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

Interim Condensed Consolidated Statements of Financial Position (Unaudited)

	Notes	As at September 30, 2018 US$'000	As at December 31, 2017 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	252	384
Intangible assets	5	930	50
Other receivables	6	115	117
		1,297	551
Current assets			
Inventories	7	7,880	8,314
Trade and other receivables	6	3,925	3,892
Prepayments		609	1,235
Cash and bank balances	8	4,220	1,349
		16,634	14,790
Total assets		17,931	15,341
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	9	7,289	5,790
Advances received		504	2,034
Advances from shareholders		–	7,188
Embedded derivatives	10(ii)	710	–
Loans and borrowings	10	920	4,283
		9,423	19,295
Net current assets (liabilities)		7,211	(4,505)
Non-current liabilities			
Loans and borrowings	10	9,754	18,115
Other liabilities		16	17
		9,770	18,132
Total liabilities		19,193	37,427
Net liabilities		(1,262)	(22,086)

	Notes	As at September 30, 2018 US$'000	As at December 31, 2017 US$'000
Equity attributable to owners of the Company			
Share capital	11a	56,987	12,977
Translation reserves		1,213	81
Accumulated losses		(67,741)	(48,583)
Other reserves	11b	9,584	14,645
		43	(20,880)
Non-controlling interests		(1,305)	(1,206)
Total equity		(1,262)	(22,086)
Total equity and liabilities		17,931	15,341

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

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

Interim Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income (Unaudited)

	Notes	For the three months ended September 30 2018 US$'000	For the three months ended September 30 2017 US$'000	For the nine months ended September 30 2018 US$'000	For the nine months ended September 30 2017 US$'000
Revenue	12	5,358	4,846	15,996	11,872
Cost of sales		(3,754)	(3,405)	(11,113)	(8,357)
Gross profit		1,604	1,441	4,883	3,515
Other income		459	65	475	74
Items of expenses					
Staff costs	13	(3,127)	(2,449)	(10,064)	(6,560)
Share-based compensation	11a	(879)	–	(879)	–
Depreciation and amortization		(70)	(85)	(213)	(284)
Other operating expenses	15	(4,978)	(1,840)	(11,319)	(4,701)
Operating loss		(6,991)	(2,868)	(17,117)	(7,956)
Finance costs	14	(706)	(960)	(2,168)	(2,633)
Loss before income tax		(7,697)	(3,828)	(19,285)	(10,589)
Income tax expenses		–	–	–	–
Net loss for the period		(7,697)	(3,828)	(19,285)	(10,589)
Other comprehensive income, net of tax		489	(219)	1,160	(719)
Total comprehensive income for the period		(7,208)	(4,047)	(18,125)	(11,308)
Loss attributable to:					
Equity holders of the Company		(7,636)	(3,805)	(19,158)	(10,487)
Non-controlling interests		(61)	(23)	(127)	(102)
		(7,697)	(3,828)	(19,285)	(10,589)
Total comprehensive income attributable to:					
Equity holders of the Company		(7,193)	(4,018)	(18,054)	(11,214)
Non-controlling interests		(43)	(33)	(99)	(98)
		(7,236)	(4,051)	(18,153)	(11,312)
Earnings per share attributable to the equity holders of the Company (dollar per share)					
Basic	16	(0.3)	(0.3)	(0.9)	(0.8)

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

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

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

	Attributable to equity holders of the Company					
	Share capital (Note 11a) US$'000	**Other reserves (Note 11b)** US$'000	**Accumulated losses** US$'000	**Translation reserves** US$'000	**Non-controlling interests** US$'000	**Total** US$'000
At January 1, 2017	12,977	14,645	(33,248)	1,131	(1,056)	(5,551)
Total comprehensive income for the period	–	–	(10,487)	(723)	(98)	(11,308)
At September 30, 2017	12,977	14,645	(43,735)	408	(1,154)	(16,859)
At January 1, 2018	12,977	14,645	(48,583)	81	(1,206)	(22,086)
Issuance of share capital	44,010	(5,061)	–	–	–	38,949
Total comprehensive income for the period	–	–	(19,158)	1,132	(99)	(18,125)
At September 30, 2018	56,987	9,584	(67,741)	1,213	(1,305)	(1,262)

