically upon the delivery of products to the customers. That is the point where risk and rewards of ownership of the products are transferred to the customers, and the Group has no remaining control over the products. The Group generally does not allow returns except in the case of damaged products. Revenue is recognised based on invoiced amount that can be measured reliably. The Group has in place an internal credit assessment process on customer acceptance to ensure recoverability of sales (invoiced amounts) are probable. Cost incurred, which represents the costs of inventory and related selling costs can be measured reliably.

Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from services is recognized when services are rendered to customers, and the criteria as listed from Note 3.20 (c)(i) to (iii) are satisfied for revenue recognition.

(c) Revenue recognition on consignment arrangements

For consignment arrangements, in determining whether the Group acted as principal or agent in revenue transactions, management assessed each arrangement based on the following criteria:

i. Whether the Group had the primary responsibility for providing the goods or services to the customer or for fulfilling the order;
ii. Whether the Group had inventory risk before or after the customer order, during shipping or on return; and
iii. Whether the Group had latitude in establishing prices.

Revenue is recognized on a 'gross' basis where the Group is assessed to be the principal in the transaction.

(d) Interest income

Interest income is recognized using the effective interest method.

3. Summary of significant accounting policies (cont'd)

3.21 Finance costs

Finance costs comprise interest expenses on borrowings that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

3.22 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognized in profit or loss except to the extent that the tax relates to items recognized outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. Summary of significant accounting policies (cont'd)

3.22 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

3. Summary of significant accounting policies (cont'd)

3.23 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognized as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

3.24 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognized because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

- the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognized on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

4. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

4.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements:

4. Significant accounting judgements and estimates (cont'd)

4.1 Judgments made in applying accounting policies (cont'd)

(a) Revenue recognition on consignment arrangements

Management assesses the revenue recognition of consignment arrangements based on the primary indicators of whether the entities within the Group act as a principal or agent. The primary indicators are driven by risk and rewards as well as ownership and obligations governing the arrangement. Management uses its judgment to determine that the entities within the Group acts as a principal to the consignment arrangement. In acting as a principal and primary obligor on the consignment arrangements, the Group has discretion on the supplier and product type selection and retail prices of the consignment goods, and bears credit risk for the sale of goods to the end customer.

(b) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of trade and other receivables

The Group applied a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The amount of impairment is calculated using a provision matrix based on the Group's historical credit loss experience for assets with similar credit risk characteristics, adjusted for forward-looking factors specific to the debtors and the economic environment if necessary. The carrying amount of the Group's trade receivables at the end of the reporting period is disclosed in Note 7 to the financial statements.

4. Significant accounting judgements and estimates (cont'd)

4.2 Key sources of estimation uncertainty (cont'd)

(b) Deferred tax assets

Accounting standards require deferred tax assets can only be recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits together with future tax planning strategies.

In determining the timing and level of future taxable profits together with future tax planning strategies, the Group has considered the probability of expected future cash inflows and overall business strategy. Due to lack of historical utilisation trends and uncertainty surrounding future taxable profits, no deferred tax assets are recognized on the unused tax losses for all years.

If the Group was able to recognize all unrecognized deferred tax assets, total profit after tax would increase by US$7,822 (2017: US$5,184).

(c) Inventory obsolescence

Management reviews are made periodically by management on inventories for damaged inventories, obsolescence and decline in net realisable value below cost and records an impairment allowance or written off against the inventories for any such declines. These reviews require the use of judgments and estimates. Possible changes in the estimates could result in revisions to the valuation of inventories.

There was no provision made for obsolete and slow-moving inventories as management assessed future economic deterioration of those inventories on hand as remote.

(All figures in thousands of United States Dollars unless otherwise noted)

5. Property, plant and equipment

	Furniture and fixtures	Computers and office equipment	Machinery	Motor vehicles	Leasehold improvement	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost						
At December 31, 2016	206	413	82	214	657	1,572
Additions	6	80	17	12	7	122
Disposals	(12)	(12)	(4)	(10)	(334)	(372)
Exchange realignment	17	21	(11)	17	31	75
At December 31, 2017	217	502	84	233	361	1,397
Additions	–	71	4	–	–	75
Disposals	(9)	(152)	–	(72)	(162)	(395)
Exchange realignment	13	(9)	(16)	(6)	13	(5)
At December 31, 2018	221	412	72	155	212	1,072

(All figures in thousands of United States Dollars unless otherwise noted)

