MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of Sarment Holding Pte. Ltd. ("Sarment" or the "Company") for the three and six months ended June 30, 2018 should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes thereto for the three and six month periods ended June 30, 2018 and the audited consolidated financial statements and related notes thereto for the years ended December 31, 2017, 2016 and 2015 and with the Company's prospectus dated July 26, 2018 (the "IPO Prospectus"), copies of which are available on SEDAR at www.sedar.com.

The consolidated financial statements of Sarment Holding Limited (Hong Kong) ("Sarment Hong Kong") for the years ended December 31, 2017, 2016 and 2015, and the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2018, have been prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). All amounts are in thousands of US dollars except where otherwise indicated. Unless otherwise stated, references in this MD&A to "Sarment Hong Kong'", "our", "we" or "Sarment", refer to Sarment and its consolidated subsidiaries and its combined Predecessor operations (as defined below). See "Basis of Presentation".

All information contained in this MD&A is as of August 27, 2018. Additional information relevant to the Company's activities can be found under the Company's profile at www.sedar.com.

Forward-looking Information

This MD&A contains forward-looking statements that reflect the current beliefs, expectations or assumptions regarding the future of the Company's business, future plans and strategies, operational results and other future conditions. Forward-looking statements can be identified by words such as "anticipate", "believe", "estimate", "expect", "intend", "may", "plan", "predict", "project", "seek", "target", "potential", "will", "would", "could", "should", "continue", "contemplate" and other similar expressions, although not all forward-looking statements contain these identifying words. These forward-looking statements include all matters that are not historical facts. Forward-looking statements are based on the then-current expectations, beliefs, current expectations concerning, among other things, the financial performance, financial condition, liquidity, prospects, growth, strategies and the industry in which the Company operates. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Investors are cautioned that all forward-looking statements involve risks and uncertainties. These risks, as well as others, could cause actual results and events to vary significantly. Additional information about these and other assumptions, risks and uncertainties are set out in the "Risk Factors" section of the IPO Prospectus, a copy of which is available on SEDAR at www.sedar.com. Accordingly, readers should not place undue reliance on forward-looking statements and information, which are qualified in their entirety by this cautionary statement. There can be no assurance that forward-looking information, or the material factors or assumptions used to develop such forward-looking information, will prove to be accurate. The Company does not undertake any obligations to release publicly any revisions for updating any voluntary forward-looking statements, except as required by applicable securities laws.

Overview

Sarment was established in 2012 with a view to becoming the leader in global luxury lifestyle management and the pre-eminent marketplace for the high net worth individuals and ultra-high net worth individuals (collectively, **"HNWIs**") market segment and began offering personalized luxury products and services to HNWIs in Singapore, Hong Kong and Shanghai.

Sarment identified wine and spirits-related products and services as an effective gateway to establish brand awareness and positioning in the luxury lifestyle market and recognized that HNWI consumers have been embracing wine and spirits as an integral part of a luxury lifestyle. As a starting point, Sarment leveraged its relationships with leading fine wine producers from France, Italy, Australia and the United States as a gateway to the Asian HNWI market, to complement service offerings tailored to the particular needs of Sarment's HNWI clientele. Sarment commenced operations by offering premium wine and spirits to its Users as well as providing related value-add services, such as private sommelier selections, event planning and sourcing of rare items.

Observations made in respect of HNWI consumption habits, along with the identification of scalability issues faced by luxury service providers, helped to shape the evolution and development of Sarment's business and technology, including its digital platform. With the launch of its digital system during the first quarter of 2018, Sarment positioned itself to become a leading technology-enabled luxury lifestyle service provider focused on servicing the world's HNWIs.

Sarment is recognized for the quality and scope of its services, from traditional concierge services to its access to luxury products, which have all been carefully curated by its team of highly trained ambassadors. Sarment is passionate about life's finer experiences and throughout the life of its business it has developed relationships with some of the world's leading wineries, hotels, restaurants and luxury product providers ("**Partners**"). Sarment's expansion across Asia has strengthened its resolve to curate and deliver luxury and premium lifestyle services throughout Europe and North America.

Factors Affecting the Company's Performance

The Company believes that its performance and future success depends on a number of factors that present significant opportunities for the Company and may pose risks and challenges, including those discussed in the "Risk Factors" section of the IPO Prospectus.

- *Market Expansion*. Our market expansion strategy has been a key driver of our recent revenue growth and we have identified a number of additional high-potential markets where we plan to continue to execute our expansion strategy. Across all of our markets, we plan to focus on increasing brand awareness, deepening our presence and rolling out our Customer Experience Management Platform ("**CEM**") as market conditions permit. We expect marketing, selling, and technology development expenses supporting these initiatives will continue to increase in proportion to anticipated revenue growth.