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

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

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Notes	For the nine months ended September 30	
		2018	**2017**
		US$'000	US$'000
Cash flows from operating activities			
Loss before income tax		(19,285)	(10,589)
Adjustment for:			
Depreciation of property, plant and equipment	4	137	237
Amortization of intangible assets	5	76	47
Share-based compensation	11a	879	–
Other income		(448)	–
Finance costs	14	2,168	2,633
Foreign exchange differences		1,261	(776)
Operating cash flows before working capital changes		(15,212)	(8,448)
Changes in working capital			
Decrease in inventories		434	920
Increase in trade and other receivables		(29)	(829)
Increase in trade and other payables		1,421	2,456
Decrease in advances received		(1,530)	(204)
Decrease/(increase) in prepayments		626	(96)
Cash flows used in operations		(14,290)	(6,201)
Interest paid		(313)	(45)
Net cash used in operating activities		(14,603)	(6,246)
Cash flows from investing activities			
Payments to acquire property, plant and equipment	4	(48)	–
Net cash received from acquisition of a group of assets		2	–
Net cash used in investing activities		(46)	–
Cash flows from financing activities			
Capital contributed by shareholders	11a	2,000	–
Net proceeds from initial public offering	11a	13,502	–
Advances from shareholders for issuance of shares		–	4,000
Proceeds from issuance of convertible loans	10,11d	6,000	–
Proceeds from short term loan	10	1,000	–
Repayment of short term loans	10	(4,983)	–
Repayment of finance leases		–	(15)
Proceeds from a related party		–	2,500
Net cash generated from financing activities		17,519	6,485
Net change in cash and cash equivalents		2,870	239
Cash and cash equivalents at beginning of the period		1,264	1,354
Effect of foreign exchange rate changes		2	(5)
Cash and cash equivalents at end of the period	8	4,136	1,588

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

1. Corporate information

The interim condensed consolidated financial statements of Sarment Holding Limited (formerly Sarment Holding Pte. Ltd. (Singapore)) (the "Company") and its subsidiaries (collectively, the Group) for the three and nine months ended September 30, 2018 were authorized for issue in accordance with a resolution of the directors on November 21, 2018.

The Company is a limited liability company which is domiciled and incorporated in Singapore. The Company's registered office is 3 Raffles Place, #06-01, Bharat Building, Singapore 048617. The Group is principally engaged in sale of wines and other luxury products and related services.

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

On August 21, 2018, the Company completed a share split of its share capital on the basis of one existing common share for 780 new common shares (the "Share Split"). As a result of the Share Split, the 30,641 common shares issued and outstanding at that date were split to 14,118,000 common shares. The Company recorded the effect of the Share Split retroactively to all disclosures of share capital and per share amount.

2. The Restructuring Exercise

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

On March 21, 2018, the Group carried out a restructuring exercise (the "Restructuring"), pursuant to which, inter alia, the shareholders of Sarment Hong Kong, exchanged their shares in the capital of Sarment Hong Kong on a 1:1 basis for shares in the capital of the Company, such that the Company will be 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. Basis of preparation and changes to the Group's accounting policies

3.1 Basis of preparation

The interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed 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, 2017.

The interim condensed consolidated 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.

Operating results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

3.2 Basis of consolidation

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

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

As a result of the Share Swap as described in note 2 above, the Company is the sole shareholder of Sarment Hong Kong and its subsidiaries in exchange for the issue of equity of the Company. The transaction is not a business combination and does not result in any change of economic substance. Accordingly, the interim condensed consolidated financial statements of the Company are a continuation of the existing group. Comparatives presented represent consolidated financial results of the Group which include subsidiaries as disclosed in note 17 since inception of the Group in year 2012.

3. Basis of preparation and changes to the Group's accounting policies (cont'd)

3.3 Going concern uncertainty

The Group incurred a net loss of US$19,285 during the nine months ended September 30, 2018 and had an accumulated losses of US$67,741 as at September 30, 2018. 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. The ability of the Group to continue as a going concern depends on the Group's ability to generate sufficient cash flows from operating activities and additional equity and/or debt financing to enable the Group to continue as a going concern for the next 12 months from the date of this interim condensed consolidated 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.

