

# SPACKMAN EQUITIES GROUP

## ***Management's Discussion and Analysis***

### ***Three and Nine Months ended September 30, 2012***

The following Management's Discussion and Analysis ("MD&A") provides additional analysis of the operations and financial position of Spackman Equities Group Inc. ("SEGI" or the "Company"). It is supplementary information and should be read in conjunction with the Company's financial statements and accompanying notes for the three and nine month periods ended September 30, 2012, which are prepared on a consolidated basis, and the year ended December 31, 2011.

SEGI is a publicly-traded company listed on the TSX Venture Exchange under the symbol "SQG". Prior to October 31, 2011 the Company's name was Centiva Capital Inc. ("Centiva"). Centiva was listed on the TSX Venture Exchange under the symbol "CVC".

On September 30, 2011, a plan of arrangement (the "Arrangement") was completed pursuant to Section 192 of the Canada Business Corporations Act, whereby Centiva and a wholly-owned subsidiary of Centiva, Aylen Capital Inc. ("Aylen") entered into an agreement to distribute the existing assets of Centiva to shareholders by way of the Arrangement. Under the terms of the Arrangement, all of the existing assets and liabilities of Centiva were transferred to Aylen in exchange for shares of Aylen and a \$842,832 promissory note. The Arrangement was approved by Centiva shareholders at a special meeting held on September 23, 2011 and by the Superior Court of Justice on September 27, 2011. The effective date of the transfer was October 31, 2011. On the same date Centiva changed its name to Spackman Equities Group Inc. Additional information concerning the Arrangement may be found at "The Arrangement".

Centiva transferred all of its then existing assets and liabilities, other than those relating to the new equity and tax losses, to Aylen in exchange for common shares of Aylen. The assets which were transferred to Aylen from Centiva consisted of cash, an equity interest in a technology-based company, VFM Leonardo Inc., a technology-based business, Grapevine Solutions, and a portfolio of marketable securities.

The financial statements of the Company for the year ended December 31, 2011 include the assets and operations of Centiva from January 1, 2011 to October 31, 2011 and the assets and operations of SEGI from November 1, 2011 to December 31, 2011. The assets and operations which were transferred effective October 31, 2011 are accounted for as discontinued operations in the December 31, 2011 financial statements (see Note 4 to the 2011 financial statements).

On January 10, 2012 the Company increased its ultimate beneficial ownership in each of two Korean based film companies, Opus Pictures Co., Ltd. and Zip Cinema Co., Ltd., to 58.15% through the acquisition of a 55% equity interest in Spackman Entertainment Group Limited. Prior to this increase in ownership, the Company owned 7% in each of the two Korean film companies through its 100% equity interest in Spackman Equities Limited which it acquired effective October 31, 2011. Accordingly, the results of operation for the Company for the nine months ending September 30, 2012 include the results of operations from those businesses from January 10 to September 30, 2012. The basis of consolidation is set out in Note 2 to the Company's financial statements for the quarter.

## ***FORWARD-LOOKING STATEMENTS***

Included in this MD&A are matters that constitute "forward-looking" information within the meaning of Canadian securities law. Such forward-looking statements may be identified by words such as "plans", "proposes", "estimates", "intends", "expects", "believes", "may" or words of a similar nature. There can be no assurance that such statements will prove to be accurate. Actual results and future

events could differ materially from such statements. Factors that could cause actual results to differ materially include among others, regulatory risks, risk inherent in foreign operations, commodity prices and competition. Most of these factors are outside the control of the Company. All subsequent forward-looking statements attributable to the Company or its agents are expressly qualified in their entirety by these cautionary comments. Except as otherwise required by applicable securities statutes or regulation, the Company expressly disclaims any intent or obligation to update publicly forward-looking information, whether as a result of new information, future events or otherwise.

