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 and six months ended June 30, 2019 should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes thereto for the three and six months ended June 30, 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 and six months ended June 30, 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 August 27, 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. In 2016, Sarment recognized it was facing a major challenge in growing and scaling its business-to-customer("B2C") business as it had primarily focused on expanding their business business-to-business ("B2B") operations. As opposed to working with e-retailers like many of its peers, it wanted to take a direct to consumer approach in marketing to customers as it believed going straight to the source would allow it not only to simplify consumer journeys but forge closer relationships with each individual customer.

The team had looked at the overall technological landscape to find a solution and had built a strong internal tech team and realized that with its expertise, it could build an all-in-one platform, which meant faster integration, ease of use and lower costs. This technology know-how was coupled with insights from other in-house personnel - seasoned salespeople and marketers from various industries - who knew the exact core functionalities the platform required to provide an optimal customer experience.

It rebranded Sarment as Sarment Intelligent Services ("SAIS Group") so the traditional wine and luxury products distribution business could retain the "Sarment" brand and introduced its technology business unit, Kaddra.

Kaddra focuses on the development of Customer Experience Management ("CEM") solutions. The Company's CEM solution is a proprietary cloud-based software managing the digital marketplace, marketing campaigns and users' behavioral data that provides a back-end customer management function for the Company's customers. The Kaddra CEM platform is available for customers in the form of a white-label service providing them with the entire ecosystem in a gated environment for their private members, users and or consumers with the full force of customer experience analysis and management. The platform boasts highly-secure transaction capabilities with high-volume availability and big-data gathering on a permission-marketing basis, fully supporting tiered customer service. Kaddra's platform and methodology supports a tiered approach providing users and enterprise clients with the ability to differentiate products and services provisioning between various levels, thus increasing engagement and retention with desired customers advancing in service levels when positioned into specific tiers.

Kaddra also provides digital media services that would support all marketing and operational efforts for a namesake proof of concept mobile app, developed to showcase Kaddra's CEM backend capabilities. With the proof of concept of Kaddra's CEM platform, concluding its successful trial, the team that was managing its marketing and operations, will parlay their expertise in content creation and curation to support businesses Kaddra has secured partnerships with. It offers services for companies purchasing Kaddra platform to re-purpose or create their content for a mobile environment. Our team will work with clients to create content to build their brands and help them engage and reward their clients. Services provided include marketing and brand strategy, creative asset development, bespoke editorial, social media, original illustrations, art direction, styling, product shoots, catalogue development and tailored video content.

On July 29, 2019, the Company entered into a sale and purchase agreement (the "SPA") with certain strategic buyers comprised of insiders and controlling shareholders of the Company (the "Buyers"), pursuant to which the Company would sell its wine and other luxury products distribution business to the Buyers (the "Transaction"), subject to the receipt of shareholder and regulatory approvals. The wine and luxury product distribution business has been presented as a disposal group held for sale and as a discontinued operation in this MD&A. The information regarding the Transaction has been disclosed in the Management Information Circular, which are available on SEDAR at www.sedar.com.

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.

- *Development of our CEM solutions*: Management believes that our future success will depend in part upon our ability to enhance our existing CEM platform, to develop and introduce new solutions in a timely manner with features and pricing that meet changing client and market requirements, and to persuade customers, end users and partners to adopt the same. New elements of our platform offering must compete with established competitors and may require significant investment in research, development and marketing to gain traction amongst customers, end users and partners. Our solutions are complex and can require a significant investment of time and resources to develop. These activities can take longer than we expect. We may encounter unanticipated difficulties that require us to re-direct or scale back our efforts and we may need to modify our plans in response to changing advertiser and publisher requirements, market demands, resource availability, regulatory requirements or other factors. If development of our solutions becomes significantly more expensive due to changes in regulatory requirements or industry practices, or other unforeseen factors, we may find ourselves at a disadvantage compared to potential competitors with potentially greater resources to devote to product development and implementation. These factors place significant demands upon our engineering team, require complex planning and decision making, and can result in the acceleration of some initiatives and the delay of others. In 2019, we have successfully proven the technological and commercial concept of the CEM 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.