- *Development of our Digital Platform*. We have developed a proprietary digital platform to enhance and scale our secure and gated ecosystem to cover more cities and a larger number of HNWI members of Sarment (the "**Users**"). Over the next twelve months we are targeting commencement of operations in a number of new cities. As we continue to increase the percentage of sales through our CEM, we expect to maintain a balanced multi-channel distribution model. As we expand our digital platform, we expect our customer acquisition costs to be significantly reduced on a relative basis.

- *New Products*. Expansion of our relationships with Partners and international enterprises, such as private banks, private members clubs and luxury brands ("**Clients**") will contribute meaningfully to our performance and Sarment intends to continue investing in the development and introduction of new products. As Sarment introduces additional products and enters into new partnerships, the Company expects that they will help expand Sarment's offerings.

Segments

The Company identifies its reporting segments based on geographic units used by management to monitor performance and make operating decisions. The Company has identified three operating segments: (i) China (including Taiwan); (ii) Hong Kong (including Macau); and (iii) Singapore and International.

The key performance indicators measured below are used by management in assessing Sarment's business. The Company refers to certain key performance indicators used by management and typically used by Sarment's competitors, certain of which are not recognized under International Financial Reporting Standards ("IFRS"). See "*Non-IFRS Financial Measures*".

IFRS Measures

- *Revenue*. Revenue is comprised of sales of goods and services.

- *Cost of sales*. Cost of sales consists of goods and other purchases.

- *Operating Expenses*. Operating expenses comprised of staff costs, depreciation and amortization, and other expenses, and includes selling costs to support customer relationships and to deliver Sarment's product to customers. It also includes marketing and brand investment activities, investments in technology platform/ infrastructure and the corporate infrastructure required to support the ongoing business. Selling costs generally correlate to revenue timing. The Company expects these selling costs to increase as the business evolves. This increase is expected to be driven primarily by the growth of the distribution network as well as enterprise clients, including the investment required to support additional geographic markets, e-commerce sites and partner networks. General and administrative expenses represent costs incurred in our corporate offices, primarily related to personnel costs, including salaries, variable incentive compensation, benefits and other professional service costs. The Company has invested considerably in this area to support the digital marketplace of Sarment's business and anticipates continuing to do so in the future. In addition, in connection with the initial public offering ("**IPO**") of the Company's shares, the Company expects to incur transaction costs and stock compensation expenses and, following the IPO, the Company anticipates a significant increase in accounting, legal and professional fees associated with being a public company.

Non-IFRS Measures

In addition to our results determined in accordance with IFRS, the Company believes the following non-IFRS measures provide useful information both to management and investors in measuring the financial performance and financial condition of the Company. These measures are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the financial performance from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. The Company uses non-IFRS measures to provide investors with supplemental measures of the operating performance and liquidity and thus highlight trends in Sarment's business that may not otherwise be apparent when relying solely on IFRS measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures, including industry metrics, in the evaluation of companies in the industry. Management also uses non-IFRS measures and industry metrics, in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts, and to determine components of executive compensation.

- *Gross Profit*. Gross Profit means revenue less the cost of sales.

- *Gross Margin*. Gross Margin means Gross Profit divided by revenue, measured as a percentage.

- *EBITDA*. EBITDA means net income (loss) before interest expense (net), income tax expense (recovery) and depreciation and amortization.

- *Adjusted EBITDA*. Adjusted EBITDA means net income (loss) before discontinued operations after adjusting for interest expense, income tax expense (recovery), depreciation and amortization, share-based compensation expense, transaction costs, adjustments to acquisition related contingent consideration, loss on disposal of assets, impairment of intangible assets, and other non-recurring one-time items.

- *Adjusted Operating Loss*. Adjusted Operating Loss means net loss before discontinued operations after adjusting for interest expense, income tax expense (recovery), share-based compensation expense, transaction costs, adjustments to acquisition related contingent consideration, loss on disposal of assets, impairment of intangible assets and other non-recurring one-time items.

- *Net Working Capital*. Net Working Capital means the net current assets (liabilities) position as reported in the consolidated financial statements.

The following table sets forth our key performance indicators for the three and six months ended June 30, 2018 and 2017:

	For the three months ended		For the six months ended	
In USD '000	**June 30, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Revenue	5,902	3,633	10,638	7,026
Operating loss	(5,934)	(2,840)	(10,126)	(5,088)
EBITDA	(5,859)	(2,753)	(9,983)	(4,889)

Basis of Presentation

Sarment Hong Kong was incorporated under the laws of Hong Kong. In the fourth quarter of 2017, the Board of Directors of Sarment Hong Kong resolved that Sarment would move its holding entity from Hong Kong to Singapore. On January 21, 2018, Sarment was incorporated under the laws of Singapore. On March 21, 2018, Sarment 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 will be the holding company (the "**Share Swap**"). Following completion of the Share Swap, Sarment Hong Kong became a subsidiary of the Company and the shares of Sarment Holding Limited (Singapore) have been split on a 780:1 basis (the "**Share Split**"). The effective date of the Restructuring was March 21, 2018.