## ***RECENT TRANSACTIONS AND HOLDINGS***

Prior to October 31, 2011, Centiva had investments in marketable securities and investments in early-stage companies with high growth potential, and its Grapevine Solutions business. The assets and liabilities of Centiva were transferred to Aylene effective October 31, 2011 as part of the Arrangement. See "The Arrangement" for more details.

As at December 31, 2011 SEGI owned a 17.9% investment in Intech LCD Group Limited ("Intech"), and 100% of Spackman Equities Limited ("Spackman Equities"), formerly Gold China Technologies Limited, which in turn owned a 7.0% equity ownership in each of Opus Pictures Co., Ltd. ("Opus") and Zip Cinema Co., Ltd. ("Zip").

Effective October 31, 2011 the Company completed a brokered private placement and a non-brokered private placement of common shares. Under the non-brokered private placement, 50,000,000 common shares were issued at a price of \$0.05 per share for gross proceeds of \$2,500,000. Under the brokered private placement, 11,720,000 common shares were issued at a price of \$0.05 per share for gross proceeds of \$586,000. The share issue costs including brokerage commissions were \$204,000 and the Company also issued 937,600 warrants to the broker, each warrant being exercisable into one (1) common share at \$0.05 per share expiring October 31, 2013.

On January 10, 2012 the Company completed the acquisition of 55% of Spackman Entertainment Group Limited ("Spackman Entertainment"), formerly Team Vision International limited, in exchange for 30,475,000 common shares of the Company at a deemed price of \$0.15 per share. Spackman Entertainment holds 93% of Opus and Zip. The Company also owns a 7% interest in each of Opus and Zip through its 100% ownership of Spackman Equities which it acquired effective October 31, 2011. Accordingly the ultimate beneficial interest of the Company in each of Opus and Zip at the date of this MD&A amounts to 58.15%. See the charts outlining the ownership structure as at December 31, 2011 and at the date of this MD&A under the heading "Investments".

On May 25, 2012 the Company completed a brokered private placement of 39,545,451 common shares to arm's length investors at a price of \$0.11 per common share for gross proceeds of \$4,350,000. The share issue costs including brokerage commissions were \$217,500. The proceeds will be used for working capital purposes.

On August 3, 2012 the Company established a wholly-owned subsidiary in Korea, Spackman Entertainment Korea Inc. ("SEK"), that will invest in films produced by Opus and Zip. SEK was established with a paid-in capital of 990,000,000 Korean Won (Cdn \$880,000).

On August 15, 2012 the Company established a wholly-owned investment company, SEGI Investments Limited ("SIL"), that will focus on investing into public equities in Korea. SIL is incorporated in the British Virgin Islands and was established with a paid-in capital of \$500,000.

At September 30, 2012, the Company had cash and cash equivalents of \$7,260,000 (December 31, 2011: \$1,056,000) and investments in private companies and projects totalling \$1,185,000 (December 31, 2011: \$1,775,000).

## ***THE ARRANGEMENT***

The following summary of the principal terms of the Arrangement is provided for the benefit of the reader and is qualified in its entirety by reference to the Plan of Arrangement which can be assessed under the Company's profile at [www.sedar.com](http://www.sedar.com). Shareholders are encouraged to review the Plan of Arrangement in its entirety, as it contains the specific terms and conditions governing the Arrangement.

In late 2010, an opportunity was presented to the Company to raise new equity from a group of investors who are interested in investing in small/medium-sized businesses with growth potential in Asia, principally in China and the Republic of Korea. After due consideration, the Board approved this new strategy and decided to retain Charles Spackman as the new Chief Executive Officer of the Company with a mandate to broaden and refocus the investment scope of the Company to Asia (mainly Korea and China). Prior to the completion of the Arrangement, and conditional upon the completion of the Financing as defined below, the Company entered into agreements for two investments. See "Pre-Arrangement Investments" below.

After negotiations with the group of investors, the Board concluded that the assets of the Company were of limited interest to the investors and that they were not prepared to fully recognize their value. Therefore, it was determined by the Board to spin the existing assets out to Shareholders by way of a Plan of Arrangement and to proceed with the new investment and strategy. The Arrangement was governed by the Arrangement Agreement entered into between the Company and Aylen on June 30, 2011.