- *Market Expansion*. We depend upon our ability to establish and develop new relationships and to build on existing relationships with our customers. We currently rely and expect to rely upon these relationships in the future to sell or facilitate the sale of our CEM solutions and services. We cannot provide assurance that we will be successful in signing the service agreements. Our inability to secure these agreements could be prejudicial to our short and long-term performances. The impact on our sales and earnings, should we be unable to negotiate agreements on favourable terms, could be negative on our sales and earnings. 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. Subsequent to the quarter ended June 30, 2019, the Company's teams have met multiple companies from their network, successfully signing three clients for content management and technology development.

Segments

IFRS 8 - Operating Segments requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and to assessing its performance. For the three and six months ended June 30, 2019 and 2018, the Company operated in one segment in technology development sector because the wine and other luxury products distribution business has been reclassified as discontinued operation and assets held for sale.

As at June 30, 2019, the Company's only non-current assets are computer equipment of $59,000 located in Singapore.

Key Performance Indicators

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*.
- *Cost of sales*.
- *Operating Expenses*.

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 and six months ended June 30, 2019 and 2018:

In US$'000	For the three months ended		For the six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue	31	31	191	36
Operating loss from continuing operations	(2,606)	(3,645)	(5,773)	(6,511)
EBITDA	(4,223)	(5,859)	(7,519)	(9,983)
Adjusted EBITDA	(2,213)	(2,930)	(4,710)	(5,785)

Going Concern

The Company incurred a net loss of US$9,165,000 during the six months ended June 30, 2019 and as at that date, the Company's net current liabilities and total shareholders' deficit amounted to US$2,724,000 (excluded the assets held for sale and the associated liabilities) and US$14,288,000 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 six months ended June 30, 2019, the Company has successfully utilized its experience from the proof of concept of the Company's CEM platform 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.

On May 29, 2019, the Company publicly announced its board of directors has been evaluating options including a sale of its wine and luxury product distribution business. A letter of intent was received from certain strategic buyers comprised of the following insiders and/or control persons of the Company: El Greco International Investments S.r.l. ("El Greco") (who holds a 28.9% shareholding in Sarment), Claude Dauphin Estate (who holds a 14.4% shareholding in Sarment) and Mark Joseph Irwin (a director of Sarment and who holds a 14.7% shareholding in Sarment) (collectively, the "Buyers") on June 21, 2019. The Company has entered into a Sale and Purchase Agreement dated July 29, 2019 (the "SPA") with, pursuant to which the Company shall sell its traditional wine and spirits distribution business to the Buyers (the "Transaction"), subject to the receipt of shareholder and regulatory approvals, including approval of the TSX Venture Exchange (collectively, the "Approvals"). Shareholder approval will be sought at the annual general and special meeting of the Company, which is set for August 30, 2019 (the "Meeting"). The consideration for the Transaction consists of payment of US$1 by the Buyers to

the Company and the assumption by the Buyers of the Company's indebtedness in the aggregate amount of approximately US$20.5 million.

Subsequent to the quarter ended June 30, 2019, the Company's teams have met multiple companies from their network, successfully signed three clients for technology development.

Effect of Discontinued Operations on Current Operations

On July 29, 2019, the Company entered into the SPA with the Buyers, pursuant to which the Company would sell its wine and other luxury products distribution business to the Buyers, subject to the receipt of shareholder and regulatory approvals. The consideration for the Transaction consists of payment of US$1 by the Buyers to the Company and the assumption by the Buyers of the Company's indebtedness of approximately US$20.5 million.

The wine and luxury product distribution business has been reclassified as a disposal group held for sale and as a discontinued operation.