The Restructuring also involved the incorporation of legal entities in Singapore and Macau, the partial capitalization of shareholder loans, additional cash capital contributions by existing shareholders in the aggregate amount of US$9.2 million in consideration of the issuance by the Company of 3,797 ordinary pre-split shares, and the contribution of the shares in 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). Pursuant to the Restructuring, the Company has carried on the business heretofore carried on by Sarment Hong Kong.

Periods presented prior to December 31, 2017 represent the operations of Sarment Hong Kong, on a consolidated basis, and the period presented as of and following January 1, 2018 represents the operations of Sarment, on a consolidated basis and as the successor in interest to Sarment Hong Kong's business and operations.

As a result of the Share Swap, the Company is the sole shareholder of Sarment Hong Kong and its subsidiaries. The transaction is not a business combination and did not result in any change of economic substance. Accordingly, the interim condensed consolidated financial statements of the Company are a continuation of the existing group. Comparatives presented represent consolidated financial results of the Company which include subsidiaries since inception in year 2012.

For the purpose of performing a comparison to the prior year in the unaudited interim condensed consolidated interim financial statements for the three and six months ended June 30, 2018, the results of Sarment for the three and six months ended June 30, 2018 were compared to the results of Sarment Hong Kong for the three and six months ended June 30, 2017.

Discussion of Operations

The following table summarizes our results of operations for the three and six months ended June 30, 2018 and 2017:

	For the three months ended June 30		For the six months ended June 30	
	2018	**2017**	**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000
Revenue	5,902	3,633	10,638	7,026
Cost of sales	(4,141)	(2,539)	(7,359)	(4,952)
Gross profit	1,761	1,094	3,279	2,074
Other income	11	6	16	9
Items of expenses				
Staff costs	(3,506)	(2,239)	(6,937)	(4,111)
Depreciation and amortization	(75)	(87)	(143)	(199)
Other operating expenses	(4,125)	(1,614)	(6,341)	(2,861)
Operating loss	(5,934)	(2,840)	(10,126)	(5,088)
Finance costs	(605)	(936)	(1,462)	(1,673)
Loss before income tax	(6,539)	(3,776)	(11,588)	(6,761)
Income tax expenses	–	–	–	–
Net loss for the period	(6,539)	(3,776)	(11,588)	(6,761)
Other comprehensive income, net of tax	1,367	(283)	671	(500)
Total comprehensive income for the period	(5,172)	(4,059)	(10,917)	(7,261)
Loss attributable to:				
Equity holders of the Company	(6,483)	(3,740)	(11,521)	(6,682)
Non-controlling interests	(56)	(36)	(67)	(79)
	(6,539)	(3,776)	(11,588)	(6,761)
Total comprehensive income attributable to:				
Equity holders of the Company	(5,142)	(4,038)	(10,861)	(7,195)
Non-controlling interests	(30)	(21)	(56)	(66)
	(5,172)	(4,059)	(10,917)	(7,261)
Earnings per share attributable to the equity holders of the Company (dollar per share)				
Basic	(211.6)	(208.9)	(459.4)	(373.3)

The following table reconciles EBITDA, Adjusted EBITDA and Adjusted Operating Loss for the three and six month ended June 30, 2018 and 2017.

In USD'000	**For the three months ended June 30, 2018**	**For the three months ended June 30, 2017**	**For the six months ended June 30, 2018**	**For the six months ended June 30, 2017**
Net Loss	(6,539)	(3,776)	(11,588)	(6,761)
Add the impact of:				
Income tax expense (recovery)	-	-	-	-
Interest expense	605	936	1,462	1,673
Amortization and depreciation	75	87	143	199
EBITDA	(5,859)	(2,753)	(9,983)	(4,889)
Add the impact of:				
Impairment loss for property, plant and equipment	-	-	-	-
Loss on disposal of property, plant and equipment	-	-	-	-
Adjusted EBITDA	(5,859)	(2,753)	(9,983)	(4,889)
Less: Amortization and depreciation	(75)	(87)	(143)	(199)
Adjusted Operating Loss	(5,934)	(2,840)	(10,126)	(5,088)

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Total Revenue. Total revenue was US$5.9 million and US$3.6 million for the three months ended June 30, 2018 and 2017, respectively, representing an increase of US$2.3 million or 62.5% from the prior period, which was composed of a positive currency impact of 3.6%, due to currency fluctuations between the Chinese Yuan Renminbi and the United States Dollar of 7.8% and currency fluctuations between the Singapore Dollar and the United States Dollar of 4.9%, which was partially offset by a decrease of 0.8% due to currency fluctuations between the Hong Kong Dollar against the United States Dollar. The revenue of the China business unit grew by 58.6% from the three months ended June 30, 2017 to the three months ended June 30, 2018. The Hong Kong business unit achieved revenue growth of 78.0% from the three months ended June 30, 2017 to the three months ended June 30, 2018 while the Singapore business unit achieved revenue growth of 43.7% from the three months ended June 30, 2017 to the three months ended June 30, 2018. For the three months ended June 30, 2018, the China business unit represented 37.5% (2017: 38.4%) of Sarment's total revenue for the period, the Hong Kong and Macau business units represented 41.6% (2017: 37.9%), of Sarment's total revenue for the period, while Singapore & International represented 20.9% (2017: 23.7%) of Sarment's total revenue for the period.