Upon completion of the Arrangement, Aylen, which was incorporated as a subsidiary of Centiva, continued to carry on the business which was previously conducted by the Company up to October 31, 2011 and the business of the Company since October 31, 2011 has been to (i) identify and acquire small/medium-sized growth companies, primarily in China and the Republic of Korea, that possess proprietary technologies or industry-specific know-how; (ii) assist the management of each acquired company to enhance its value; (iii) originate collaboration amongst the portfolio of acquired companies to create new opportunities for one another and leverage off each others' capabilities and resources; and (iv) reflect the collective value derived from the performance of the acquired businesses on the share price of the Company.

The Corporation created a wholly-owned subsidiary, Aylen, for the purposes of the Arrangement. As part of the Arrangement, all of the existing assets and liabilities of the Company, other than the tax losses, were transferred to Aylen in exchange for shares of Aylen and a promissory note in an amount of \$842,832 which represented \$0.05 per each issued and outstanding common share of the Company immediately prior to the Arrangement and the completion of the Financing. The promissory note is repayable (in full or in part) by Aylen upon disposition of the assets transferred to it by Centiva and is secured against the assets of Aylen's Grapevine Solutions division. The stated capital of the Company's Common Shares has been reduced by an amount equal to the fair market value of the Company's assets less its liabilities on the date such assets and liabilities are transferred to Aylen. The Company has distributed on a pro-rata basis, to each Shareholder, all the shares of Aylen. Certificates for such shares have been withheld pending the attaining of "reporting issuer" status by Aylen.

## ***INVESTMENTS***

Prior to the completion of the Arrangement, the Company acquired 1,791,667 common voting shares of Intech representing 17.916% of Intech's issued and outstanding common shares. Intech, incorporated in Hong Kong, engages in the research & development, manufacturing and sales of various types of LCD panels and modules, together with after-sales maintenance services, targeting the China and certain overseas markets.

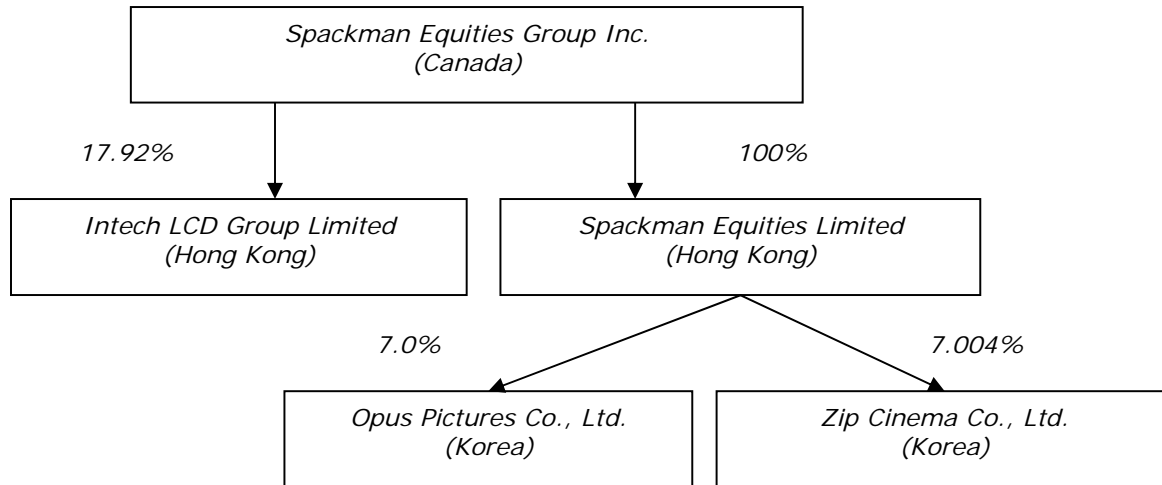
The Company also acquired 100 common shares, or 100%, of Spackman Equities from DVG Limited. Spackman Equities is a special purpose vehicle incorporated in Hong Kong to hold:

- 1,890 common shares of Opus, representing a 7.0% equity ownership of Opus; and

- 1,176 common shares of Zip, representing a 7.0% equity ownership of Zip.