5. Property, plant and equipment (cont'd)

	Furniture and fixtures US$'000	Computers and office equipment US$'000	Machinery US$'000	Motor vehicles US$'000	Leasehold improvement US$'000	Total US$'000
Accumulated depreciation						
At December 31, 2016	167	206	46	114	495	1,028
Charge for the year	17	94	13	34	92	250
Disposal	(7)	(8)	(3)	(1)	(333)	(352)
Exchange realignment	13	12	(12)	–	24	37
At December 31, 2017	190	304	44	147	278	963
Charge for the period	15	98	12	28	21	174
Disposal	(8)	(101)	–	(38)	(106)	(253)
Exchange realignment	7	(19)	(3)	(4)	19	–
At December 31, 2018	204	282	53	133	212	884

(All figures in thousands of United States Dollars unless otherwise noted)

5. Property, plant and equipment (cont'd)

	Furniture and fixtures US$'000	Computer and office equipment US$'000	Machinery US$'000	Motor vehicles US$'000	Leasehold improvement US$'000	Total US$'000
Accumulated impairment loss						
At December 31, 2016	–	35	9	–	–	44
Impairment for the year	21	–	–	–	–	21
Exchange realignment	(17)	2	–	–	–	(15)
At December 31, 2017	4	37	9	–	–	50
Written off	(4)	(37)	(9)	–	–	(50)
At December 31, 2018	–	–	–	–	–	–
Carrying amount						
At December 31, 2017	23	161	31	86	83	384
At December 31, 2018	17	130	19	22	–	188

(All figures in thousands of United States Dollars unless otherwise noted)

6. Intangible assets

	Computer software US$'000	Trademark US$'000	Total US$'000
Cost			
At December 31, 2016	141	–	141
Additions	–	–	–
Exchange realignment	9	–	9
At December 31, 2017	150	–	150
Additions	–	1,000	1,000
Exchange realignment	(11)	(56)	(67)
At December 31, 2018	139	944	1,083
Accumulated amortization and impairment			
At December 31, 2016	55	–	55
Charge for the period	41	–	41
Exchange realignment	4	–	4
At December 31, 2017	100	–	100
Charge for the period	31	75	106
Exchange realignment	(2)	(1)	(3)
At December 31, 2018	129	74	203
Carrying amount			
At December 31, 2017	50	–	50
At December 31, 2018	10	870	880

Trademarks

Trademarks were acquired as part of the Restructuring in the current financial period. The trademarks were held by Sarment Sàrl, a Luxembourg company, which became a subsidiary of the Group as a result of the Restructuring. The purchase consideration was settled through issuance of 321,360 post-Share Split ordinary shares of the Company. The Group engaged a third party valuer to perform a valuation of the trademarks. It is to be amortised over its estimated useful life of 10 years. The remaining amortization period is 9.2 years.

(All figures in thousands of United States Dollars unless otherwise noted)

7. Trade and other receivables

	2018 US$'000	**2017** US$'000
Trade and other receivables (current):		
Trade receivables from third parties	3,170	2,668
Amount due from shareholders and related parties	359	410
Other receivables	354	829
	3,883	3,907
Allowance for expected credit losses	(210)	–
Allowance for doubtful debts	–	(15)
	3,673	3,892
Other receivables (Non-current):		
Refundable deposits	52	117
Total trade and other receivables	3,725	4,009
Cash and bank balances (Note 10)	1,327	1,349
Less: Sales tax receivables	(44)	(194)
Total financial assets carried at amortized cost	5,008	5,164

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms. They are recognized at their original invoice amounts which represent their fair values on initial recognition.

Amount due from shareholders and related parties

The amount due from shareholders and related parties included advances to a director of US$275 for business expenses as at December 31, 2018 (2017: nil).

The non-trade amounts are unsecured, interest-free, repayable on demand and are to be settled in cash.

(All figures in thousands of United States Dollars unless otherwise noted)

7. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$1,280 as at December 31, 2017 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging based on due date at the end of the reporting period is as follows:

	2017 US$'000
Less than 30 days	36
31 to 60 days	669
61 to 90 days	167
More than 90 days	408
At December 31	1,280

Allowance for expected credit losses/ doubtful debts

The movement in allowance for expected credit losses/ doubtful debts of trade receivables and other receivables computed based on lifetime ECL is as follows:

	2018 US$'000	**2017** US$'000
Movement in allowance accounts:		
At January 1	(15)	(11)
Allowance for expected credit losses/ doubtful debts	(175)	(11)
Write-off	–	8
Exchange differences	(20)	(1)
At December 31	(210)	(15)

Credit risk exposure on trade receivables using a provision matrix

December 31, 2018		Days past due		
	Current US$'000	<90 days US$'000	> 90 days US$'000	Total US$'000
Carrying amount of trade receivables	1,285	1,121	764	3,170
Expected credit loss	–	–	193	193

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group recognised impairment losses on receivables arising from contracts with customers, which have been included under other operating expenses in the consolidated statements of profit or loss amounting to US$175 (2017: US$11) for the year ended December 31, 2018.