3.4 Effective of adoption of new standards

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

(a) IFRS 9 Financial Instruments

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

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

3. Basis of preparation and changes to the Group's accounting policies (cont'd)

3.4 Effective of adoption of new standards (cont'd)

(a) IFRS 9 Financial Instruments

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

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

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

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

(b) IFRS 15 Revenue from Contracts with Customers

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

<u>Sale of goods</u>

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

3. Basis of preparation and changes to the Group's accounting policies (cont'd)

3.4 Effective of adoption of new Standards (cont'd)

(b) IFRS 15 Revenue from Contracts with Customers

Variable consideration

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

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

Storage services

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

Rights of return

Under IFRS 15, the Group estimated the amount of expected returns in determining the transaction price. The Group does not expect the impact to be material based on current information. The Group assessed the quantum of expected future returns and concluded the impact is not material as of January 1, 2018. Hence no cumulative catch-up adjustment to the opening balance of retained earnings as at January 1, 2018 was recorded.

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

4. Property, plant and equipment

	Computers	Furniture and fixtures	Office equipment	Machinery	Motor vehicles	Leasehold improvement	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost							
At December 31, 2016	56	206	357	82	214	657	1,572
Additions	9	6	71	17	12	7	122
Disposals	–	(12)	(12)	(4)	(10)	(334)	(372)
Exchange realignment	5	4	16	3	17	16	61
At December 31, 2017	70	204	432	98	233	346	1,383
Additions	2	–	42	4	–	–	48
Written off	(19)	(4)	(39)	(9)	–	–	(71)
Disposals	–	(2)	(30)	(20)	(73)	(31)	(156)
Exchange realignment	(1)	(1)	(10)	(2)	(5)	(4)	(23)
At September 30, 2018	52	197	395	71	155	311	1,181

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

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

	Computers	Furniture and fixtures	Office equipment	Machinery	Motor vehicles	Leasehold improvement	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Accumulated depreciation							
At December 31, 2016	32	167	174	46	114	495	1,028
Charge for the year	21	17	73	13	34	92	250
Disposal	–	(7)	(8)	(3)	(1)	(333)	(352)
Exchange realignment	2	–	10	2	–	9	23
At December 31, 2017	55	177	249	58	147	263	949
Charge for the period	19	11	56	9	23	19	137
Disposal	–	(1)	(17)	(28)	(39)	(31)	(116)
Written off	(18)	–	(3)	–	–	–	(21)
Exchange realignment	(5)	(1)	(5)	(3)	(4)	(2)	(20)
At September 30, 2018	51	186	280	36	127	249	929

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

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

	Computers	Furniture and fixtures	Office equipment	Machinery	Motor vehicles	Leasehold improvement	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Accumulated impairment loss							
At December 31, 2016	–	–	35	9	–	–	44
Impairment for the year	–	21	–	–	–	–	21
Exchange realignment	1	(17)	1	–	–	–	(15)
At December 31, 2017	1	4	36	9	–	–	50
Written off	(1)	(4)	(36)	(9)	–	–	(50)
Reclassification	–	–	–	–	–	–	–
At September 30, 2018	–	–	–	–	–	–	–
Carrying amount							
At December 31, 2017	14	23	147	31	86	83	384
At September 30, 2018	1	11	115	35	28	62	252

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

5. Intangible assets

	Computer software	Trademark	Goodwill	Total
	US$'000	US$'000	US$'000	US$'000
Cost				
At December 31, 2016	141	–	2,916	3,057
Additions	–	–	–	–
Exchange realignment	9	–	(22)	(13)
At December 31, 2017	150	–	2,894	3,044
Additions	–	1,000	–	1,000
Exchange realignment	(3)	(39)	–	(42)
At September 30, 2018	147	961	2,894	4,002
Accumulated amortization and impairment				
At December 31, 2016	55	–	2,916	2,971
Charge for the period	41	–	–	41
Exchange realignment	4	–	(22)	(18)
At December 31, 2017	100	–	2,894	2,994
Charge for the period	26	50	–	76
Exchange realignment	2	–	–	2
At September 30, 2018	128	50	2,894	3,072
Carrying amount				
At December 31, 2017	50	–	–	50
At September 30, 2018	19	911	–	930

Goodwill

Goodwill arose from the acquisition of Sarment Ltd and its subsidiaries in 2012. Goodwill has been fully impaired in 2013 due to uncertainty of future economic benefits at that point in time.