Opus and Zip are engaged in the production and distribution of theatrical motion pictures in the Republic of Korea (“Korea”) and other markets.

At December 31, 2011 the structure and holdings of SEGI were as follows:



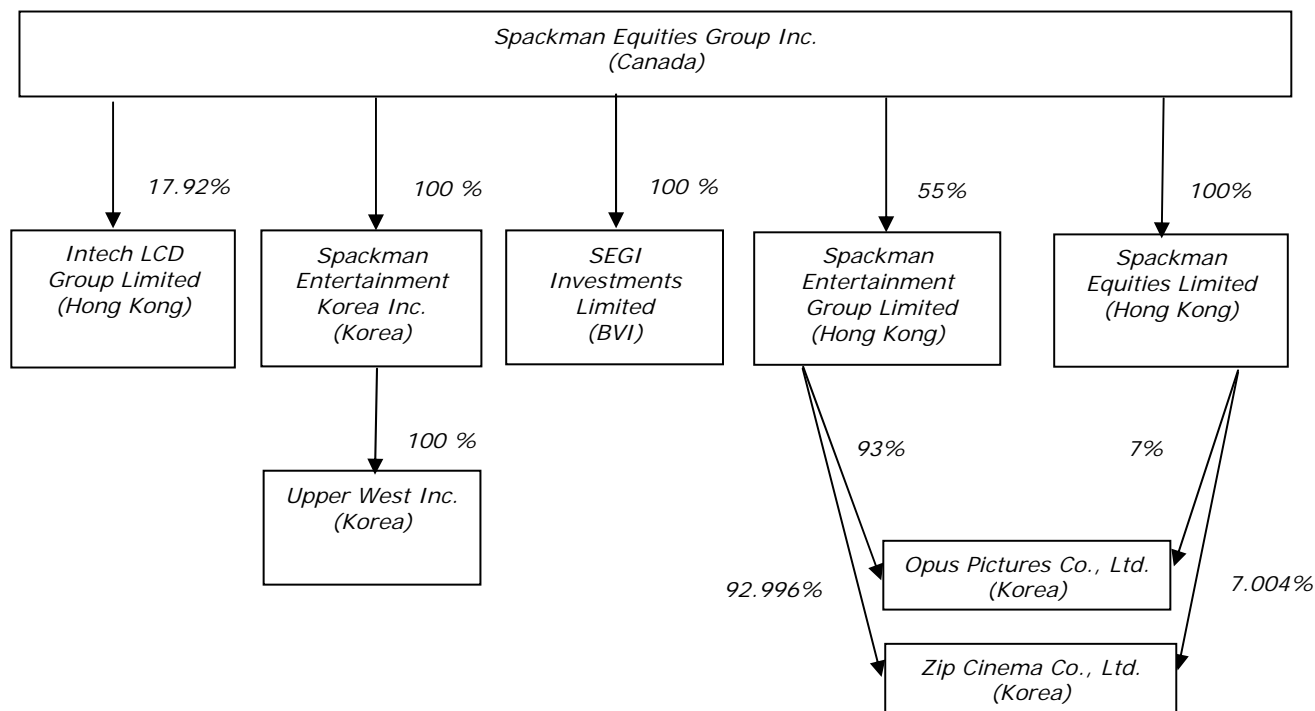
#### ADDITIONAL INVESTMENTS MADE IN FIRST NINE MONTHS OF 2012

On January 10, 2012 the Company completed the acquisition of 55% of Spackman Entertainment in exchange for 30,475,000 common shares of the Company at a deemed price of \$0.15 per share. Spackman Entertainment holds 93% of Opus and Zip. The Company also owns a 7% interest in each of Opus and Zip through its 100% ownership of Spackman Equities which it acquired effective October 31, 2011. The Company’s ultimate beneficial ownership interest in each of Opus and Zip amounts to 58.15%.