(All figures in thousands of United States Dollars unless otherwise noted)

8. Inventories

Inventories comprise mainly wines and spirits, and other ancillary products. Inventories recognized as expenses in cost of sales, amounting to US$14,162 (2017: US$11,989) for the year ended December 31, 2018. Inventory write-down of US$21 (2017: reversal of write-down of US$47) for the year ended December 31, 2018 is included in other operating expenses. Inventory provision is US$17 as at December 31, 2018 (2017: nil)

As at December 31, 2018 and 2017, certain inventory items were co-owned with third parties. The Group recorded its proportionate share of these products amounting to US$213 (2017: US$298) as part of inventories at each of the balance sheet dates.

9. Prepayments

	2018 US$'000	**2017** US$'000
Advances paid to suppliers for inventories	556	1,111
Other prepayments	179	124
	735	1,235

10. Cash and bank balances

	2018 US$'000	**2017** US$'000
Cash at banks	1,327	1,349
Less: Short term pledged deposits	(84)	(85)
Cash and cash equivalents	1,243	1,264

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are pledged to licensed banks for credit card application and bank guarantee to the Company issued in favour of Comptroller of Goods and Services tax. The short-term deposits are made for varying periods of between six months to twelve months and earn interest at the respective short-term deposit rates. The weighted average effective interest rate as at December 31, 2018 for the Group was 0.21% (December 31, 2017: 0.21%).

(All figures in thousands of United States Dollars unless otherwise noted)

11. Trade and other payables

	2018 US$'000	**2017** US$'000
Trade payables to third parties	1,500	2,253
Trade payables to related parties	–	23
Accruals and other payables	4,859	3,514
Trade and other payables	6,359	5,790
Loan from Galia Holdings Inc. ("Galia") (Note 12)	–	3,535
Convertible loans (non-current) (Note 12)	1,078	–
Loans from shareholders (current) (Note 12)	977	748
Loans from shareholders (non-current) (Note 12)	9,093	18,115
Other liabilities (non-current)	70	17
	17,577	28,205
Less: sales tax payable	(44)	(168)
Total financial liabilities carried at amortised cost	17,533	28,037

Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 90 days terms.

(All figures in thousands of United States Dollars unless otherwise noted)

12. Loans and borrowings

	2018 US$'000	**2017** US$'000
Loans and borrowings (current)		
Loan from Galia (a)	–	3,535
Loans from shareholders (c)	977	748
	977	4,283
Loans and borrowings (non-current)		
Convertible loans (b)	1,078	–
Loans from shareholders (c)	9,093	18,115
	10,171	18,115
	11,148	22,398

The current portion of loans from shareholders represent interest payable for the interest bearing loan due to the shareholder.

(a) Loan from Galia

In December 2016, Sarment Holding Limited entered into a loan agreement with Galia Holdings Inc of which a former director of Sarment Hong Kong was the ultimate beneficiary. US$3,000 had been drawn down in aggregate over three instalments during 2016 and 2017. The former director resigned from the board of directors of Sarment Hong Kong on March 22, 2018. During the period from January 1 to May 31, 2018, the loan bore interest of LIBOR (90 days) + 7.5% per annum. During the period from June 1 to August 24, 2018, the loan bore interest of LIBOR (90 days) + 9.5% per annum. As of each balance sheet date, the loan was accounted for as a financial liability carried at amortised cost using the effective interest method. The Company repaid this loan and the accrued interest on August 27, 2018.

(All figures in thousands of United States Dollars unless otherwise noted)

12. Loans and borrowings (cont'd)

(b) Convertible loans

(i) On May 25, 2018, the Company entered into non-interest bearing convertible loan agreements with certain of its current shareholders, totalling to US$2,000. Pursuant to the terms of the convertible loan agreements, the loan will mature on May 24, 2019 and the aggregate outstanding principal amounts under each convertible loan shall, on the first day following the listing of the ordinary shares on a Canadian Stock Exchange, be automatically converted into that number of ordinary shares determined by dividing the outstanding principal amount of the convertible loan by an amount equal to the offering price in USD using the applicable exchange rate on the date the ordinary shares are listed. The convertible loans were accounted for as a financial liability and the conversion option was accounted for as a non-derivative for which the Company is obliged to deliver a variable number of the Company's ordinary shares. This loan was converted into 829,532 post-Share Split ordinary shares of the Company on August 21, 2018.

