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 Limited (formerly Sarment Holding Pte. Ltd.) ("Sarment" or the "Company") for the three months ended March 31, 2019 should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes thereto for the three months ended March 31, 2019 and the audited consolidated financial statements and related notes thereto for the year ended December 31, 2018, which are available on SEDAR at www.sedar.com.

The Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019, 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 May 15, 2019. 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 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 has identified wine and spirits-related products and services as an effective gateway to establish brand awareness and positioning in the luxury lifestyle market and believes 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 clients 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 also curate and deliver luxury and premium lifestyle services throughout Europe and North America.

Sarment is also engaged in development of digital Customer Experience Management Platform ("**CEM**") which helps businesses connect with their customers.

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.

- *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 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 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**"). In 2019, we have successfully proven the technological and commercial concept of the digital platform. In search of strategic optimization of the business portfolio the board and management have decided to scale up of the white labeling of the digital platform and accelerate the launch of its KADDRA CEM platform, which is aimed at helping businesses connect with their customers. In April 2019, the Company 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.

- *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 are comprised of staff costs, stock-based compensation, depreciation and amortization, and other expenses, and includes selling costs to support customer relationships and to deliver Sarment's products 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 the number of enterprise clients, including the investment required to support additional geographic markets, e-commerce sites and partner networks. General and administrative expenses represent costs incurred for 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 has incurred 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 EBITDA after adjusting for stock-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), stock-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 months ended March 31, 2019 and 2018:

In USD '000	**March 31, 2019**	**March 31, 2018**
Revenue	3,751	4,736
Operating loss	(3,597)	(4,196)
EBITDA	(3,296)	(4,124)
Adjusted EBITDA	(2,662)	(4,124)

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 is now 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 for the issuance by the Company of 2,961,660 post-Share Split ordinary 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 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 the Company's inception in 2012.

For the purpose of performing a comparison to the prior year in the unaudited interim condensed consolidated interim financial statements for the three months ended March 31, 2019, the results of Sarment for the three months ended March 31, 2019 were compared to the results of Sarment Hong Kong for the three months ended March 31, 2018.

Going concern

The Company incurred a net loss of US$4.1 million during the three months ended March 31, 2019 and as at that date, the Company's net current liabilities and total shareholders' deficit amounted to US$1.3 million and US$9.9 million respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Notwithstanding the above, the condensed interim consolidated financial statements of the Company is prepared on a going concern basis as the Directors are confident that the Company 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 Company.

Should the funding exercise not materialize on time, the Company 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 Company is unable to continue in operational existence for the foreseeable future, the Company 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 Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

Recent Developments

During the three months ended March 31, 2019, the Company re-aligned the organization for improved commercial accountability and productivity, resulting in a 7.5% reduction of staff expense and 16.3% reduction in overall operating expenses compared to the first quarter in 2018. The Company has also enhanced its capital management by improving the collection of accounts receivable and reducing its inventory balance during the first quarter in 2019. The Company's trade receivables from third parties decreased by 32% from US$3.2 million as at December 31, 2018 to $2.2 million as at March 31, 2019. The Company's inventory also decreased by 13% from US$6.2 million as at December 31, 201.8 to US$5.4 million as at March 31, 2019.

Subsequent to the three months ended March 31, 2019, the Company has successfully utilized its experience from the proof of concept of KEYYES and launched its KADDRA CEM platform, which is a white-label CEM platform aimed at helping businesses connect with their customers. In April 2019, a two year agreement worth up to US$0.6 million was signed with a prominent global luxury carmaker to utilise the platform for enhancement of its online ecosystem.

Discussion of Operations

The following table summarizes our results of operations by segment for the three months ended March 31, 2019 and 2018:

	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)

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.