On August 3, 2012, the Company established a wholly-owned subsidiary, Spackman Entertainment Korea Inc. (“SEKI”) in Korea. SEKI will selectively invest in films produced by the Company’s Korean movie production subsidiaries, Opus and Zip; thereby positioning the Company to gain economic exposure to the film projects both from an investment perspective and from a production revenue perspective. SEKI was capitalized by the Company with an initial paid-in capital of KRW 990,000,000 (Cdn \$ 880,000). The Company has also loaned SEKI US\$275,000 pursuant to a promissory note which is payable in two years with interest at 8% per annum. On September 25, 2012, SEKI initiated the incorporation of a wholly-owned subsidiary, Upper West Inc., to develop and operate a movie-themed café/restaurant in Korea.

On August 15, 2012, the Company established a wholly-owned subsidiary, SEGI Investments Limited (“SIL”), in the British Virgin Islands. SIL will focus on investing in publicly traded small capitalization companies in Korea. SIL will seek to invest in Korean companies with a market capitalization in the \$10-100 million range that are undervalued relative to their underlying fundamentals and companies that present turnaround or restructuring opportunities. SIL has been capitalized by the Company with an initial paid-in capital of \$500,000. SIL may seek to raise additional capital from third party investors in the future.

The following chart shows the structure and holdings of the Company at September 30, 2012:



#### DESCRIPTION OF INVESTMENTS

##### **Intech LCD Group Limited**

Intech LCD Group Limited ("Intech") is a China based developer and manufacturer of flat panel displays and modules. The business of Intech was founded in 1987 in China and has a 23-year history of supplying its customer base of major corporations and institutions worldwide with industry high quality LCD products. The various lines of LCD products of Intech are deployed in a wide array of industries with a special focus on the biotech/medical devices and telecommunication equipment sectors. In 1996, for management structural efficiency, Intech LCD group limited was incorporated under the laws of Hong Kong as the holding company of the overall business.

On October 31, 2011 the Company acquired 3,075,359 shares of Intech which represent a 17.916% equity interest for \$1,075,000.

##### **Opus Pictures**

Opus Pictures Co., Ltd. ("Opus") was established in August 12, 2005 in the Republic of Korea by renowned movie producer, Tae Hun Lee. Currently, Opus is recognized as one of the leading independent developer, producer, and investor of theatrical motion pictures in Korea. In 2010, Opus produced and released "THE MAN FROM NOWHERE," the biggest box office success of the year with 6.2 million box office tickets sold domestically and one of the highest grossing movies in Korean movie history. Opus licenses its films to ancillary markets including cable, broadcast television, and home video/DVD. Its movies are distributed and shown throughout Asia.

Opus's production capabilities consist of the originating and financing of motion pictures, as well as the development of the screenplay and the actual filming activities and post-filming editing/post-production process. Opus works in cooperation with Korea's major distribution companies for the release of its films and, at times, participates in its productions as an investor. Opus also opportunistically acquires distribution rights to motion pictures produced by third parties for distribution in theatrical, video and television markets in Korea.

Opus' principal office is located at Proom Building, 82 Nonhyeon-Dong, Gangnam-gu, Seoul 135-818, Korea.