As at June 30, 2019, the disposal group comprised the following:

	June 30, 2019 US$'000
Property, plant and equipment	1,052
Intangible assets	828
Trade and other receivables	2,260
Inventories	4,954
Prepayments	314
Cash and bank balances	768
Assets held for sale	10,176
Trade and other payables	(4,905)
Advances received	(359)
Embedded derivatives	(100)
Loans from shareholders	(10,776)
Short term loan	(3,000)
Demand loans from shareholders	(1,121)
Convertible loan	(1,380)
Other liabilities	(158)
Liabilities directly associated with the assets held for sale	(21,799)
Total	(11,623)

The results of the wine and luxury product distribution business for the period are presented below:

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Revenue	3,671	5,871	7,262	10,602
Expenses	(6,159)	(8,765)	(10,654)	(15,679)
Loss before tax from discontinued operation	(2,488)	(2,894)	(3,392)	(5,077)
Income tax	–	–	–	–
Loss from discontinued operation	(2,488)	(2,894)	(3,392)	(5,077)
Loss per share from discontinued operations:				
Basic and diluted (US$)	(0.08)	(0.12)	(0.10)	(0.26)

The net cash flows incurred by the wine and luxury product distribution business are as follows:

	For the six months ended June 30	
	2019	**2018**
	US$'000	**US$'000**
Operating	(4,276)	(8,730)
Financing	3,776	9,000
Investing	(2)	(2)
Net cash inflow (outflow)	(502)	268

Discussion of Operations

The following table summarizes our results of operations for the three and six months ended June 30, 2019 and 2018:

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Revenue	31	31	191	36
Cost of sales	(16)	(28)	(144)	(35)
Gross profit	15	3	47	1
Staff costs	(1,497)	(2,071)	(3,358)	(3,909)
Depreciation and amortization	(3)	(38)	(75)	(49)
Stock-based compensation	(390)	–	(988)	–
Other operating expenses	(731)	(1,539)	(1,399)	(2,554)
Operating expenses	(2,621)	(3,648)	(5,820)	(6,512)
Operating loss from continuing operations	(2,606)	(3,645)	(5,773)	(6,511)
Income tax expenses	–	–	–	–
Net loss from continuing operations	(2,606)	(3,645)	(5,773)	(6,511)
Loss from discontinued operations	(2,488)	(2,894)	(3,392)	(5,077)
Net loss	(5,094)	(6,539)	(9,165)	(11,588)
Other comprehensive income that may be reclassified subsequently to profit or loss:				
- Foreign currency translation	277	1,378	(201)	682
Total comprehensive loss for the period	(4,817)	(5,161)	(9,366)	(10,906)
Loss attributable to:				
Equity holders of the Company	(5,022)	(6,483)	(9,064)	(11,521)
Non-controlling interests	(72)	(56)	(101)	(67)
	(5,094)	(6,539)	(9,165)	(11,588)
Total comprehensive income attributable to:				
Equity holders of the Company	(4,755)	(5,131)	(9,268)	(10,850)
Non-controlling interests	(62)	(30)	(98)	(56)
	(4,817)	(5,161)	(9,366)	(10,906)
Loss per share attributable to owners of the Company (dollar per share)				
Basic and diluted	(0.16)	(0.27)	(0.29)	(0.59)
Loss per share from discontinued operations (dollar per share)				
Basic and diluted	(0.08)	(0.12)	(0.10)	(0.26)

The following table reconciles EBITDA, Adjusted EBITDA and Adjusted Operating Loss for the six months ended June 30, 2019 and 2018:

In US$'000	For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Net Loss	(5,094)	(6,539)	(9,165)	(11,588)
Add the impact of:				
Income tax expense (recovery)	–	–	–	–
Interest expense	617	605	1,197	1,462
Amortization and depreciation	254	75	449	143
EBITDA	(4,223)	(5,859)	(7,519)	(9,983)
Loss before income tax from continuing operations	(2,606)	(3,645)	(5,773)	(6,511)
Stock-based compensation	390	–	988	–
IPO expenses	–	677	–	677
Amortization and depreciation	3	38	75	49
Adjusted EBITDA	(2,213)	(2,930)	(4,710)	(5,785)
Less: Amortization and depreciation	(3)	(38)	(75)	(49)
Adjusted Operating Loss	(2,216)	(2,968)	(4,785)	(5,834)

Three months ended June 30, 2019 Compared to Three months ended June 30, 2018

Total Revenue:

Beginning February 2018, our proof-of-concept CEM platform has been live and able to process registered members' purchases. The revenue of US$31,000 for the three months ended June 2018 is related to digital marketplace sales of luxury products on the Company's CEM platform.

With the success of the proof-of-concept CEM platform, the Company has started to market its Kaddra CEM platform to customers in the form of a white-label service. Also, the Company has started to provide digital media services during the second quarter in 2019. In April 2019, the Company signed a two year agreement with a prominent global luxury carmaker to utilise the platform for enhancement of its online ecosystem. Under the two year agreement, the Company also provided digital media services to the carmaker and generated US$31,000 revenue during the three months ended June 2019.

Cost of sales:

The costs of sales of US$28,000 recorded during the three months ended June 30, 2018 is related to the purchase costs of wine sold on the Company's CEM platform. During the same period in 2019, the costs incurred for providing digital media services are consulting and staff costs of US$16,000.

Operating expenses:

Operating expenses decreased by 28.3% or US$1.0 million, from US$3.6 million for three months ended June 30, 2018 to US$2.6 million for the same period in 2019. The decrease in operating expenses was mainly attributable to the following items:

	Three months ended June 30			
	2019	**2018**	**Variance**	
	US$'000	**US$'000**	**US$'000**	**%**
Staff costs	1,497	2,071	(574)	(27.7%)
Stock-based compensation	390	-	390	N/A
IPO expenses	-	677	(677)	(100.0%)
Foreign exchange (gain) / loss	(32)	135	(167)	(123.7%)

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 since the beginning of 2019 which resulted in decrease of staff costs during the three months ended June 30, 2019 compared to the same period in 2018.

Stock-based compensation of US$0.4 million for the three-month period ended June 30, 2019 represented the amortization of Restricted Share Units ("RSUs") granted officers, directors and employees.

The significant decrease in IPO expenses of US$0.7 million in the second quarter of 2019 compared to the same period in 2018 is consistent with the completion of IPO in August 2018. Significant IPO expenses 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.

Foreign exchange gain recognized in the second quarter of 2019 is due to the appreciation of SGD from SGD1.367/USD to SGD1.354/USD.

Six months ended June 30, 2019 Compared to Six months ended June 30, 2018

Total Revenue:

The revenue of US$36,000 for the six months ended June 30, 2018 is related to digital marketplace sales of wine and luxury products on the Company's CEM platform. This revenue stream has increased to US$160,000 for the six months ended June 30, 2018 due to the increase of users of the Company's CEM platform. The remaining revenue of US$31,000 is related to the Company's digital media services to the carmaker started in the second quarter of 2019.

Cost of sales:

The costs of sales of US$35,000 recorded during the six months ended June 30, 2018 is related to the purchase costs of wine sold on the Company's CEM platform. During the same period in 2019, the costs of wine sold is US$128,000 and the costs incurred for providing digital media services are staff costs of US$16,000.