(ii) On June 28, 2018, the Company entered into non-interest bearing convertible loan agreements with certain of its current shareholders, totalling to US$2,000. Pursuant to the terms of the convertible loan agreements, the loan will mature on February 21, 2020, being 18 months after the initial public offering ("IPO") of the ordinary shares of the Company on August 21, 2018, or June 30, 2020, whichever is earlier. At the option of the lender, the convertible loan may be repaid in cash on the maturity date or the lender may convert the aggregate outstanding principal amounts under each convertible loan into that number of ordinary shares determined by dividing the outstanding principal amount of the convertible loan by an amount equal to the offering price in USD using the applicable exchange rate on the date the ordinary shares are listed. The debt host of the convertible loans was accounted for as a financial liability carried at amortised cost using the effective interest method. The conversion option was accounted for as an embedded derivative liability measured at fair value with changes in value being recorded in the consolidated statements of profit or loss.

The movement in the convertible loan is as follows:

	US$'000
At December 31, 2017	–
Addition	842
Interest expense	236
At December 31, 2018	1,078

(All figures in thousands of United States Dollars unless otherwise noted)

12. Loans and borrowings (cont'd)

(b) Convertible loans (cont'd)

The movement in the conversion option is as follows:

	US$'000
At December 31, 2017	–
Addition	1,158
Change in fair value (Note 19)	(959)
At December 31, 2018	199

Change in fair value of the conversion option in the amount of US$959 is recognized as other income in the consolidated statement of profit or loss for the year ended December 31, 2018.

(c) Loans from shareholders

All loans from shareholders are unsecured, interest free, and repayable by January 2021, except for the US$7,623 facility from a shareholder, which bears interest of 3% per annum. The Company has recognized such loans as a financial liability at fair value upon initial recognition. Fair value of these loans is determined as the present value of all future cash payments discounted using the prevailing market rate of interest for instruments of similar term and nature. The differences between cash proceeds from these loans and fair values of the financial liabilities are recorded as "other reserves" within the equity account.

The current portion of loans from shareholders is related to the interest payable of $977 as at December 31, 2018 (2017: US$748).

On March 21, 2018, the Company executed a Restructuring, which involved the restructuring of the majority of the outstanding shareholder loans by way of converting a portion of such shareholder loans to 6,638,580 post-Share Split ordinary shares. The present value of the shareholder loans in the amount of US$10,443 (Note 13 (a)) was transferred to share capital. The aggregate principal amount of outstanding shareholder loans before the Restructuring was US$27,373 (Note 12(c)) and post-Restructuring the aggregate principal amount decreased by US$15,500.

(All figures in thousands of United States Dollars unless otherwise noted)

12. Loans and borrowings (cont'd)

(c) Loans from shareholders (cont'd)

The following table shows the breakdown of the outstanding shareholder loans.

	As at December 31, 2018			As at December 31, 2017		
	Principal Loan US$'000	**Imputed Interest** US$'000	**Present Value** US$'000	**Principal Loan** US$'000	**Imputed Interest** US$'000	**Present Value** US$'000
Shareholder 1	2,000	(502)	1,498	7,500	(2,447)	5,053
Shareholder 2	–	–	–	3,500	(1,225)	2,275
Shareholder 3	9,873	(2,278)	7,595	15,373	(5,235)	10,138
Shareholder 4	–	–	–	1,000	(351)	649
Total	**11,873**	**(2,780)**	**9,093**	**27,373**	**(9,258)**	**18,115**

The following table shows the movement of shareholder loans.

	Loans from shareholders		
	Current US$'000	**Non-current** US$'000	**Total** US$'000
At December 31, 2017	748	18,115	18,863
Finance cost	229	1,421	1,650
Restructuring	–	(10,443)	(10,443)
At December 31, 2018	977	9,093	10,070

(d) Short-term bridge loan

On April 16, 2018, Sarment Pte Ltd entered into a facility letter with a bank for a three (3) month bridge loan in an amount equal to US$1,000. On April 26, 2018, a First Deed of Debenture was executed in favour of the bank granting the bank a floating charge over the Group's wine and spirits inventory in Singapore, which is required to have a cost price of at least $1.5 million Singapore dollars at all times. The loan bears interest of 1-month LIBOR + 5% per annum or 5% over the bank's 1-month Cost of Funds, whichever is higher. On July 26, 2018, the bank agreed to extend the maturity date of the loan to August 27, 2018. The Company repaid this loan on August 24, 2018.

All loans and borrowings are denominated in United States Dollars.

(All figures in thousands of United States Dollars unless otherwise noted)

13. Equity

(a) Share capital

	As at December 31, 2018 No. of Shares*	As at December 31, 2018 Issued and fully paid up, no par value
Ordinary shares:		
At beginning of the year	13,962,000	12,977
Issuance for the year:		
Acquisition of Sarment Sàrl (Note 6)	321,360	879
Restructuring of Shareholder loans (Note 12c)	6,638,580	10,443
Capital contributed by shareholders in the restructuring (Note 2)	2,961,660	9,200
Satisfaction of prior year's executive compensation through the issuance of ordinary shares	16,380	50
Convertible loan conversion (Note 12(b)(i))	829,532	2,000
Convertible loan conversion (Note 13(d))	643,803	2,000
IPO, net of issuance costs	6,057,553	12,993
Share-based compensation	363,452	879
At end of the year	31,794,320	51,421

	As at December 31, 2017 No. of Shares	As at December 31, 2017 Issued and fully paid up, no par value
Ordinary shares:		
At beginning and end of the year	13,962,000	12,977

* Represents number of post-Share Split ordinary shares issued and outstanding.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All ordinary shares rank equally with regard to the Company's residual assets.