#### Management of Opus

Mr. Lee, Tae Hun is the Founder, Chief Executive Officer and Chief Producer of Opus Pictures. Mr. Lee has produced some of Korea's major international award-winning films such as "SYMPATHY FOR LADY VENGEANCE" (2005), which is currently being remade by Universal Pictures for the U.S. market, and "I AM A CYBORG, BUT THAT'S OK" (2006). After founding Opus with a group of talented producers, Mr. Lee produced "A FROZEN FLOWER" in 2008, a highly acclaimed and controversial epic melodrama set in the Koryo Dynasty, and "THE MAN FROM NOWHERE," an action thriller which was Korea's biggest box office draw of 2010. In the first quarter of 2012 Opus released HOWLING, a crime thriller which opened at #1 in Korea. With the successful debut of HOWLING, Opus has produced two consecutive films that have reached #1 at the domestic box office despite the traditionally strong competition from higher budgeted Hollywood films. Currently, Mr. Lee is producing "SNOWPIERCER" with internationally renowned directors Park Chan-wook and Bong Joon-ho.

The following are the shareholders of Opus as of the date of this MD&A:

<i>Shareholder</i>	<i>Number of Common Shares Owned</i>	<i>% Ownership</i>
<i>Spackman Entertainment Group Limited</i>	<i>25,110</i>	<i>93%</i>
<i>Spackman Equities Limited</i>	<i>1,890</i>	<i>7%</i>

#### **ZIP Cinema**

Zip Cinema Co., Ltd. ("Zip") is a Korean movie production firm founded by veteran film producer Eugene Lee, who was named in 2007 as one of the world's "10 Producers to Watch" by Variety, the leading Hollywood journal. The company was incorporated on December 23, 2005 in the Republic of Korea. Zip engages in the development, production, financing, and distribution of theatrical motion pictures with a strong commitment to bringing the most original movies to the moviegoers from the most innovative Korean filmmakers. From its early days, Zip has achieved notable critical and box office success with such hits as "VOICE OF A MURDERER" (2006) which sold 3.25 million tickets at the domestic box office and "HAPPINESS," a film that premiered at the Toronto International Film Festival in 2007. More recently, "WOOCHI" (2009), with 6.2 million tickets sold domestically, became one of the highest grossing movies in Korean movie history and also achieved significant success in overseas markets. "HAUNTERS" (2010), another recent release, also achieved over 2.5 million tickets domestically, establishing Zip's reputation as a serial hit-maker. "ALL ABOUT MY WIFE" is the most recent film released by Zip in May, 2012 and it became Korea's highest grossing romantic comedy of all-time. The movie was also released overseas in Europe and North America. ALL ABOUT MY WIFE sold over 4.58 million tickets at the Korean box office, grossing more than KRW 34.1 billion (CAD\$ 30.3 million). The total budget for ALL ABOUT MY WIFE was approximately KRW 4.9 billion (CAD\$ 4.4 million).

Films produced by Zip are licensed to ancillary markets including new media, cable, broadcast television, and home video/DVD and its films are distributed and shown throughout Asia.

The office of Zip is located at Proom Building, 82 Nonhyeon-Dong, Gangnam-gu, Seoul 135-818, Korea.

#### *Management of Zip*

Ms. Lee, Eugene is the Founder, Chief Executive Officer and Head Producer of Zip Cinema. Ms. Lee commenced her film career as Marketing Director of B.O.M. Films, another major Korean film label. Before establishing Zip Cinema, she produced several major films, virtually all of which achieved critical and commercial success domestically and abroad. Her production track record includes "THE UNINVITED" (2003), "UNTOLD SCANDAL" (2003), and "A BITTERSWEET LIFE" (2005) and the most recent box office success "ALL ABOUT MY WIFE" (2012). Ms. Lee's talent for producing hit movies continued after the founding of Zip and her track record led Variety to name her as one of the "10 Producers to Watch" in the world in 2007.

The following are the shareholders of ZIP as of the date of this MD&A:

<i>Shareholder</i>	<i>Number of Common Shares Owned</i>	<i>% Ownership</i>
<i>Spackman Entertainment Group Limited</i>	<i>15,614</i>	<i>92.996%</i>
<i>Spackman Equities Limited</i>	<i>1,176</i>	<i>7.004%</i>
<i>TOTAL</i>	<i>16,790</i>	<i>100%</i>

## **RESULTS OF OPERATIONS**

Effective January 10, 2012, the Company increased its ultimate beneficial ownership in Opus and Zip to 58.15% and accordingly, the results of operations of those businesses have been consolidated with the results of operations of the Company from January 10, 2012 to September 30, 2012.