Operating expenses:

Operating expenses decreased by 10.7% or US$0.7 million, from US$6.5 million for the six-month period ended June 30, 2018 to US$5.8 million for the same period ended June 30, 2019. The decrease in operating expenses was mainly attributable to the following items:

	Six months ended June 30			
	2019	**2018**	**Variance**	
	US$'000	**US$'000**	**US$'000**	**%**
Staff costs	3,358	3,909	(551)	(14.2%)
Stock-based compensation	988	-	988	N/A
IPO expenses	-	677	(677)	(100.0%)
Travelling and entertainment	427	639	(212)	(33.2%)
Marketing expenses	114	339	(225)	(66.4%)

The decrease in staff costs of US$0.6 million from the six-month period ended June 30, 2018 to the same period in June 30, 2019 is due to the Company's cost reduction initiative in 2019 to improve the Company's overall financial performance.

Stock-based compensation of US$1.0 million for the six-month period ended June 30, 2019 represented the amortization of Restricted Share Units ("RSUs") granted officers, directors and employees.

The significant decrease in IPO expenses of US$0.7 million in the second quarter of 2019 compared to the same period in 2018 is consistent with the completion of IPO in August 2018. Significant IPO expenses 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.

Travelling and entertainment expenses decreased from US$0.6 million for the six months ended June 30, 2018 to US$0.4 million for the same period in 2019. Marketing expenses also decreased from US$0.3 million for the six months ended June 30, 2018 to US$0.1 million for the same period in 2019. The decreases are due to the significant decrease in travelling and marketing 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 six months ended June 30, 2019.

Total Assets:

Total assets decreased by US$2,468,000 from US$13,071,000 as at December 31, 2018 to US$10,603,000 as at June 30, 2019. The decrease in total assets is primarily attributable to a decrease of total assets of the wine and luxury product distribution business (the "Disposal Group") which is classified as assets held for sale as at June 30, 2019. The Disposal Group's inventories, trade and other receivables, prepayments and cash and bank balance decreased by US$3.3 million in total, partially offset by an increase in right-of-use assets of the Disposal Group of US$1.0 million as a result of the adoption of *IFRS 16 Lease* as at January 1, 2019.

Total Non-Current Liabilities:

Total non-current liabilities changed from US$10.2 million as at December 31, 2018 to nil as at June 30, 2019. All non-current liabilities including loans from shareholders, convertible loan and other liabilities are related to the Disposal Group which have been reclassified to liabilities directly associated with the assets held for sale as at June 30, 2019.

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. The revenue has been restated to due to the reclassification of discontinued operation of the Company's wine and luxury products distribution business.

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			31	160
Loss attributable to owners of the Company			(5,022)	(4,042)
Loss per share attributable to owners of the Company (Basic & Diluted)			(0.16)	(0.13)
Calendar 2018				
Revenue	117	23	31	5
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	-	-	-	
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 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. Since 2017, 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 the development and growth in our CEM business.

The Company's cash and bank balances excluded the Disposal Group was US$0.3 million at June 30, 2019. As at June 30, 2019, the Company had not yet achieved profitable operations and had accumulated losses of US$81.0 million since inception. The Company's working capital deficiency as at June 30, 2019 was US$2.7 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$3.4 million from US$8.7 million in the six months ended June 30, 2018 to US$5.3 million in the six months ended June 30, 2019. This was mainly due to the decrease of loss before income tax of US$2.4 million from US$11.6 million for the six months ended June 30, 2018 to US$9.2 million for the six months ended June 30, 2019. Also, share-based compensation, which is a non-cash item, was US$1.1 million for the six months ended June 30, 2019 (2018: nil),

Cash flows from investing activities. Net cash used in investing activities during the six months ended June 30, 2019 and 2018 was insignificant.

Cash flows from financing activities. Net cash from financing activities decreased from US$9.0 million in the six months ended June 30, 2018 to US$5.0 million in the six months ended June 30, 2019. The Company received a short term loan of US$3.0 million, demand loans of US$2.3 million and made office lease payments of US$0.3 million during the six months ended June 30, 2019.

