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

RESPONSIBLITY FOR FINANCIAL REPORTING

The accompanying condensed interim 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 condensed interim 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 condensed interim 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

May 15, 2019

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

Condensed Interim Consolidated Statement of Financial Position (Unaudited)
For the quarter ended March 31, 2019
(All figures in thousands of United States Dollars unless otherwise noted)

	Notes	March 31, 2019 US$'000	December 31, 2018 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		156	188
Right-of-use assets	11(a)	1,231	–
Intangible assets		876	880
Other receivables	5	58	52
		2,321	1,120
Current assets			
Trade and other receivables	5	2,935	3,673
Inventories		5,401	6,216
Prepayments	6	497	735
Cash and bank balances	7	1,508	1,327
		10,341	11,951
Total assets		12,662	13,071
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	8	6,805	6,359
Advances received		607	1,294
Embedded derivatives	9(b)	136	199
Loans and borrowings	9	4,094	977
		11,642	8,829
Net current (liabilities)/assets		(1,301)	3,122
Non-current liabilities			
Loans and borrowings	9	10,589	10,171
Other liabilities	8	345	70
		10,934	10,241
Total liabilities		22,576	19,070
Equity attributable to owners of the Company			
Share capital	10(a)	51,421	51,421
Translation reserves		609	1,080
Accumulated losses		(75,981)	(71,939)
Other reserves	10(b)	15,407	14,773
		(8,544)	(4,665)
Non-controlling interests		(1,370)	(1,334)
Total shareholders' deficit		(9,914)	(5,999)
Total shareholders' deficit and liabilities		12,662	13,071

Going concern (Note 3.2)

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

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

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
For the three months ended March 31, 2019
(All figures in thousands of United States Dollars unless otherwise noted)

	Notes	For the three months ended March 31 2019 US$'000	2018 US$'000
Revenue	12	3,751	4,736
Cost of sales		(2,565)	(3,217)
Gross profit		1,186	1,519
Staff costs		(3,175)	(3,431)
Depreciation and amortization		(195)	(67)
Stock-based compensation	10(c)	(634)	–
Other operating expenses	13	(779)	(2,217)
Operating expenses		(4,783)	(5,715)
Operating loss		(3,597)	(4,196)
Other income		106	5
Finance costs		(580)	(857)
Loss before income tax		(4,071)	(5,048)
Income tax expenses		–	–
Net loss for the period		(4,071)	(5,048)
Other comprehensive income that may be reclassified subsequently to profit or loss:			
- Foreign currency translation		(478)	(696)
Total comprehensive income for the period		(4,549)	(5,744)
Loss attributable to:			
Equity holders of the Company		(4,042)	(5,038)
Non-controlling interests		(29)	(10)
		(4,071)	(5,048)
Total comprehensive income attributable to:			
Equity holders of the Company		(4,513)	(5,718)
Non-controlling interests		(36)	(26)
		(4,549)	(5,745)
Earnings per share attributable to owners of the Company (dollar per share)			
Basic and diluted	14	(0.13)	(0.33)

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

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

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)
For the three months ended March 31, 2019
(All figures in thousands of United States Dollars unless otherwise noted)

	Attributable to equity holders of the Company							
	Share capital US$'000	**Mandatorily convertible loan US$'000**	**Other reserves US$'000**	**Accumulated losses US$'000**	**Translation reserves US$'000**	**Total US$'000**	**Non-controlling interests US$'000**	**Total US$'000**
At January 1, 2018	12,977	–	14,645	(48,583)	81	(20,880)	(1,206)	(22,086)
Issuance of share capital	25,629	–	(5,061)	–	–	20,568	–	20,568
Mandatorily convertible loan	–	2,000	–	–	–	2,000	–	2,000
Total comprehensive loss for the period	–	–	–	(5,038)	(680)	(5,718)	(26)	(5,744)
At March 31, 2018	38,606	2,000	9,584	(53,621)	(599)	(4,030)	(1,232)	(5,262)
At January 1, 2019	51,421	–	14,773	(71,939)	1,080	(4,665)	(1,334)	(5,999)
Stock-based compensation	–	–	634	–	–	634	–	634
Total comprehensive loss for the period	–	–	–	(4,042)	(471)	(4,513)	(36)	(4,549)
At March 31, 2019	51,421	–	15,407	(75,981)	609	(8,544)	(1,370)	(9,914)