For the third quarter ended September 30, 2012 (the "current quarter") the Company had revenue of \$1,262,000. Revenue for the nine months ended September 30, 2012 was \$3,854,000. Revenue for the current quarter is almost entirely the revenues of the Opus and Zip businesses. Revenue for the first nine months in 2011, which included revenue from the Grapevine business when Grapevine was owned by Centiva, was \$366,000 with selling expenses of \$270,000 and \$92,000 for the third quarter of 2011 with selling expenses of \$85,000.

General and administrative expenses totalled \$186,000 for the current quarter and \$544,000 for the first nine months. For the third quarter of 2011 general and administrative expenses were \$93,000 and \$286,000 for the first nine months of 2011. The increase was mainly the result of including the general and administrative expenses from the Opus and Zip businesses which were consolidated in the quarter.

As a result of the foregoing, the Company recorded a net income of \$70,000 (\$0.0004 per share) for the current quarter and a net income of \$293,000 (\$0.001 per share) for the first nine months of 2012 (third quarter of 2011: loss of \$293,000 (\$0.02 per share) and loss of \$395,000 (\$0.002 per share) for the first nine months of 2011). The Company reported comprehensive loss of \$13,000 for the current quarter and comprehensive income of \$252,000 for the first nine months (a comprehensive loss \$270,000 for the third quarter of 2011 and \$151,000 for the first nine months of 2011).

*SUMMARY OF SELECTED QUARTERLY INFORMATION*

	Quarter to September 30, 2012	Quarter to June 30, 2012	Quarter to March 31, 2012	Quarter to December 31, 2011	Quarter to September 30, 2011	Quarter to June 30, 2011	Quarter to March 31, 2011	Quarter to December 31, 2010
Revenue								
Sales	1,179,747	2,377,557	178,910	50,337	134,800	124,070	118,515	111,222
Investment and other income	51,119	66,158	19,564	2,139	3,596	4,542	3,406	4,833
Gain (loss), realized and unrealized,	12,621	(45,433)	(5,300)	82,692	(306,009)	(20,309)	22,890	36,134
Net Income (Loss)								
Total	70,475	1,338,706	(1,116,253)	566,900	(346,353)	(69,038)	(56,540)	(52,432)
Per share	0.0004	0.015	(0.013)	(0.00)	(0.00)	(0.00)	(0.00)	0.00
Per share (diluted)	0.0004	0.015	(0.013)	(0.00)	(0.00)	(0.00)	(0.00)	0.00
Other Comprehensive Income (Loss), being increase (decrease) in fair value of publicly- traded investments available for sale	(82,981)	89,447	(47,861)	-	269,889	(8,000)	(18,000)	(76,000)
Comprehensive (Loss) income	(12,506)	1,428,153	(1,164,069)	566,900	(76,464)	(77,038)	(74,540)	(128,432)

***LIQUIDITY, FINANCIAL POSITION AND CAPITAL RESOURCES***

Working capital at September 30, 2012 was \$5,595,000 compared with \$927,000 at the end of 2011 and \$635,000 at September 30, 2011. The increase is mainly due to the receipt of funds from a private placement which was completed during the second quarter for gross proceeds of \$4,350,000 and by the result of consolidating the operations of Opus and Zip.

Current liabilities were \$6,431,000 at September 30, 2012, compared to \$134,000 at the end of 2011 and \$68,000 at the end of the third quarter of 2011. The increase was mainly due to the consolidation of the Opus and Zip operations with the results of the Company.

Cash and cash equivalents increased to \$7,260,000 at September 30, 2012 as compared with \$1,056,000 at the end of 2011 and \$4,000 at the end of the third quarter of 2011. The increase is due to the receipt of funds from the private placement which was completed during the last quarter.