<u>The Restructuring</u>

On March 21, 2018, the Company executed a Restructuring, which involved cash capital contributions by existing shareholders in the aggregate amount of US$9,200 of which, US$7,200, was received in 2017 and US$2,000 was received during the year ended December 31, 2018. The Restructuring also involved converting a portion of shareholder loans in the amount of $10,443 to equity (Note 12(c)).

13. Equity (cont'd)

(a) Share capital (cont'd)

The Restructuring (cont'd)

During the year ended December 31, 2018, the Company resolved to grant 16,380 post-Share Split ordinary shares to the Chief Executive Officer ("CEO") as payment for his bonus for the year ended December 31, 2017.

On August 21, 2018, the Company completed the IPO of an aggregate of 6,057,553 ordinary shares of the Company at a price of CAD$3.15 per ordinary share. The amount received from the IPO was US$14,606 and the share issuance costs in relation to the IPO expenses was US$1,613. Concurrent with the closing of the IPO, Chairman of the Company, who is also a significant shareholder of the Company, and the CEO received a stock-based compensation of US$879 which was satisfied by the issuance of 363,452 post-Share Split ordinary shares.

(b) Other reserves

As of December 31, 2017, among others, "other reserves" included the benefit received as a result of shareholders requiring interest rates lower than market rates on loans advanced by them to the Group.

During the year ended December 31, 2018, the addition of US$128 in "other reserves" is related to the stock-based compensation granted to employees of the Company as disclosed in Note 13(c).

(c) Restricted Share Units

On August 3, 2018, the Company adopted the Restricted Share Unit Plan (the "RSU Plan") in order to facilitate the grant of restricted share units (the "RSUs") to directors, officers, employees and consultants of the Company and certain of its affiliates and to enable the Company and certain of its affiliates to obtain and retain services of these individuals. The RSUs granted to the officers, employees and non-management directors will vest in three equal instalments, on each of the first, second and third anniversary dates following the respective grant dates.

The maximum number of ordinary shares available for the purposes of the RSU Plan and all other security-based compensation arrangements of the Company will be determined from time to time by the board of directors, but in any event, will not exceed 15% of the number of ordinary shares issued and outstanding. The aggregate number of ordinary shares that may be reserved for issuance to any one person under the RSU Plan and all other security-based compensation arrangements of the Company will not exceed 5% of the then outstanding ordinary shares. The RSU Plan limits insider participation such that the aggregate number of ordinary shares (i) issuable to insiders of the Company pursuant to the RSU Plan and all other security-based compensation arrangements of the Company will not, at any time, exceed 10% of the total number of ordinary shares then outstanding, and (ii) issued to insiders of the Company pursuant to the RSU Plan and all other security-based compensation arrangements of the Company will not, within a one year period, exceed 10% of the total number of ordinary shares then outstanding. Further, the RSU Plan provides that RSUs shall not be settled if the redemption thereof would result in the issuance of more than 2% of the issued ordinary shares in any 12-month period to any one consultant of the Company (or any of its subsidiaries).

(All figures in thousands of United States Dollars unless otherwise noted)

13. Equity (cont'd)

(c) Restricted Share Units (cont'd)

The Company granted 387,968 RSUs to employees of the Group on September 21, 2018. One third of the RSUs are vested on each anniversary of the grant date. The fair value of the RSU on grant date is US$2.48 per unit based on the market value of the underlying shares at the date of issuance. 84,352 units have been forfeited for the year ended December 31, 2018. At December 31, 2018, there were 303,616 RSUs outstanding. Stock compensation expense related to the RSUs granted is US$128 for the year ended December 31, 2018.

(d) Mandatorily convertible loan

On March 12, 2018, the Company entered into a non-interest bearing convertible loan agreement with a third party pursuant to which the third party agreed to provide to the Company a convertible loan in the aggregate amount of US$2,000. Pursuant to the terms of the agreement, the aggregate outstanding principal amount under the loan shall be automatically converted into that number of Ordinary Shares (as adjusted to account for the Share Split) determined by dividing the outstanding principal amount of the loan by US$2,423.10 on the earlier of:

(i) the date falling one day after the listing of the Company's Ordinary Shares on a Canadian stock exchange; or
(ii) March 12, 2019.