The following table reconciles EBITDA, Adjusted EBITDA and Adjusted Operating Loss for the three months ended March 31, 2019 and 2018

In USD'000	March 31, 2019	March 31, 2018
Net Loss	(4,071)	(5,048)
Add the impact of:		
Income tax expense (recovery)	-	-
Interest expense	580	857
Amortization and depreciation	195	67
EBITDA	(3,296)	(4,124)
Add the impact of:		
Stock-based compensation	634	-
Adjusted EBITDA	(2,662)	(4,124)
Less: Amortization and depreciation	(195)	(67)
Adjusted Operating Loss	(2,857)	(4,191)

Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

Total Revenue:

Total revenue was US$3.8 million and US$4.7 million for the three months ended March 31, 2019 and 2018, respectively, representing a decrease of US$0.9 million or 20.8% from the prior period. The decrease in revenue of US$0.2 million was comprised of a negative currency impact of 4.2%, due to currency fluctuations between the Chinese Yuan Renminbi and the United States Dollar of 6.5% and currency fluctuations between the Singapore Dollar and the United States Dollar of 2.7%. In addition, the decrease in revenue was due to a decrease in a product-customer mix of 18.8% and volume mix of 6.5%, offset by a positive price mix of 8.7% from the first quarter in 2018. The decreases in the product-customer mix and volume mix were mainly related to our business segment in Hong Kong because of our management restructuring and transition and limitation of the market on the current business model in Hong Kong. As a result, the revenue in Hong Kong decreased by US$1.0 million in the first quarter of 2019. The digital transformation in Hong Kong has started at the very end of fourth quarter 2018 and it will accelerate in 2019. The benefits of the digital transformation should be materialized in the 2nd half of 2019. Along with new management in place, the transformative actions taken have sustained part of the traditional model and have set the grounds for renewed growth.

The revenue in other business segments experienced modest growth in the first quarter of 2019 compared to the same period in 2018. The revenue of the Singapore and international business unit increased by 4.0% compared to the three months ended March 31, 2018. Without the currency translation impact, the revenue of our China business unit in the three months ended March 31, 2019 increased by 2.2% compared to the same period in 2018. However, due to the depreciation of Chinese Yuan Renminbi against the United States dollar, the revenue in U.S. dollars in China business segment decreased by 4.0% from the three months ended March 31, 2018 compared to the same period in 2019. Furthermore, the revenue growth rate in China was reduced in the first quarter of 2019 because the Company was in transition of introducing new brands of wines under better terms and phasing out certain brands.

For the three months ended March 31, 2019, the China business unit represented 50.0% (three months ended March 31, 2018: 41.1%) of Sarment's total revenue, the Hong Kong business units represented 16.0% (three months ended March 31, 2018: 32.9%), of Sarment's total revenue, while Singapore & International represented 34.0% (three months ended March 31, 2018: 26.0%) 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 may affect all products and customers or may be limited to certain customer groups.

Beginning February 2018, our digital marketplace (CEM system) has been live and able to process registered members' purchases. As of March 31, 2019, there were 4,828 registered members. This represented a growth of 48% or 1,566 registered members when compared to December 31, 2018. For the three months ended March 31, 2019, digital marketplace sales on our KEYYES platform was approximately US$160,425.

Gross Margin:

Gross margin was 31.6% for the three months ended March 31, 2019 compared to 32.1% for the same period in 2018. The slight decrease in gross margin is attributable to the decrease of revenue from China business units which generate higher gross margin.

Operating expenses:

Operating expenses decreased by 16.3% or US$0.9 million, from US$5.7 million for the period ended March 31, 2018 to US$4.8 million for the period ended March 31, 2019. The decrease in operating expenses was mainly attributable to the following items:

	Three months ended March 31			
	2019	**2018**	**Variance**	
	US$'000	US$'000	US$'000	%
Staff costs	3,175	3,431	(256)	(7.5%)
Stock-based compensation	634	-	634	N/A
Professional fees	217	856	(639)	(74.6%)
Travelling and entertainment	295	511	(216)	(42.3%)
Rental of premises	179	431	(252)	(58.5%)
Technology and logistic expenses	389	611	(222)	(36.3%)

The Company has initiated cost reduction in 2019 to improve the Company's overall financial performance. The Company has been reviewing the Company's focus of the business and strategically realigned the number of employees and management in certain departments during the three months ended March 31, 2019.

Stock-based compensation of US$0.6 million for the period ended March 31, 2019 represented Restricted Share Units ("RSUs") granted officers, directors and employees.

The significant decrease in professional fees of US$0.6 million in the first quarter of 2019 compared to the same period in 2018 is consistent with the completion of IPO in August 2018. Significant professional fess incurred in 2018 for the change of the Company from a private to a public company, of which the Company is required to be compliant with legal, accounting and other regulatory requirements in both Singapore and Canada. Most of the professional fees in 2018 were related to advice on legal and tax restructuring, corporate secretarial services, financial audit, trademark activities, and development of data and other policies in connection with the CEM platform.