Trademarks

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

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

6. Trade and other receivables

	As at September 30, 2018	As at December 31, 2017
	US$'000	US$'000
Trade and other receivables (current):		
Trade receivables from third parties	3,070	2,653
Trade receivables from related parties	50	133
Amount due from shareholders	339	277
Other receivables	466	829
	3,925	3,892
Other receivables (Non-current):		
Refundable deposits	115	117
Total trade and other receivables	4,040	4,009
Add: Cash and bank balances (Note 8)	4,220	1,349
Total loans and receivables	8,260	5,358

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	As at September 30, 2018	As at December 31, 2017
	US$'000	US$'000
Trade receivables – nominal amounts	126	68
Less: Allowance for impairment	(99)	(15)
	27	53
Movement in allowance accounts:		
At January 1	(15)	(11)
Charge for the period	(78)	(11)
Written off	(3)	8
Exchange differences	(3)	(1)
At September 30 and December 31	(99)	(15)

The Group recognised impairment losses on receivables arising from contracts with customers, which have been included under Other Operating Expenses in the consolidated statements of profit or loss amounting to US$11 and US$78 (2017: Nil and Nil) for the three and nine months ended September 30, 2018, respectively.

Amounts due from related parties are non-trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

7. Inventories

Inventories comprise mainly wines and spirits, and other ancillary products. Inventories recognized as expenses in cost of sales, amounting to US$3,754 and US$11,113 (2017: US$3,405 and US$8,357) for the three and nine months ended September 30, 2018, respectively.

As at September 30, 2018 and December 31, 2017, certain inventory items were co-owned with third parties. The Group recorded its proportionate share of these products amounting to US$120 (2017: US$298) as part of inventories at each of the balance sheet dates.

8. Cash and bank balances

	As at September 30, 2018	**As at December 31, 2017**
	US$'000	US$'000
Cash at banks	4,220	1,349
Less: Short term pledged deposits	(84)	(85)
Cash and cash equivalents	4,136	1,264

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

Short-term deposits are pledged to licensed banks for credit card application and bank guarantee to the Company issued in favour of Comptroller of Goods and Services tax. The short-term deposits are made for varying periods of between six months to twenty-four months and earn interest at the respective short-term deposit rates. The weighted average effective interest rate as at September 30, 2018 for the Group was 0.29% (December 31, 2017: 0.21%).

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

9. Trade and other payables

	As at September 30, 2018	As at December 31, 2017
	US$'000	US$'000
Trade payables to third parties	2,636	2,253
Trade payables to related parties	978	23
Accruals and other payables	3,660	3,514
Amount due to a director	15	–
Trade and other payables	7,289	5,790
Loan from Galia Holdings Inc. ("Galia") (Note 10)	–	3,535
Convertible loans (non-current) (Note 10(ii))	953	–
Loans from shareholders (current) (Note 10)	920	748
Loans from shareholders (non-current) (Note 10)	8,801	18,115
Total financial liabilities carried at amortised cost	17,963	28,188

10. Loans and borrowings

	As at September 30, 2018	As at December 31, 2017
	US$'000	US$'000
Loans and borrowings (current)		
Loan from Galia	–	3,535
Loans from shareholders	920	748
	920	4,283
Loans and borrowings (non-current)		
Convertible loans (ii)	953	–
Loans from shareholders	8,801	18,115
	9,754	18,115
	10,674	22,398

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

10. Loans and borrowings (cont'd)

Loan from Galia

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

Convertible loans

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

(ii) On June 28, 2018, the Company entered into non-interest bearing convertible loan agreements with certain of its current shareholders, totalling to US$2,000. Pursuant to the terms of the convertible loan agreements, the loan will mature on February 21, 2020, being 18 months after the initial public offering ("IPO") of the ordinary shares of the Company on August 21, 2018, or June 30, 2020, whichever is earlier. At the option of the lender, the convertible loan may be repaid in cash on the maturity date or the lender may convert the aggregate outstanding principal amounts under each convertible loan into that number of ordinary shares determined by dividing the outstanding principal amount of the convertible loan by an amount equal to the offering price in USD using the applicable exchange rate on the date the ordinary shares are listed. The debt host of the convertible loans was accounted for as a financial liability carried at amortised cost using the effective interest method. The conversion option was accounted for as an embedded derivative liability measured at fair value with changes in value being recorded in the consolidated statements of profit or loss. At September 30, 2018, the debt host and embedded derivative of the convertible loans were amounting to US$953 (2017: Nil) and US$710 (2017: Nil), respectively.