Concurrent with the closing of the IPO, the loan was converted to 643,803 post-Share Split ordinary shares of the Company.

14. Revenue

	2018 US$'000	**2017** US$'000
Type of goods or service		
Sales of wines and spirits, and other ancillary products	20,361	16,733
Revenue from professional services*	220	206
Total revenue from contracts with customers	20,581	16,939
Timing of revenue recognition		
Goods transferred at a point in time	20,361	16,733
Services transferred over time	220	206
Total revenue from contracts with customers	20,581	16,939

* Service revenue comprises revenue from professional services, including sommelier services and spirits-related services to bars and hotels, such as the design and development of bar menu, events and training of staff.

(All figures in thousands of United States Dollars unless otherwise noted)

15. Staff costs

	2018 US$'000	**2017** US$'000
Salaries and related costs	11,260	8,289
Employee benefits and staff welfare	689	1,074
Defined contribution plans and related costs	1,026	435
	12,975	9,798

16. Finance costs

	2018 US$'000	**2017** US$'000
Loans from a related party and shareholders[a]	2,361	2,980
Bank charges	213	66
	2,574	3,046

[a] During the year ended December 31, 2018, the amount of imputed interest related to loans from shareholders was $1,650 (2017: $2,198).

17. Other operating expenses

This item includes the following charges:

	2018 US$'000	**2017** US$'000
Travelling and entertainment expenses	2,319	1,964
Marketing expenses	710	1,332
Technology and logistic expenses	1,703	2,367
Rental of premises	1,459	1,199
Selling and sample expenses	446	343
Recruitment expenses	197	598
Office expenses	523	253
Professional fees	1,190	641
IPO expenses	3,486	–
Foreign exchange loss/(gain)	1,790	(1,350)
Expected credit loss	175	11
Write-off/(write-back) of inventories	21	(47)
Loss on disposal of plant and equipment	50	9
Impairment of plant and equipment	–	21
Others	125	49
	14,194	7,390

(All figures in thousands of United States Dollars unless otherwise noted)

18. Income tax expenses

Major components of income tax expense

The major components of income tax for the years ended December 31 were:

	2018 US$'000	**2017** US$'000
Current income tax	–	–
Deferred income tax	–	–
Income tax expenses	–	–

Relationship between tax expense and accounting loss

A reconciliation between the income tax benefit and the product of loss before income tax multiplied by the applicable tax rate is as follows:

	2018 US$'000	**2017** US$'000
Reconciliation of effective tax rate:		
Loss before income tax	(23,531)	(15,469)
Tax at the domestic rates applicable to profits in the countries where the Group operates:	(4,263)	(2,885)
Adjustments:		
Non-deductible expenses	1,416	950
Income not subject to tax	(27)	(49)
Effect of partial tax exemption and tax relief	4	–
Deferred tax assets not recognized	2,870	1,984
	–	–

Unrecognized tax losses

As of December 31, 2018, the Group had tax losses of approximately US$42,924 (2017: US$27,794) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognized due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

(All figures in thousands of United States Dollars unless otherwise noted)

19. Other income

	2018 US$'000	**2017** US$'000
Sundry income	121	102
Change in fair value of embedded derivative (Note12(b)(ii))	959	–
Interest income	–	4
	1,080	106

20. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit, net of tax, attributable to the equity holders of the Company by the weighted average number of post-Share Split ordinary shares outstanding during the period. The convertible loan options were excluded from the diluted weighted average number of common shares calculation because their effect was anti-dilutive.

	2018 No of shares	**2017** No. of shares
Weighted average number of post-Share Split ordinary shares for basic and diluted earnings per share computation	24,625,588*	13,962,000**

* On March 21, 2018, the Company acquired all of the issued and outstanding ordinary shares in the capital of Sarment Holding Limited (Hong Kong), which was incorporated on June 29, 2012, pursuant to a restructuring transaction as disclosed in Note 2.

** Deferred shares of 156,000 post-Share Split units are excluded for the purpose of the Earnings per share computation as the shares does not carry any rights to dividend.

(All figures in thousands of United States Dollars unless otherwise noted)

21. Subsidiaries

The Group has the following significant investments in subsidiaries.