Gross Margin. Gross margin was 30% (2017: 30%) for the three months ended June 30, 2018.

Operating expenses. Operating expenses increased by 95.6% or US$3.8 million, from US$3.9 million in the three months ended June 30, 2017 to US$7.7 million in the three months ended June 30, 2018. The increase in operating expenses was mainly attributed to the following items:

	For the three months ended June 30		**Increase/ (Decrease)**	
	2018	**2017**		
	US$'000	US$'000	%	US$'000
Staff costs	3,506	2,239	56.6	1,267
IPO expenses	671	-	N/A	671
Rental of premises	311	158	96.8	153
Foreign exchange gain (loss)	(1,370)	301	N/A	1,671

Foreign exchange loss of US$1.4 million for the three months ended June 30, 2018 (2017: foreign exchange gain of $0.3 million) represented $0.8 million (2017: foreign exchange gain of $0.1 million), $0.5 million (2017: foreign exchange gain of $0.2 million) and $0.1 million (2017: Nil) of the exchange loss attributed to the Singapore business unit, China and Hong Kong business unit, respectively.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Total Revenue. Total revenue was US$10.6 million and US$7.0 million for the six months ended June 30, 2018 and 2017, respectively, representing an increase of US$3.6 million or 51.4% from the prior period, which was composed of a positive currency impact of 4.3%, due to currency fluctuations between the Chinese Yuan Renminbi and the United States Dollar of 7.5% and currency fluctuations between the Singapore Dollar and the United States Dollar of 5.9%, which was partially offset by a decrease of 0.8% due to currency fluctuations between the Hong Kong Dollar against the United States Dollar, a positive price mix of 8% and volume growth in all segments of 44%, offset by a decrease in product-customer mix of 5%, in all cases from the prior period. This increase in revenue takes into account a one-off slow-down of the Chinese economy from March 5, 2018 to March 20, 2018 due to a country lock-down for the general assembly of the Chinese Communist Party. The revenue of the China business unit grew by 66.9% from the six months ended June 30, 2017 to the six months ended June 30, 2018. The Hong Kong business unit achieved revenue growth of 47.5% from the six months ended June 30, 2017 to the six months ended June 30, 2018 while the Singapore business unit achieved revenue growth of 33.7% from the six months ended June 30, 2017 to the six months ended June 30, 2018. For the six months ended June 30, 2018, the China business unit represented 42.8% (2017: 38.8%) of Sarment's total revenue for the period, the Hong Kong and Macau business units represented 34.0% (2017: 35.0%), of Sarment's total revenue for the period, while Singapore & International represented 23.2% (2017: 26.2%) of Sarment's total revenue for the period.

References herein to product-customer mix refer to the combined effect on revenue from differential pricing of different products from the same brand and differential pricing for different customer channels. Revenues may vary depending on the purchaser of a certain product or the type of product sold. For example, a Champagne brand Brut Rose will be priced differently than a Brut Reserve and the price will also depend on whether it is sold to a private client, corporate client or professional client. The Company does not report on the effect separately but combined as product-customer mix.

References herein to segment mix refer to the effect that sales in certain geographic segments may be more or less profitable than other geographic segments as a result of the Company's ability to achieve higher or lower gross margins in different segments varies.

References herein to price mix are referring to pricing changes driven by macro-economic trends such as general inflation or local currency weakness. These changes are initiated by the Company and affect all products and customers or are limited to certain customer groups.

Beginning February 2018, our CEM system has been live and able to process members purchases. For the six months ended June 30, 2018, sales to members through the CEM are not yet material to total revenue for the period. As of June 30, 2018, there are 588 registered members of which 240 are active members. This represented a growth of 411% registered members and 163% active members when compared to the first quarter ended March 31, 2018. We have also processed certain sales made by our sales team through the CEM and it has met all functionality and performance expectation.

Gross Margin. Gross margin was 31% (2017: 30%) for the six months ended June 30, 2018.