10. Loans and borrowings (cont'd)

Short term loan

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

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.

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 6,482,580 post-Share Split ordinary shares. The aggregate amount of outstanding shareholder loans before the Restructuring was US$27,373 and post-Restructuring the aggregate amount decreased by US$15,500 (Note 11a and Note 11b) to US$11,873.

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

10. Loans and borrowings (cont'd)

Loans from shareholders (cont'd)

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

	As at December 31, 2017			**As at March 20, 2018**			**As at September 30, 2018**		
	Principal Loan US$'000	**Imputed Interest** US$'000	**Present Value** US$'000	**Principal Loan** US$'000	**Imputed Interest** US$'000	**Present Value** US$'000	**Principal Loan** US$'000	**Imputed Interest** US$'000	**Present Value** US$'000
Shareholder 1	7,500	(2,447)	5,053	7,500	(2,445)	5,055	2,000	(557)	1,443
Shareholder 2	3,500	(1,225)	2,275	3,500	(1,145)	2,355	–	–	–
Shareholder 3	15,373	(5,235)	10,138	15,373	(4,753)	10,620	9,873	(2,515)	7,358
Shareholder 4	1,000	(351)	649	1,000	(327)	673	–	–	–
Total	**27,373**	**(9,258)**	**18,115**	**27,373**	**(8,670)**	**18,703**	**11,873**	**(3,072)**	**8,801**

All loans and borrowings are denominated in United States Dollars.

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

11. Equity

11a. Share capital

	As at September 30, 2018	
	No. of Shares*	**Issued and fully paid up, no par value**
		US$'000
Ordinary shares:		
At beginning of the period	14,118,000	12,977
Issuance for the period:		
Acquisition of Sarment Sàrl (Note 5)	321,360	879
Restructuring of Shareholder loans (Note 10)	6,482,580	15,500
Capital contributed by shareholders in the Restructuring	2,961,660	9,200
Satisfaction of prior year's executive compensation through the issuance of ordinary shares	16,380	50
IPO, net of issuance costs	6,057,553	13,502
Convertible loan conversion (Note 10)	829,532	2,000
Convertible loan conversion (Note 11d)	643,803	2,000
Share-based compensation	363,452	879
At end of the period	31,794,320	56,987

	As at December 31, 2017	
	No. of Shares	**Issued and fully paid up, no par value**
		US$'000
Ordinary shares:		
At beginning and end of the year	14,118,000	12,977

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

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

The Restructuring
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 the course of 2017 and US$2,000 was received during the period ended September 30, 2018. The Restructuring also involved converting a portion of shareholder loans to equity (Note 10). The aggregate amount outstanding under the shareholder loans before the Restructuring was US$27,373, whilst post-Restructuring the aggregate amount decreased by US$15,500 to US$11,873.

11. Equity (cont'd)

11a. Share capital (cont'd)

During the period ended September 30, 2018, the Company resolved to grant 16,380 post-Share Split ordinary shares to the Chief Executive Officer ("CEO") as payment for his bonus for the year ended December 31, 2017.

On August 21, 2018, the Company completed the IPO of an aggregate of 6,057,553 ordinary shares of the Company at a price of CAD$3.15 per ordinary share for net proceeds of US$13,502. 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 share-based compensation of US$879 which was satisfied by the issuance of 363,452 post-Share Split ordinary shares.

11b. Other reserves

As of September 30, 2018, among others, "other reserves" included an additional contribution of US$9,584 (2017: US$14,645) which relates to the benefit received as a result of shareholders requiring interest rates lower than market rates on loans advanced by them to the Group. During the nine months ended September 30, 2018, US$5,061 was transferred from other reserves to share capital as part of the unexpired imputed interest relating to the US$15,500 (Note 10) of shareholder loans converted to equity as part of the Restructuring.