Name	Principal place of business	Principal activities	Proportion (%) of ownership interest 2018	2017
Held by the Company:				
Sarment Holding Limited (Sarment Hong Kong)	Hong Kong	Investment holding	100%	100%
Sarment (S) Pte Ltd	Singapore	Digital platform development	100%	–
Sarment UK Limited	United Kingdom	Investment holding	100%	–
Held by Sarment Hong Kong:				
Sarment Limited	Hong Kong	Sale of wines	94%	94%
Sarment Pte Ltd	Singapore	Sale of wines	100%	100%
SWTC Pte Ltd	Singapore	Sale of wines	100%	100%
SARL Sarment France	France	Sale of wines	100%	100%
Held through Sarment UK Limited				
Sarment US Inc.	USA	Dormant	100%	–
Held through Sarment Limited:				
Sarment China Limited	China	Sale of wines	94%	94%
Sarment (Macau) Limited	Macau	Sale of wines	94%	–
Held through SWTC Pte Ltd:				
SWTC (Macau) Ltd	Macau	Sale of wines	100%	100%
Sarment Japan KK	Japan	Sale of wines	100%	100%
Held through Sarment (S) Pte Ltd:				
Sarment Sàrl	Luxembourg	Holder of intellectual property rights	100%	–
Sarment IP Holding Pte. Ltd.	Singapore	Dormant	100%	–

(All figures in thousands of United States Dollars unless otherwise noted)

22. Related party transactions

(a) Transactions during the years

In addition to the related party information disclosed elsewhere in these financial statements, the following significant transactions between the Group and related parties took place at terms agreed to between the parties during the period as follows:

	2018 US$'000	**2017** US$'000
Sale of goods to:		
- Key management personnel	35	3
- Former director	64	–
- Directors	15	135
- Shareholders	–	76
Finance costs to:		
- Directors, including a former director and his controlled entity	1,702	2,980
Share-based compensation:		
- Directors	879	–

(b) Compensation of key management personnel and directors

	2018 US$'000	**2017** US$'000
Short-term employee benefits	1,372	915
Directors fee	90	–
Other short-term benefits	249	181
Share-based compensation	879	–
	2,590	1,096

(All figures in thousands of United States Dollars unless otherwise noted)

23. Segment information

	China		Hong Kong		Singapore and International		Elimination and Adjustments			Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**		**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	**Note**	US$'000	US$'000
Revenue:											
External customers	8,586	6,427	6,240	6,273	5,755	4,239	–	–		20,581	16,939
Inter-segment	–	–	3,966	3,504	408	677	(4,374)	(4,181)	A	–	–
Total revenue	8,586	6,427	10,206	9,777	6,163	4,916	(4,374)	(4,181)		20,581	16,939
Depreciation and amortization	(29)	(48)	(108)	(95)	(143)	(148)	–	–		(280)	(291)
Other non-cash items	(577)	260	(541)	116	(672)	974	–	–		(1,790)	1,350
Segment loss	(2,117)	(2,058)	(3,555)	(4,744)	(17,859)	(8,667)	–	–		(23,531)	(15,469)
Addition to non-current asset	–	25	2	–	73	97	–	–		75	122
Non-current assets	23	53	4,620	42	35,187	456	(38,710)	–	B	1,120	551
Total assets	6,446	6,771	36,864	73,649	74,686	9,234	(104,925)	(74,313)	C	13,071	15,341
Total liabilities	(15,715)	(14,409)	(14,922)	(68,303)	(54,656)	(24,662)	66,223	69,947	D	(19,070)	(37,427)

Note: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Trademark recorded at the consolidation level.

C Inter-segment assets are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position.

D Inter-segment liabilities are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

(All figures in thousands of United States Dollars unless otherwise noted)

24. Operating lease commitments – as lessee

The Group entered into leases of office premise and warehouses. These leases have an average tenure of between one to three years with no renewal option or contingent rent provision included in the contracts. The Group is restricted from subleasing the leased equipment to third parties.

Minimum lease payments as an expense in profit or loss for the financial year ended December 31, 2018 amounted to US$1,459 (2017: US$1,199).

Future minimum lease payment under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are as follows:

	2018 US$'000	**2017** US$'000
Not later than one year	287	918
Later than one year but not later than five years	239	1,152
	526	2,070

25. Financial instruments and related risks

(a) Fair value measurement

The categories of the fair value hierarchy that reflect the significance of inputs used in making fair value measurements are as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices)or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data.

At December 31, 2018, the only financial instrument that is measured and recognized on the consolidated statement of financial position at fair value on a recurring basis is embedded derivatives. The valuation techniques and inputs used in the calculation of the fair value of the embedded derivatives are categorized as Level 3 in the fair value hierarchy.

25. Financial instruments and related risks (cont'd)

(a) Fair value measurement (cont'd)

The embedded derivative is related to the conversion option of the convertible loan (Note 12(b)(ii)) as the conversion price is calculated based on USD, which is different from the Company's share price quoted in Canadian dollar. The Group uses Black-Scholes option pricing model to calculate the fair value of the conversion option with the following inputs:

	Conversion Option
Share price at year end (USD)	$2.02
Exercise price (USD)	$2.31
Expected remaining life (Years)	1.14
Expected dividends	0%
Expected volatility	37%
Risk-free interest rate	2.00%

The fair value of the other financial assets and liabilities approximate its carrying amounts due to the short-term nature of these items. There were no transfers between categories in 2018 or 2017.