Short term loan

During the six months ended June 30, 2019, Sarment Pte. Ltd. ("SPL") entered into a loan agreement with a shareholder who owns less than 10% of the Company's outstanding shares pursuant to which he agreed to provide to SPL a bridge loan in the aggregate amount of US$3,000. Based on the terms of the agreement, a charge was executed in favour of the individual granting him a floating charge over SPL's wine and whisky inventory with book value of US$3,000 and accounts receivable of US$1,500. The short term loan bears interest of 12% per annum and repayable on June 30, 2019. The interest rate becomes 20% if the loan is not repaid after June 30, 2019. The loan has not been repaid as of the date of approval of these financial statements. This loan is included in liabilities associated with assets held for sale as at June 30, 2019.

Demand loans

The Company received a non-interest bearing and non-secured demand loan of US$1,250 from a shareholder during the six months ended June 30, 2019. The Company also received non-interest bearing and non-secured demand loans of US$1,121 from another shareholder during the six months ended June 30, 2019 which are included in the liabilities associated with the assets held for sale as at 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.

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 11(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 shareholder loans are included in the liabilities associated with the assets held for sale. The following table shows the movement of shareholder loans.

	Loans from shareholders		
	Current* US$’000	**Non-current US$’000**	**Total US$’000**
At December 31, 2017	748	18,115	18,863
Finance cost	229	1,421	1,650
Restructuring	–	(10,443)	(10,443)
At December 31, 2018	977	9,093	10,070
Finance cost	123	583	706
At June 30, 2019	1,100	9,676	10,776
Reclassified to liabilities associated with the assets held for sale	(1,100)	(9,676)	(10,776)
	–	–	–

*The current portion of loans from shareholders is related to the interest payable.

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 (discontinued operation)	302
Reclassified to liabilities associated with the assets held for sale	(1,380)
At June 30, 2019	–

Commitments

The Company has no commitment related its continuing operations.

Outstanding Shares Data

As at August 27, 2019, there were 31,794,320 common shares of the Company issued and outstanding and 1,277,027 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 June 30		**For the six months ended June 30**	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Sale of finished goods to:				
- Key management	8	1	19	8
- Former director	–	–	–	64
- Shareholders	–	11	–	12
Finance costs paid to:				
- Directors	342	490	707	1,327

(b) Compensation of key management personnel and directors

	For the three months ended June 30		**For the six months ended June 30**	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Short-term benefits	390	323	780	654
Directors fee	62	–	137	–
Other short-term benefits	9	30	18	69
Share-based compensation	410	–	1,008	–
	871	353	1,943	723

As at June 30, 2019, the balance of due from shareholders and related parties was US$6,000 (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.

IFRS 16 Leases

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

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

The 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.

IFRIC 23 Uncertainty Over Income Tax Treatments

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 risks are controlled and managed accordingly. The Company's revenue related to its discontinued operation does not have any customer over 10% of its revenue. However, 100% of the Company's revenue for the three months ended June 30, 2019 is related to providing content management supporting services to one customer because it is the Company's new business unit established in the second quarter of 2019.

<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:

	June 30, 2019		December 31, 2018	
	US$'000	% of total	US$'000	% of total
By geographical region:				
Singapore	36	100%	596	19%
People's Republic of China	–	–%	1,883	59%
Hong Kong	–	–%	633	20%
Others	–	–%	58	2%
	36	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;
- 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 six-month period ended June 30, 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

On July 29, 2019, the Company entered into the SPA with the Buyers, pursuant to which the Company would sell its wine and other luxury products distribution business to the Buyers, subject to the receipt of shareholder and regulatory approvals. Shareholder approval will be sought at the annual general and special meeting of the Company, which is set for August 30, 2019. The consideration for the Transaction consists of payment of US$1 by the Buyers to the Company and the assumption by the Buyers of the Company's indebtedness of approximately US$20.5 million.

Subsequent to the quarter ended June 30, 2019, the Company's teams have met multiple companies from their network, successfully signing three clients for technology development.

Approval

The Board of Directors of Sarment has approved the contents of this MD&A on August 27, 2019.