11c. Restricted Share Units

On July 25, 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, officer, 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 RSU Plan is effective on August 21, 2018. The RSUs granted to the officers, employees and non-management directors will vest in three equal installments, 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 as of September 30, 2018 (2017: Nil).

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

11. Equity (cont'd)

11d. Mandatorily convertible loan

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

(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 post-Share Split ordinary shares of the Company.

12. Revenue

	For the three months ended September 30		For the nine months ended September 30	
	2018	**2017**	**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000
Type of goods or service				
Sales of wines and spirits, and other ancillary products	5,322	4,765	15,826	11,732
Revenue from professional services*	36	81	170	140
Total revenue from contracts with customers	5,358	4,846	15,996	11,872
Geographical markets				
China	2,501	2,263	7,053	4,991
Hong Kong	740	1,370	4,362	3,825
Singapore and international	2,117	1,213	4,581	3,056
Total revenue from contracts with customers	5,358	4,846	15,996	11,872
Timing of revenue recognition				
Goods transferred at a point in time	5,322	4,765	15,826	11,732
Services transferred over time	36	81	170	140
Total revenue from contracts with customers	5,358	4,846	15,996	11,872

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

12. Revenue (cont'd)

* Service revenue consists of 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. Staff costs

	For the three months ended September 30		For the nine months ended September 30	
	2018	**2017**	**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000
Salaries and related costs	2,700	2,106	8,724	5,625
Employee benefits and staff welfare	165	162	569	423
Defined contribution plans and related costs	262	181	771	512
	3,127	2,449	10,064	6,560

14. Finance costs

	For the three months ended September 30		For the nine months ended September 30	
	2018	**2017**	**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000
Loans from a related party and shareholders[(a)]	424	691	1,751	1,921
Bank charges	282	269	417	712
	706	960	2,168	2,633

[(a)] During the nine months ended September 30, 2018, the amount of imputed interest related to loans from shareholders was $1,205 (2017: $1,576).

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

15. Other operating expenses

This item includes the following charges:

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Travelling and entertainment expenses	583	410	1,536	1,294
Marketing expenses	26	167	476	774
Technology and logistic expenses	314	863	1,261	1,461
Rental of premises	420	256	1,209	718
Selling and sample expenses	120	77	341	256
Recruitment expenses	15	100	46	506
Office expenses	173	34	342	87
Professional fees	1,152	192	1,434	294
IPO expenses	1,228	–	3,028	–
Foreign exchange loss (gain)	924	(318)	1,536	(971)
Others	23	59	110	282
	4,978	1,840	11,319	4,701

16. 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 September 30		For the nine months ended September 30	
	2018	2017	2018	2017
	No. of shares	No. of shares	No of shares	No. of shares
Weighted average number of post-Share Split ordinary shares for basic earnings per share computation	27,418,110*	13,962,000**	22,209,751*	13,962,000**

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

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

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

17. Subsidiaries

(a) Acquisition of group of assets

The Group has the following significant investments in subsidiaries.

Name	Principal place of business	Principal activities	Proportion (%) of ownership interest September 30, 2018	December 31, 2017
Held by the Company:				
Sarment Holding Limited (Sarment Hong Kong)	Hong Kong	Investment holding	100%	100%
Sarment (S) Pte Ltd	Singapore	Digital platform development	100%	–
Sarment UK Limited	United Kingdom	Investment holding	100%	–
Held by Sarment Hong Kong:				
Sarment Limited	Hong Kong	Sale of wines	94%	94%
Sarment Pte Ltd	Singapore	Sale of wines	100%	100%
SWTC Pte Ltd	Singapore	Sale of wines	100%	100%
SARL Sarment France	France	Sale of wines	100%	100%
Held through Sarment Limited:				
Sarment China Limited	China	Sale of wines	94%	94%
Sarment (Macau) Limited	Macau	Sale of wines	94%	–
Held through SWTC Pte Ltd:				
SWTC (Macau) Ltd	Macau	Sale of wines	100%	100%
Sarment Japan KK	Japan	Sale of wines	100%	100%
Held through Sarment (S) Pte Ltd:				
Sarment Sàrl	Luxembourg	Holder of intellectual property rights	100%	–
Sarment IP Holding Pte. Ltd.	Singapore	Holder of intellectual property rights	100%	–