(b) Financial risks

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees on policies and procedures for the management of these risks, which are executed by the Chief Financial Officer.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For cash and short-term deposits, the Group minimise credit risk by dealing exclusively with credit worthy counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Chief Financial Officer.

(All figures in thousands of United States Dollars unless otherwise noted)

25. Financial instruments and related risks (cont'd)

(b) Financial risks (cont'd)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Group does not apply hedge accounting.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the outstanding trade and other receivables and cash and bank balances as disclosed in Note 7 and 10, respectively.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	2018		2017	
	US$'000	% of total	US$'000	% of total
By geographical region:				
Singapore	596	19%	620	23%
People's Republic of China	1,883	59%	1,277	48%
Hong Kong	633	20%	734	28%
Others	58	2%	37	1%
	3,170	100%	2,668	100%

(All figures in thousands of United States Dollars unless otherwise noted)

25. Financial instruments and related risks (cont'd)

(b) Financial risks (cont'd)

Liquidity risk

Liquidity risk relates to the risk that the Group will encounter difficulty in meeting financial obligations associated with financial liabilities. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a level of sufficient cash and bank balances to finance the Group's operations.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations via the funding exercise as disclosed in Note 3.2.

The table below summarises the maturity profile of the Group's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	**One year or less**	**One year to five years**	**Total**
	US$'000	US$'000	US$'000
2018			
Financial assets:			
Trade and other receivables	3,673	52	3,725
Cash and bank balances	1,327	–	1,327
Total undiscounted financial assets	5,000	52	5,052
Financial liabilities:			
Trade and other payables	6,359	70	6,429
Loans and borrowings	977	11,873	12,850
Total undiscounted financial liabilities	7,336	11,943	19,279
Total net undiscounted financial liabilities	(2,336)	(11,891)	(14,227)
2017			
Financial assets:			
Trade and other receivables	3,892	117	4,009
Cash and bank balances	1,349	–	1,349
Total undiscounted financial assets	5,241	117	5,358
Financial liabilities:			
Trade and other payables	5,790	17	5,807
Loans and borrowings	4,283	27,373	31,656
Total undiscounted financial liabilities	10,073	27,390	37,463
Total net undiscounted financial liabilities	(4,832)	(27,273)	(32,105)

(All figures in thousands of United States Dollars unless otherwise noted)

25. Financial risk management objectives and policies (cont'd)

(b) Financial risks (cont'd)

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, being primarily the Singapore Dollar (SGD), Hong Kong Dollar (HKD) and Renminbi (RMB). The foreign currencies in which these transactions are denominated are primarily United States Dollars (USD) and Euros (EUR). Majority of the Group's sales are denominated in the respective local currencies whilst almost all of these costs are denominated in the foreign currencies of the Group entities. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group holds cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in SGD and USD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including those in China, Hong Kong and Singapore. The Group's net investments in China, Hong Kong and Singapore are not hedged because currency positions in RMB, HKD and SGD are considered to be long-term in nature.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably foreseeable change in the USD, EUR, HKD and SGD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Loss before income tax 2018 US$'000	**Loss before income tax 2017** US$'000
USD/SGD		
- strengthened 6% (2017: 8%)	(27)	(92)
- weakened 6% (2017: 8%)	27	92
EUR/HKD		
- strengthened 11% (2017: 12%)	(35)	(189)
- weakened 11% (2017: 12%)	35	189

26. Capital management

For the purpose of the Group's capital management, the capital of the Group consists of items included in shareholders' equity and debts. The primary objectives of the Group's capital management are:

- to safeguard the Group's ability to continue as a going concern, so that it provides returns for the shareholders and benefits for other stakeholders in the long run; and
- to support the Group's stability and growth

The Group actively and regularly reviews and manages its capital structure to finance the Group's operations via the funding exercise as disclosed in Note 3.2 as so to mitigate its liquidity risk and to ensure optimal capital structure, taking into consideration the future capital requirements of the Group.

27 Subsequent events

On February 14, 2019, Sarment Pte. Ltd. ("SPL") entered into a loan agreement with a private individual pursuant to which he agreed to provide to SPL a bridge loan in the aggregate amount of US$3 million. Pursuant to the terms of the agreement, a charge was executed in favour of the individual granting him a floating charge over SPL's wine inventory in Singapore, whiskey inventory in Geneva and part of Sarment Limited's wine inventory in Hong Kong.

On February 18, 2019, Keyyes, the Company's digital luxury lifestyle club and services provider, was chosen by a European luxury automobile maker to provide editorial services for its digital application.

26. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on March 27, 2019.