Operating expenses. Operating expenses increased by 87.2% or US$6.3 million, from US$7.2 million in the six months ended June 30, 2017 to US$13.4 million in the six months ended June 30, 2018. The increase in operating expenses was mainly attributed to the following items:

	For the six months ended June 30			
	2018	**2017**	**Increase/ (Decrease)**	
	US$'000	US$'000	%	US$'000
Staff costs	6,937	4,111	68.7	2,826
IPO expenses	1,467	-	N/A	1,467
Rental of premises	742	367	102.2	375
Foreign exchange gain (loss)	(622)	645	N/A	1,267

Foreign exchange loss of US$0.6 million for the six months ended June 30, 2018 (2017: foreign exchange gain of $0.6 million) of which $0.4 million (2017: foreign exchange gain of $0.5 million), $0.1 million (2017: Nil) and $0.1 million (2017: foreign exchange gain of $0.2 million) of the exchange loss was attributed to the Singapore business unit, China and Hong Kong business unit, respectively.

Total Assets. Total assets decreased by US$0.1 million, from US$15.3 million as at December 31, 2017 to US$15.2 million as at June 30, 2018. The decrease in total assets is primarily attributable to decreases in inventories of US$0.4 million, trade and other receivables of US$0.3 million, prepayments of $0.5 million, offset by an increase in intangible assets of approximately US$1.0 million as a result of the acquisition of trademarks as part of the Restructuring on March 21, 2018.

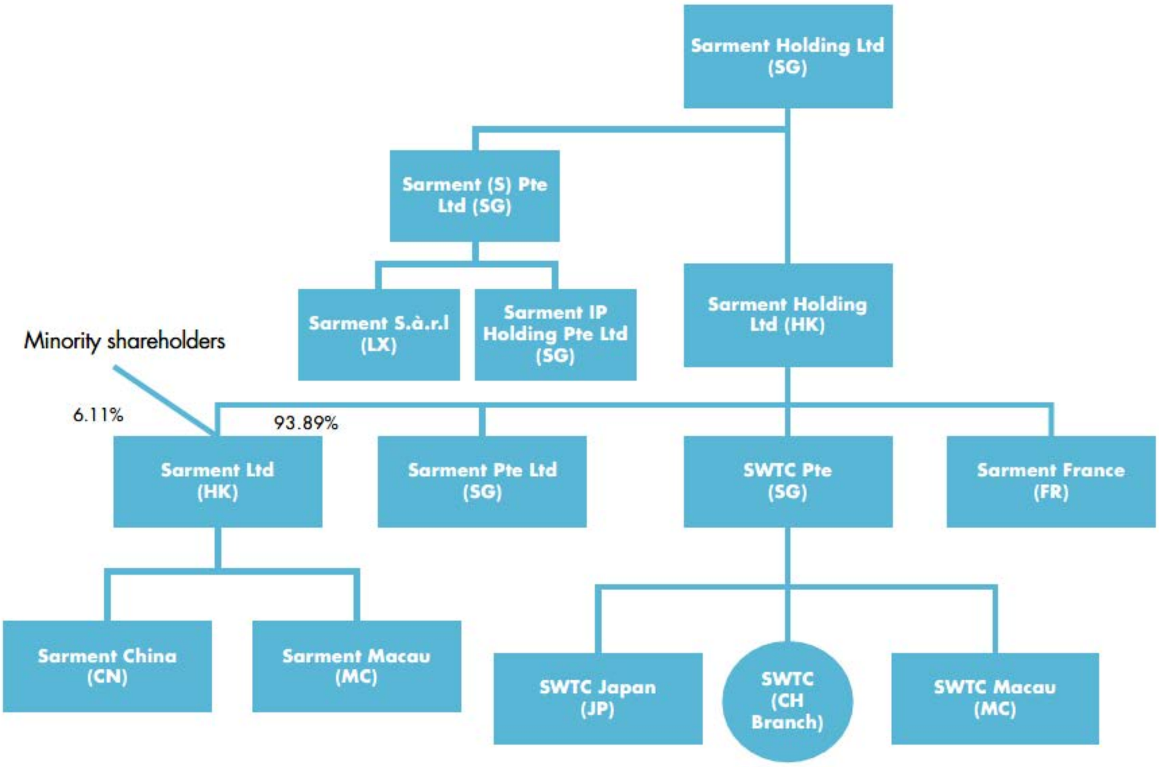
Total Non-Current Liabilities. Total non-current liabilities decreased by US$8.7 million, from US$18.1 million as at December 31, 2017 to US$9.4 million as at June 30, 2018. The decrease was primarily as a result of the conversion of shareholder loans to equity as part of the Restructuring on March 21, 2018, partially offset by an increase in convertible loans of US$0.8 million.

Recent Developments

The Company converted into a public company limited by shares on August 3, 2018. By converting to a public company limited by shares, Sarment no longer has restrictions on a member's right to transfer ordinary shares in the Company 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".