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

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

Condensed Interim Consolidated Statement of Cash Flows (Unaudited)
For the three months ended March 31, 2019
(All figures in thousands of United States Dollars unless otherwise noted)

	Notes	For the three months ended March 31 2019 US$'000	2018 US$'000
Cash flows from operating activities			
Loss before income tax		(4,071)	(5,048)
Adjustment for:			
Depreciation and amortization		195	67
Share-based compensation	10(c)	634	–
Fair value gain on convertible loans	9(b)	(63)	–
Finance costs		580	857
Foreign exchange differences		(480)	(655)
Operating cash flows before working capital changes		(3,205)	(4,779)
Changes in working capital			
Decrease/(increase) in inventories		815	(401)
Decrease in trade and other receivables		732	340
(Decrease)/increase in trade and other payables		(545)	782
(Decrease)/increase in advances received		(687)	140
Decrease/(increase) in prepayments		238	(98)
Cash flows used in operations		(2,652)	(4,016)
Interest paid		(51)	(20)
Net cash used in operating activities		(2,703)	(4,036)
Cash flows from investing activities			
Payments to acquire plant and equipment		(2)	(3)
Proceeds from disposal of plant and equipment		–	1
Net cash received from acquisition of a group of assets		–	3
Net cash generated from investing activities		(2)	1
Cash flows from financing activities			
Capital contributed by shareholders		–	2,000
Proceeds from issuance of mandatorily convertible loans		–	2,000
Repayment of lease liabilities		(100)	
Proceeds from a short-term loan	9(a)	3,000	–
Net cash generated from financing activities		2,900	4,000
Net change in cash and cash equivalents		195	(35)
Cash and cash equivalents at beginning of the period		1,243	1,264
Effect of foreign exchange rate changes		(14)	3
Cash and cash equivalents at end of the period		1,424	1,232

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

1. Corporate information

The condensed interim consolidated financial statements of Sarment Holding Limited (formerly Sarment Holding Pte. Ltd. (Singapore)) (the “Company”) and its subsidiaries (collectively, the “Group”) for the three months ended March 31, 2019 were authorized for issue in accordance with a resolution of the directors on May 15, 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 development of digital Customer Experience Management Platform (“CEM”) which helps businesses connect with their customers.

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

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 unaudited condensed interim consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2018.

The condensed interim 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.

The Group's interim results are not necessarily indicative of its results for a full year.

3.2 Going concern uncertainty

The Group incurred a net loss of US$4,071 during the three months ended March 31, 2019 and as at that date, the Group's net current liabilities and total shareholders' deficit amounted to US$1,301 and US$9,914 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 condensed interim 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;
- 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, 2019.

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 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 are 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 generally recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group has applied IFRS 16 on its effective date of January 1, 2019 using the modified retrospective approach. Applying this method, the comparative information for the 2018 fiscal year has not been restated.

The Group has elected to measure its right of use assets at amounts equal to the associated lease liabilities using the incremental borrowing rates at the time of the application; as such, there were no adjustments to the retained earnings. 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 recognized additional US$392 right of use assets and US$391 lease liabilities related to the Group's office rentals.

IFRIC 23 Uncertainty Over Income Tax Treatments

The Group has applied IFRIC 23 on its effective date of January 1, 2019 with retrospective application. IFRIC 23 clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. The effect of uncertain tax treatments are recognized at the most likely amount or expected value. The adoption of IFRIC 23 did not affect the Group's financial results or disclosures.

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

3.4 Summary of new accounting policies

Leases

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term at the commencement date of the lease. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group has exercised the IFRS 16 exemption to not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

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 condensed interim consolidated financial statements:

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

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 applies 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 5 to the financial statements.

(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.