Travelling and entertainment expenses decreased from US$0.5 million for the three months ended March 31, 2018 to US$0.2 million for the same period in 2019 because travelling was significantly reduced after the IPO in 2018. In addition, as part of the cost reduction initiative, the Company has reduced or eliminated discretionary spending such as entertainment expenses for the three months ended March 31, 2019.

Rental of premises deceased by US$0.3 million from March 31, 2018 to the same period in 2019 because of the adoption of IFRS 16 Lease at January 1, 2019. Office leases with lease term over 12 months since January 1, 2019 are all capitalized as right-of-use assets and no rental expenses are recognized for the capitalized leases as result of the adoption of IFRS 16. The rental of premise of US$179 for the period ended March 31, 2019 is mainly related to leases with lease terms less than 12 months since January 1, 2019.

The Company has reduced technology and logistic expenses for the period ended March 31, 2019 by US$0.2 million as the development of Sarment's digital marketplace and marketing functions were largely performed by Sarment employees as opposed to outsourced to third parties in early 2018. In addition, as part of the cost reduction initiative, the Company closed an under-utilized distribution center in Europe which further reduce the Company's logistic expenses for the three months ended March 31, 2019.

Total Assets:

Total assets decreased by US$0.4 million, from US$13.1 million as at December 31, 2018 to US$12.7 million as at December 31, 2018. The decrease in total assets is primarily attributable to a decrease in inventories of US$0.8 million, prepayments of US$0.2 million and trade and other receivables of US$0.7 million, partially offset by an increase in right-of-use assets of US$1.2 million as a result of the adoption of *IFRS 16 Lease* as at January 1, 2019.

Total Non-Current Liabilities:

Total non-current liabilities increased by US$0.7 million, from US$10.2 million as at December 31, 2018 to US$10.9 million as at March 31, 2019. The increase was primarily due to the non-current lease payables in the amount of US$0.3 million due to the adoption of *IFRS 16 Lease* as at January 1, 2019, imputed interest of US$0.1 million related to the convertible loan and imputed interest of US$0.3 million related to loans from shareholders.

SUMMARY OF QUARTERLY RESULTS

The following financial information for the Company has been derived from the Company's financial statements for the Company's most recent quarters.

Quarterly Results *(All amounts in 000s of US Dollars, except Loss per share figures)*	**4th Quarter December 31**	**3rd Quarter September 30**	**2nd Quarter June 30**	**1st Quarter March 31**
Calendar 2019				
Revenue				3,751
Loss attributable to owners of the Company				(4,042)
Loss per share attributable to owners of the Company (Basic & Diluted)				(0.13)
Calendar 2018				
Revenue	4,585	5,358	5,902	4,736
Loss attributable to owners of the Company	(4,198)	(7,636)	(6,483)	(5,038)
Loss per share attributable to owners of the Company (Basic & Diluted)	(0.13)	(0.28)	(0.27)	(0.33)
Calendar 2017				
Revenue	5,067	4,846	3,633	
Loss attributable to owners of the Company	(4,849)	(3,805)	(3,740)	
Loss per share attributable to owners of the Company (Basic & Diluted)	(0.35)	(0.27)	(0.27)	

The Company has strong growth in sales in the second and third quarter in 2018 compared to the corresponding period in 2017.

The decrease in sales in the fourth quarter in 2018 is due to the decrease in sales in Hong Kong.

The overall increase in the Company's loss attributable to owners of the Company of each quarter in 2018 compared with 2017 is due to the increase of staff costs and stock-based compensation for the expansion of the Company's business and increase in professional fee as public reporting issuer.

Liquidity and Capital Resources

General

The capital of the Company consists of items included in shareholders' equity and convertible debentures. Historically, the Company's primary sources of liquidity and capital resources were shareholder loans and advances. The Company's primary objectives of capital management are to safeguard the Company's ability to continue as a going concern and to support the Company's growth and general corporate needs, including development of our technical infrastructure, intellectual property, patents and trademarks. Throughout 2017 and 2018, the Company incurred additional expenses related to the development of our CEM. Additional future liquidity needs will include funding ongoing operating expenses the Company expects to incur to finance growth, including launching new cities on our CEM.