On August 21, 2018, the Company completed the IPO of an aggregate of 6,057,553 ordinary shares at a price of CAD$3.15 per ordinary share and its shares started trading on the TSX Venture Exchange ("**TSXV**") under the symbol SAIS. Gross proceeds of the offering were US$14.61 million (CAD$19 million). The Company has granted the agents an over-allotment option (the "Over-Allotment Option"), exercisable in whole or in part for a period of 30 days following the closing of the IPO ("Closing"), to purchase up to an additional 908,632 ordinary shares at the IPO price of CAD$3.15 per ordinary share for additional gross proceeds of approximately CAD$2,862,191, assuming the Over-Allotment Option is exercised in full. Concurrent with Closing, Chairman of the Company, who is also a significant shareholder of the Company, received a bonus from the Company which was satisfied by the issuance of 181,726 ordinary shares.

The following chart illustrates, as of the date hereof after giving effect to the Restructuring, the Company's corporate structure including details of the jurisdiction of formation of each subsidiary.



Liquidity and Capital Resources

General

Historically, the Company's primary sources of liquidity and capital resources were shareholder loans and advances. The Company's primary requirements for liquidity and capital are working capital and general corporate needs and includes development of our technical infrastructure, intellectual property, patents and trademarks. Throughout 2017 and 2018, the Company incurred additional expenses relating to the development of our digital platform. Additional future liquidity needs will include funding expenses the Company expects to incur as a public company and to finance growth.

The Company's cash position (cash and cash equivalents) at June 30, 2018 was US$1.6 million compared to US$1.3 million at December 31, 2017. As at June 30, 2018, the Company had not yet achieved profitable operations and had accumulated losses of US$60.1 million since inception. The Company's working capital deficiency as at June 30, 2018 was US$(2.4 million) (December 31, 2017: US$(4.5 million)), which includes liabilities of US$3.8 million (December 31, 2017: US$3.5 million) under the loan from Galia Holdings Inc. ("**Galia**"), which had been fully repaid out of the proceeds of the IPO subsequent to June 30, 2018.

To the extent that the Company has negative cash flow from operating activities in any future period, certain of the proceeds from the IPO may be used to fund such negative cash flow from operating activities. In the event that the Company's business does not generate sufficient cash flows from operating activities, it may be required to seek additional equity and/or debt financing.

The Company will need to raise sufficient capital to further develop its business and to repay or refinance its debt obligations. The timing and ability to do so will depend on, among others, the continuing support from shareholders, in addition to the successful implementation of the Company's business objectives. Although the Company has been successful in the past in obtaining financing and restructuring its debt, there is no assurance that it will be able to obtain adequate financing or refinance its debt in the future. As the Company becomes a public company, it will also allow the Company to seek financing from other channels previously not available. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its ongoing corporate overhead expenditures, discharge its liabilities as they come due and advance the development of its business objectives.

There can be no assurance that the business will generate sufficient cash flows from operations or that future borrowings will be available upon reasonable terms or otherwise available to the Company to service indebtedness, or to make capital expenditures in the future. The future operating performance and the ability to service or extend the Company's indebtedness, will be subject to future economic conditions and to financial, business and other factors, many of which are beyond the Company's control.

Cash Flows

Comparative Cash Flow

Cash flows from operating activities. Net cash used in operating activities increased from US$3.3 million in the six months ended June 30, 2017 to US$8.7 million in the six months ended June 30, 2018, an increase of US$5.4 million. This increase was mainly due to additional staffing and other costs of approximately US$2.8 million related to the development of CEM. In addition, the Company incurred costs of approximately US$1.5 million in connection with professional services related to the IPO, and US$0.4 million in increased office rental expenses.

Cash flows from investing activities. Net cash used in investing activities during the six months ended June 30, 2018 was insignificant and comparable to the corresponding period in 2017.

Cash flows from financing activities. Net cash from financing activities increased from US$6.0 million in the six months ended June 30, 2017 to US$9.0 million in the six months ended June 30, 2018. Net cash generated from financing activities in the six months ended June 30, 2018 was derived from the proceeds of the issuance of shares of US$2.0 million from the Restructuring, a short term loan from United Overseas Bank ("**UOB**") of US$1.0 million, and the issuance of convertible loans of US$6.0 million.

Shareholder Loans

In the course of fiscal 2017, Sarment Hong Kong's Board of Directors decided to restructure the majority of the outstanding shareholder loans by way of converting a portion of such shareholder loans to equity. The aggregate amount outstanding under the shareholder loans before the Restructuring was US$27.37 million and post-Restructuring the aggregate amount decreased by US$15.5 million to US$11.87 million. As at June 30, 2018, the net present value of the shareholder loans of US$8.578 million (after imputed interest of US$3.295 million) was included in non-current Loans and Borrowings on the interim condensed consolidated statements of financial position.

The following table shows the outstanding principal amount of the shareholder loans both prior to, and after the completion of the Restructuring.