(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. Trade and other receivables

	March 31, 2019 US$'000	**December 31, 2018** US$'000
Trade and other receivables (current):		
Trade receivables from third parties	2,161	3,170
Amount due from shareholders and related parties	455	359
Other receivables	533	354
	3,149	3,883
Allowance for expected credit losses	(214)	(210)
	2,935	3,673
Other receivables (non-current):		
Refundable deposits	58	52
Total trade and other receivables	2,993	3,725
Cash and bank balances (Note 7)	1,508	1,327
Less: Sales tax receivables	(87)	(44)
Total financial assets carried at amortized cost	4,414	5,008

6. Prepayments

	March 31, 2019 US$'000	**December 31, 2018** US$'000
Advances paid to suppliers for inventories	335	556
Other prepayments	162	179
	497	735

7. Cash and bank balances

	March 31, 2019 US$'000	**December 31, 2018** US$'000
Cash at banks	1,508	1,327
Less: Short term pledged deposits	(84)	(84)
Cash and cash equivalents	1,424	1,243

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

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

7. Cash and bank balances (cont'd)

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 March 31, 2019 for the Group was 0.23% (December 31, 2018: 0.21%).

8. Trade and other payables

	March 31, 2019 US$'000	**December 31, 2018** US$'000
Trade payables to third parties	1,456	1,500
Other liabilities – Lease payable (current) (Note 11 (b))	925	–
Accruals and other payables	4,424	4,859
Trade and other payables	6,805	6,359
Short term loan (Note 9(a))	3,051	–
Convertible loans (non-current) (Note 9(b))	1,220	1,078
Loans from shareholders (current) (Note 9(c))	1,043	977
Loans from shareholders (non-current) (Note 9(c))	9,369	9,093
Other liabilities – Lease payable (non-current) (Note 11 (b))	325	–
Other liabilities (non-current)	20	70
	21,833	17,577
Less: sales tax payable	(39)	(44)
Total financial liabilities carried at amortised cost	21,794	17,533

9. Loans and borrowings

	March 31, 2019 US$'000	**December 31, 2018** US$'000
Loans and borrowings (current)		
Short term loan (a)	3,051	–
Loans from shareholders (c)	1,043	977
	4,094	977
Loans and borrowings (non-current)		
Convertible loans (b)	1,220	1,078
Loans from shareholders (c)	9,369	9,093
	10,589	10,171
	14,683	11,148

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

9. Loans and borrowings (cont'd)

(a) Short term loan

During the three months ended March 31, 2019, Sarment Pte. Ltd. ("SPL") entered into a loan agreement with a shareholder who owns less than 10% of the Company's outstanding shares pursuant to which he agreed to provide to SPL a bridge loan in the aggregate amount of US$3,000. Based on the terms of the agreement, a charge was executed in favour of the individual granting him a floating charge over SPL's wine and whisky inventory with book value of US$3,000 and accounts receivable of US$1,500. The short term loan bears interest of 12% per annum and repayable on June 30, 2019. The accrued interest is US$51 as at March 31, 2019

(b) Convertible loans

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 condensed interim 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
Interest expense	142
At March 31, 2019	1,220

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

9. 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	(959)
At December 31, 2018	199
Change in fair value	(63)
At March 31, 2019	136

Change in fair value of the conversion option in the amount of US$63 is recognized as other income in the condensed interim consolidated statement of profit or loss for the three months ended March 31, 2019 (Three months ended March 31, 2018: nil).

(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 US$1,043 as at March 31, 2019 (December 31, 2018: US$977).

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 10(a)) was transferred to share capital. The aggregate principal amount of outstanding shareholder loans before the Restructuring was US$27,373 and post-Restructuring the aggregate principal amount decreased by US$15,500.

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

9. Loans and borrowings (cont'd)

(c) Loans from shareholders (cont'd)

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
Finance cost	66	276	342
At March 31, 2019	1,043	9,369	10,412

All loans and borrowings are denominated in United States Dollars.