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

18. Related party transactions

(a) Sale and purchase of goods and services

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 September 30		**For the nine months ended September 30**	
	2018	**2017**	**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000
Sale of finished goods to:				
- Key management personnel	6	–	14	8
- Former director	–	–	64	–
- Shareholders	2	–	14	2
Finance costs to:				
- Directors, including a former director and his controlled entity	423	1,358	1,750	2,588
Share-based compensation:				
- Directors and shareholders	–	–	879	–

(b) Compensation of key management personnel

	For the three months ended September 30		**For the nine months ended September 30**	
	2018	**2017**	**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000
Short-term employee benefits	328	217	982	474
Other short-term benefits	60	9	129	146
Share-based compensation	879	–	879	–
	1,267	226	1,990	620
Comprise amounts paid to:				
Directors of the Company	1,033	131	1,340	512
Other key management personnel	234	95	650	108

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

19. Segment information

	China For the three months ended September 30		Hong Kong For the three months ended September 30		Singapore and International For the three months ended September 30		Elimination For the three months ended September 30			Total For the three months ended September 30	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**		**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	**Note**	US$'000	US$'000
Revenue:											
External customers	2,501	2,263	740	1,370	2,117	1,213	–	–		5,358	4,846
Inter-segment	–	23	1,280	1,056	149	119	(1,429)	(1,198)	A	–	–
Total revenue	2,501	2,286	2,020	2,426	2,266	1,332	(1,429)	(1,198)		5,358	4,846
Depreciation and amortization	(6)	–	(4)	(33)	(60)	(52)	–	–		(70)	(85)
Other non-cash items	(557)	125	(1)	18	82	175	–	–		(476)	318
Segment operating loss	(765)	(435)	(325)	(162)	(5,901)	(2,271)	–	–		(6,991)	(2,868)

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

19. Segment information (cont'd)

	China For the nine months ended September 30		**Hong Kong** For the nine months ended September 30		**Singapore and International** For the nine months ended September 30		**Elimination** For the nine months ended September 30			**Total** For the nine months ended September 30	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**		**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	**Note**	US$'000	US$'000
Revenue:											
External customers	7,053	4,991	4,362	3,825	4,581	3,056	–	–		15,996	11,872
Inter-segment	–	84	3,065	1,981	368	369	(3,433)	(2,434)	A	–	–
Total revenue	7,053	5,075	7,427	5,806	4,949	3,425	(3,433)	(2,434)		15,996	11,872
Depreciation and amortization	(23)	(31)	(25)	(101)	(165)	(152)	–	–		(213)	(284)
Other non-cash items	(673)	160	(125)	182	(290)	629	–	–		(1,088)	971
Segment operating loss	(1,775)	(1,788)	(565)	(559)	(14,777)	(5,609)	–	–		(17,117)	(7,956)

(Unaudited, expressed in thousands of United States Dollars unless otherwise stated)

19. Segment information (cont'd)

	China		**Hong Kong**		**Singapore and International**		**Elimination**			**Total**	
	As at September 30, 2018 US$'000	**As at December 31, 2017** US$'000	**As at September 30, 2018** US$'000	**As at December 31, 2017** US$'000	**As at September 30, 2018** US$'000	**As at December 31, 2017** US$'000	**As at September 30, 2018** US$'000	**As at December 31, 2017** US$'000	**Note**	**As at September 30, 2018** US$'000	**As at December 31, 2017** US$'000
Assets:											
Segment assets	6,678	6,771	72,063	73,649	69,316	9,234	(130,126)	(74,313)	B	17,931	15,341
Segment liabilities	15,731	14,409	49,025	68,303	41,788	24,662	(87,351)	(69,947)	C	19,193	37,427

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

A Inter-segment revenues are eliminated on consolidation.

B Inter-segment assets (loans, advances and cost of investments) are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position.

C Inter-segment liabilities (loans and advances) are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

20. Operating lease commitments

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

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

Operating leases	**US$'000**
Less than one year	531
Later than one year but not later than five years	308
Total	839