Shareholder	**Loan pre-Restructuring**	**Loan post-Restructuring**	**Interest rate**	**Due Date**
Interest-free loans	US$19,750,000	US$4,250,000	-	31 January 2021
Interest-bearing loans	U$7,623,000	US$7,623,000	3% p.a.	31 January 2021
Total:	US$27,373,000	US$11,873,000		

Third Party Loans

During 2016 and 2017, Galia, of which a former director of Sarment Hong Kong, is the ultimate beneficiary, advanced loans in favour of Sarment Hong Kong in the aggregate principal amount of US$3 million (the "**Galia Loan**"), which was due on December 31, 2017. Per a deed of amendment dated January 1, 2018 (the "**Deed of Amendment**"), the principal amount of the Galia Loan together with all interest thereon, being approximately US$0.55 million, was refinanced and converted to a new bridging loan, which Galia Loan bears interest at a rate of 90 days LIBOR + 7.5% per annum. Pursuant to the terms of the Deed of Amendment, if any entity within Sarment is listed on a recognized stock exchange ("**Proposed Listing**") on or before April 30, 2018, the Galia Loan is to be repaid within one week of Sarment receiving the proceeds of the IPO. In addition, Galia will be granted ordinary shares in the capital of the listed company, which shares shall have total value equal to a 5% discount as if the Galia Loan and interest had been converted to ordinary shares in the listed entity at the listing price per ordinary share ("**Discount Amount**"). Since the Proposed Listing did not occur on or before April 30, 2018, the Galia Loan and the Discount Amount were repayable in cash on May 31, 2018, such date extended to August 31, 2018 pursuant to a Second Deed of Amendment dated July 20, 2018. If the Galia Loan is not repaid on or before August 31, 2018, Galia can call for the immediate repayment of the Galia Loan. During the period from January 1 to May 31, 2018, the Galia Loan bears interest of LIBOR (90 days) + 7.5% per annum. During the period from June 1 to June 30, 2018, the Galia Loan bears interest of LIBOR (90 days) + 9.5% per annum. As at June 30, 2018, an aggregate amount of US$3.83 million remains outstanding under the Galia Loan. The Company repaid this loan subsequent to June 30, 2018.

On March 12, 2018 the Company entered into a non-interest bearing convertible loan agreement pursuant to which the lender agreed to provide to the Company a convertible loan in the aggregate amount of US$2 million. Pursuant to the terms of this agreement, the aggregate outstanding principal amounts under this 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 Wainwright Loan by US$2,423.10 on the earlier of (a) the date falling one day after the listing of the Company's ordinary shares on a Canadian stock exchange; or (b) March 12, 2019. Concurrent with Closing, this convertible loan was converted into 643,803 ordinary shares of the Company.

On April 16, 2018 the Company entered into a facility letter with UOB for a three (3) month bridging loan in an amount equal to US$1 million. On April 26, 2018, a First Deed of Debenture was executed in favour of UOB granting UOB a floating charge over the Company's wine and spirits inventory in Singapore, which is required to have a cost price of at least US$1.5 million at all times. The loan bears interest of 1-month LIBOR + 5% per annum or 5% over UOB's 1-month Cost of Funds, whichever is higher. On July 26, 2018, UOB agreed to extend the maturity date of the loan to August 27, 2018. The Company repaid the short term loan from UOB subsequent to June 30, 2018.

On May 25, 2018, the Company entered into non-interest bearing convertible loan agreements with certain of its shareholders, totalling US$2 million. Pursuant to the terms of the convertible loan agreements, the loans 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. Concurrent with Closing, these convertible loans were converted into 829,532 ordinary shares of the Company.

On June 28, 2018, the Company entered into non-interest bearing convertible loan agreements with certain of its shareholders, totalling US$2 million. Pursuant to the terms of the convertible loan agreements, the loans will mature on the date falling 18 months after the IPO of the ordinary shares of the Company 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.

Commitments

The Company has entered into leases of office premise and warehouses. These leases have an average tenure of between one to three years with no renewal options or contingent rent provisions included in the contracts.

Future minimum rental payable under non-cancellable operating leases at June 30, 2018 are as follows:

Operating leases	**US$'000**
Less than one year	853
Later than one year but not later than five years	351
Total	1,204

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Related Party Transactions

In addition to related party transactions disclosed elsewhere in this MD&A, the following significant transactions between the Company and related parties took place at terms agreed to between the parties during the period as follows:

(a) Sale and purchase of goods and services

	For the three months ended June 30		**For the six months ended June 30**	
	2018	**2017**	**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000
Sale of finished goods to:				
- Key management personnel	1	1	8	8
- Directors	–	–	64	–
- Shareholders	11	–	12	3
Finance costs paid to:				
- A director and his controlled entity	490	507	1,327	1,230
Acquisition of group of assets				
- Directors and shareholders	–	–	878	–

(b) Compensation of key management personnel

	For the three months ended June 30		**For the six months ended June 30**	
	2018	**2017**	**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000
Short-term employee benefits	323	423	654	471
Other short-term benefits	30	92	69	137
	353	515	723	608

Critical Accounting Policies and Estimates

Changes in accounting policies

The Company has adopted the new standards commencing 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.