The Company's cash and bank balances at March 31, 2019 was US$1.5 million. As at March 31, 2019, the Company had not yet achieved profitable operations and had accumulated losses of US$76.0 million since inception. The Company's working capital deficiency as at March 31, 2019 was US$1.3 million.

In the event that the Company's business does not generate sufficient cash flows from operating activities, the Company will need to raise sufficient capital through equity or debt financing 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 is now 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 reduced by US$1.3 million from US$4.0 million in the three months ended March 31, 2018 to US$2.7 million in the three months ended March 31, 2019. This was mainly due to the decrease of loss before income tax of US$0.9 million from US$5.0 million for the three months ended March 31, 2018 to US$4.1 million for the three months ended March 31, 2019.

Cash flows from investing activities. Net cash used in investing activities during the three months ended March 31, 2018 and 2019 was insignificant.

Cash flows from financing activities. Net cash from financing activities decreased from US$4.0 million in the three months ended March 31, 2018 to US$2.9 million in the three months ended March 31, 2019. The Company received a short term loan of US$3.0 million and made office lease payments of US$0.1 million during the three months ended March 31, 2019.

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 million. Pursuant to the terms of the agreement, a charge was executed in favour of the individual granting him a floating charge over SPL's wine and whisky inventory with book value of US$3 million and accounts receivable of US$1.5 million. The short term loan bears interest of 12% per annum and repayable on June 30, 2019.

Shareholder Loans

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 $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 9(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.

The following table shows the movement of shareholder loans.

	Loans from shareholders		
	Current	**Non-current**	**Total**
	US$'000	US$'000	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

Mandatorily convertible loan

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 was to be automatically converted into that number of ordinary shares (as adjusted to account for the Share Split) determined by dividing the outstanding principal amount of the loan by US$2,423.10 on the earlier of (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 the closing of the IPO, the loan was converted to 643,803 shares of the Company.

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

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 March 31, 2019 are as follows:

Operating leases	**US$'000**
Less than one year	1,163
Later than one year but not later than five years	461
Total	1,625

Outstanding Share Data

As at May 15, 2019, there were 31,794,320 common shares of the Company issued and outstanding and 1,320,463 restricted shares units outstanding.

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) **Transactions during the periods**

In addition to the related party information disclosed elsewhere in these financial statements, the following significant transactions between the Company 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

As at March 31, 2019, the balance of due from shareholders and related parties was US$455,000 (December 31, 2018: US$359,000).

Critical Accounting Policies and Estimates

Changes in accounting policies

The Company has adopted the following new standards commencing January 1, 2019.

<u>IFRS 16 Leases</u>

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 Company 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 Company 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 Company 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 Company 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 Company recognized additional US$392 right of use assets and US$391 lease liabilities related to the Company's office rentals.

<u>IFRIC 23 Uncertainty Over Income Tax Treatments</u>

The Company 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 Company's financial results or disclosures.

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 Sarment acts 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 whether Sarment acts as a principal to the consignment arrangement. In acting as a principal and primary obligor on the consignment arrangements, Sarment has discretion as to 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 owned by Sarment. In addition, most of the entities' costs are mainly incurred 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 trade and other receivables

The Company applies a simplified approach in calculating expected credit losses ("ECLs"). Therefore, the Company 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 Company'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.

Deferred tax assets

Accounting standards require that 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 during the periods presented for obsolete and slow-moving inventories as management has assessed future economic deterioration of those inventories on hand as remote.

Quantitative and Qualitative Disclosures about Market Risk

The Company 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 Company'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, the Company minimise credit risk by dealing exclusively with credit worthy counterparties.

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

<u>Excessive risk concentration</u>

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 Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company'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 Company does not apply hedge accounting.

<u>Exposure to credit risk</u>

The Company'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.

Credit risk concentration profile

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

To manage liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations via the following:

- Loans from shareholders/ interested parties;
- Secondary investments from third-party wine families into the wine business of the Company; and
- Investment from private investors in the convertible bonds to be issued by the Company.

Foreign currency risk

The Company has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Company and its subsidiaries, 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 Company's sales are denominated in the respective local currencies whilst almost all of these costs are denominated in the foreign currencies.

The Company 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 Company is also exposed to currency translation risk arising from its net investments in foreign operations, including those in China, Hong Kong and Singapore. The Company'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.

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 March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Use Of Proceeds

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

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 Company.

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.

Approval

The Board of Directors of Sarment has approved the contents of this MD&A on May 15, 2019.