10. Equity

(a) Share capital

	March 31, 2019	
	No. of Shares	**Issued and fully paid up, no par value** US$'000
Ordinary shares:		
At beginning and end of the period	31,794,320	51,421

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

10. Equity (cont'd)

(a) Share capital (cont'd)

	December 31, 2018	
	No. of Shares*	**Issued and fully paid up, no par value** US$'000
Ordinary shares:		
At beginning of the period	13,962,000	12,977
Issuance for the period:		
Acquisition of Sarment Sàrl	321,360	879
Restructuring of Shareholder loans (Note 9(c))	6,638,580	10,443
Capital contributed by shareholders in the restructuring (Note 2)	2,961,660	9,200
Satisfaction of prior period's executive compensation through the issuance of ordinary shares	16,380	50
Convertible loan conversion (Note 10(e))	829,532	2,000
Mandatorily Convertible loan (Note 10(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 period	31,794,320	51,421

* 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 US$10,443 to equity (Note 9(c)).

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, 2018.

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.

10. Equity (cont'd)

(b) Other reserves

As of March 31, 2019, 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.

For the three months ended March 31, 2019, the addition of US$634 in "other reserves" is related to the stock-based compensation granted to employees of the Company as disclosed in Note 10(c), and is reduced by the expiry or exercise of the restricted share units (the "RSUs").

(c) Restricted Share Units ("RSUs")

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).

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.

On March 29, 2019, the Company granted 1,108,411 RSUs to directors and officers of the Group with different vesting. The fair value of the RSUs on the grant date is US$1.94 per unit based on the market value of the underlying shares at the date of issuance.

167,413 units were forfeited for three months ended March 31, 2019 (Three months ended March 31, 2018: nil). At March 31, 2019, there were 1,328,966 RSUs outstanding (December 31, 2018: 303,616 RSUs). Stock compensation expense related to the RSUs granted is US$634 for the three months ended March 31, 2019 (Three months ended March 31, 2018: nil).

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

10. Equity (cont'd)

(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 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.

(e) Convertible loan

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.

11. Leases

(a) Right-of-use assets

The Group's lease arrangements only include contracts for leasing office and warehouse premises. The following table shows the movement of the right-of-use assets.

	US$'000
At December 31, 2018	–
IFRS 16 adoption (Note 3.3 and 3.4)	392
Addition	971
Depreciation	(137)
Foreign exchange impact	5
At March 31, 2019	1,231

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

11. Leases (cont'd)

(b) Lease payables

Minimum lease payments in respect of lease liabilities and the effect of discounting are as follows:

	March 31, 2019 US$'000
Undiscounted minimum lease payments:	
Not later than one year	945
Later than one year but not later than five years	327
	1,272
Effect of discounting	(22)
Present value of minimum lease payments – total lease payables	1,250
Less current portion	(925)
Non-current lease payables	325

The following table shows the movement of the lease liabilities.

	US$'000
At December 31, 2018	–
IFRS 16 adoption (Note 3.3 and 3.4)	391
Cash flows	
Principal payment	(100)
Interest payments	(4)
Non-cash changes	
Additions	956
Accretion	4
Foreign exchange impact	3
At March 31, 2019	1,250

The following reconciliation to the opening balance for the lease liabilities as at 1 January 2019 is based on the operating lease obligations as at 31 December 2018:

Reconciliation

	US$'000
Operating lease commitments as at 31 December 2018 and : 1 January 2019	526
Exemption for short-term leases	(101)
Effect of discounting	(34)
Additional lease payables due to the adoption of IFRS 16	391

The weighted average discount rate on initial application was 3%.

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

12. Revenue

	For the three months ended March 31	
	2019	**2018**
	US$'000	US$'000
Type of goods or service		
Sales of wines and spirits, and other ancillary products	3,720	4,693
Revenue from professional services*	31	43
Total revenue from contracts with customers	3,751	4,736
Timing of revenue recognition		
Goods transferred at a point in time	3,720	4,693
Services transferred over time	31	43
Total revenue from contracts with customers	3,751	4,736

* 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.

13. Other operating expenses

This item includes the following charges:

	For the three months ended March 31	
	2019	**2018**
	US$'000	US$'000
Travelling and entertainment expenses	295	511
Marketing expenses	112	218
Technology and logistic expenses	389	611
Rental of premises	179	431
Selling and sample expenses	103	84
Recruitment expenses	3	7
Office expenses	71	40
Professional fees	217	856
Foreign exchange gain	(606)	(602)
Expected credit loss	7	51
Write-off of inventories	–	–
Others	9	10
	779	2,217

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

14. 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.