<u>Impairment</u>
The adoption of IFRS 9 has fundamentally changed the Company'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 Company 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 Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience with necessary adjustments for forward-looking factors specific to the debtors and the economic environment.

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

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. The adoption of the ECL requirements of IFRS 9 did not result in any significant impact in impairment allowances of the Company's debt financial assets

(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 Company elected to adopt IFRS 15 using the modified retrospective method.

<u>Sale of goods</u>
The Company's contracts with customers for the sale of goods generally include a single performance obligation. The Company 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 Company 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 Company 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 Company 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 Company then applies the requirements on constraining estimates of variable consideration. Upon adoption of IFRS 15, the Company 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.

Storage services
The Company is in the business of sale of wine. Some of their contracts with customers for the sale of wine may be bundled with storage services. Under IFRS 15, storage services 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 Company 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 Company estimated the amount of expected returns in determining the transaction price. Company does not expect the impact to be material based on current information. The Company assessed the quantum of expected future returns and concluded the impact 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.

Standards Issued But Not Yet Effective

IFRS 16 Leases. IFRS 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees - leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after January 1, 2019.

The Company is currently assessing the impact of IFRS 16, and in the process of analysing the transitional approaches and practical expedients to be elected on transition to IFRS 16 and assessing the possible impact of adoption. The Company expects that the adoption of IFRS 16 will result in an increase in total assets and total liabilities, EBITDA and gearing ratio.

The Company plans to adopt the new standard on the required effective date by applying IFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at January 1, 2019.

Judgments Made In Applying Accounting Policies

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

Revenue recognition on consignment arrangements

Management assesses the revenue recognition of consignment arrangements based on the primary indicators of whether the entities within Sarment 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 Sarment acts as a principal to the consignment arrangement. In acting as a principal and primary obligor on the consignment arrangements, Sarment 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.

Determination of functional currency

Sarment measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in Sarment, judgment is required to determine the currency that mainly influences sales prices for products and services and of the country whose competitive forces and regulations mainly determines the sales prices of its products and services. The functional currencies of the entities in Sarment 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 Sarment. 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 Sarment is their respective local currency.

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 Company 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 Company. Such changes are reflected in the assumptions when they occur.

Impairment of loans and receivables

The impact of adoption of IFRS 9 has been separately disclosed above.

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 Company has considered the probability of expected future cash inflows and overall business strategy. Due to lack of historical utilization trends and uncertainty surrounding future taxable profits, no deferred tax assets are recognized on the unused tax losses for all years.

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.

Provision for sales return

Management reviewed potential future customer returns using actual historical rates of customer returns. Sarment is of the view that, based on past experience, the actual return rate is insignificant and therefore no provision for sales return were made.

Convertible loans

The convertible loan issued by the Company on June 28, 2018 is segregated into an embedded derivative liability and debt component. The embedded derivative liability is measured at fair value with changes in value being recorded in the consolidated statements of profit or loss. The option pricing model used to determine the fair value of the embedded derivative liability requires various estimates relating to volatility, interest rates, dividend yields and expected life of the conversion options granted. Fair value inputs are subject to market factors as well as internal estimates.

Given the Company's common shares commenced trading on the TSXV on August 21, 2018, the expected volatility is based on the historical share price volatility of a group of comparable companies in the sector the Company operated over a period similar to the expected life of the options.

Financial Risk Management Objectives And Policies

Sarment 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 Company's Board of Directors (the "**Board**") 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 Sarment'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 Company's exposure to credit risk arises primarily from trade and other receivables. For cash and short-term deposits, Sarment minimises credit risk by dealing exclusively with high credit rating counterparties.

Sarment's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. Sarment trades only with recognised and creditworthy third parties. It is Sarment'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 Sarment's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, Sarment does not offer credit terms without the approval of the Chief Finance Officer.

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 Sarment's performance to developments affecting a particular industry.

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

Management's Report on Internal Controls over Financial Reporting

Our Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining effective internal controls over financial reporting. The Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Because of their inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. A material weakness, as defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**"), is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

There have been no significant changes in the design of the Company's internal controls over financial reporting during the three month period ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Quantitative and Qualitative Disclosures about Market Risk

Sarment is exposed to certain market risks arising from transactions in the normal course of our business. Such risk is principally associated with foreign exchange.

Foreign currency exchange risk

The Company and other entities in Sarment operate with multiple functional currencies. The consolidated financial statements are presented in United States dollars (US$), which is the functional and presentation currency of the Company's consolidated financial statements. The United States dollar relative to other foreign currencies is subject to fluctuations. Failure to adequately manage foreign exchange risk could adversely affect the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations.

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 recognised in profit or loss.

Consolidated financial statements

For consolidation purposes, 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 recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Use Of Proceeds

There are no significant changes on the intended use of the proceeds from the disclosure previously made in the IPO Prospectus.