	For the three months ended March 31	
	2019	**2018**
	No of shares	No. of shares
Weighted average number of post-Share Split ordinary shares for basic and diluted earnings per share computation	31,794,320*	15,176,460

* 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.

15. Subsidiaries

The Group has the following significant investments in subsidiaries.

Name	Principal place of business	Principal activities	Proportion (%) of ownership interest March 31, 2019	Proportion (%) of ownership interest December 31, 2018
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%	100%
Sarment UK Limited	United Kingdom	Investment holding	100%	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%	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%	100%
Sarment IP Holding Pte. Ltd.	Singapore	Dormant	100%	100%

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

16. Related party transactions

(a) Transactions during the periods

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:

	For the three months ended March 31	
	2019	**2018**
	US$'000	US$'000
Sale of goods to:		
- Key management personnel	11	7
- Former director	–	64
- Shareholders	–	1
Finance costs to:		
- Directors, including a former director and his controlled entity	365	837

(b) Compensation of key management personnel and directors

	For the three months ended March 31	
	2019	**2018**
	US$'000	US$'000
Short-term employee benefits	390	331
Directors fee	62	–
Other short-term benefits	9	39
Share-based compensation	598	–
	1,059	370

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

17. Segment information

	China For the three months ended March 31		Hong Kong For the three months ended March 31		Singapore and International For the three months ended March 31		Elimination and Adjustments For the three months ended March 31			Total For the three months ended March 31	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**		**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	**Note**	US$'000	US$'000
Revenue:											
External customers	1,873	1,951	601	1,557	1,277	1,228	–	–		3,751	4,736
Inter-segment	–	–	488	766	5	45	(493)	(811)	A	–	–
Total revenue	1,873	1,951	1,089	2,323	1,282	1,273	(493)	(811)		3,751	4,736
Depreciation and amortization	(28)	(9)	(43)	(17)	(124)	(41)	–	–		(195)	(67)
Other non-cash items	(308)	(395)	(17)	84	(281)	(291)	–	–		(606)	(602)
Segment (loss)/profit	(138)	38	(376)	(307)	(3,083)	(3,927)	–	–		(3,597)	(4,196)

	China		Hong Kong		Singapore and International		Elimination and Adjustments			Total	
	March 31, 2019	**December 31, 2018**	**March 31, 2019**	**December 31, 2018**	**March 31, 2019**	**December 31, 2018**	**March 31, 2019**	**December 31, 2018**		**March 31, 2019**	**December 31, 2018**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	**Note**	US$'000	US$'000
Non-current assets	391	23	363	62	1,227	675	340	360	B	2,321	1,120
Total assets	4,340	5,218	3,095	3,147	4,887	4,346	340	360	C	12,662	13,071
Total liabilities	(1,288)	(1,206)	(12,285)	(11,805)	(9,003)	(6,059)	–	–	D	(22,576)	(19,070)

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

17. Segment information (cont'd)

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.

18. 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 March 31, 2019, the only financial instrument that is measured and recognized on the condensed interim 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.

The embedded derivative is related to the conversion option of the convertible loan (Note 9(b)) 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 period end (USD)	$1.95
Exercise price (USD)	$2.36
Expected remaining life (Years)	0.90
Expected dividends	0%
Expected volatility	39%
Risk-free interest rate	1.68%

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 2019 or 2018.

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

(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.

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 recorded on the consolidated statement of financial position.

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

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

(b) Financial risks (cont'd)

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:

	March 31, 2019		December 31, 2018	
	US$'000	% of total	US$'000	% of total
By geographical region:				
Singapore	375	18%	596	19%
People's Republic of China	1,304	60%	1,883	59%
Hong Kong	429	20%	633	20%
Others	53	2%	58	2%
	2,161	100%	3,170	100%

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.

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 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.

19. 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.

20. Subsequent events

Subsequent to the quarter ended March 31, 2019, the Company received a loan of US$0.5 million from a director of the Group.

In April 2019, the Company announced the launch of its KADDRA CEM platform, which is aimed at helping businesses connect with their customers and signed a two-year agreement worth up to US$0.6 million with a prominent global luxury carmaker to utilise the platform for enhancement of its online ecosystem.