The Company's capital resources consist of cash and cash equivalents which are used to fund the Company's financial requirements. The Company's general and administrative expenses, substantially all of which are committed and non-discretionary in nature, were \$186,000 for the third quarter of 2012 and \$544,000 for the nine months ended September 30, 2012. The Company's general and administrative expenses were \$93,000 in the third quarter of 2011, \$286,000 for the nine months ended September 30, 2011.



## ***ANALYSIS OF FINANCIAL CONDITION AND FINANCIAL PERFORMANCE***

At September 30, 2012 the Company had cash of \$7,260,000 (December 31, 2011 \$1,056,000) and liabilities of \$6,431,000 (December 31, 2011 \$134,000). The increase in cash is due to the completion of the private placement during the second quarter and the increase in liabilities is mainly due to the consolidation of the Opus and Zip operations with the results of the Company.

Revenue for the current quarter include the revenues from the Opus and Zip businesses which have been consolidated with the revenues of the Company from January 10, 2012, when the Company acquired 58.15% of those businesses, to September 30, 2012 being the end of the current quarter. Total revenues for the current quarter were \$1,262,000, compared with \$92,000 for the third quarter of 2011.

## ***RISK FACTORS AND RISK MANAGEMENT***

SEGI shareholders and potential investors in SEGI should carefully consider the following risk factors and all the other information contained in this MD&A when evaluating SEGI and its common shares.

An investment in SEGI's shares involves a number of risks, many of which are beyond its control. The risks and uncertainties set out below are all of the known risks which are deemed to be material to the Company's business or the results of its operations. When reviewing forward-looking statements and other information contained in this prospectus, investors and others should carefully consider these factors, as well as other uncertainties, potential events and industry-specific factors that may adversely affect the Company's future results. If any of these risks should actually occur, the Company's business, financial condition, results of operations, cash flows and prospects could be harmed. Such risks and uncertainties are not the only ones the Company faces. Additional risks and uncertainties of which the Company is currently unaware or that are deemed immaterial may also adversely affect the Company's business, financial condition, results of operations, cash flows and prospects.

### *Limited Cash and Working Capital and Negative Cash Flows*

Historically, the Company has had negative cash flow from operating activities and has had to fund its operations with cash on hand and cash equivalents. The Company's cash on hand and cash equivalents at September 30, 2012 was \$7,260,000. This amount should be adequate to continue to fund the Company's operations for the foreseeable future. Beyond that, the Company may have to raise funds through the sale of additional equity in order to fund its operations; however, the issuance of additional shares or other securities, if successfully completed, may result in significant dilution to the interests of existing shareholders. In addition, Intech, Opus, Zip and the other subsidiary companies may continue to require additional funding to continue operations or to develop their business plans.

### *Limited Diversification of Investments*

Due to the small size of the Company and the fact that it has only a limited number of investments, the Company is subject to a greater risk of a downturn in one or more of its investments. A concentration of the Company's invested funds in the Opus, Zip and Intech businesses means that in the event that any such business or industry or investment is unsuccessful or experiences a downturn, this will likely have a material adverse effect on the Company's business, results from operations, and financial condition. It also means that the Company is more exposed to business cycles than it would be if it owned a larger number of investments which were diversified over various industries with differing business cycles in different geographic areas.

### *Dependency on Private Company Operations*

The Company owns a 17.9% equity interest in Intech which is a private company. Due its minority equity investment, the Company does not have any significant influence over Intech or its operations nor does the Company have the ability to exercise control over Intech.

### *Industry Risks*

Each of the Company's investee companies is subject to the risks inherent in the industry in which it operates. In the case of Intech, the business is very dependant on the continued demand for LCD screens, particularly in China. In the case of Opus and Zip, their businesses are very dependant on the strength of the Korean film industry and their ability to continue to finance and make successful, profitable movies. Illegal piracy of films and illicit internet downloads of films are also risks which will continue to threaten the Korean film industry.

### *Competition*

Intech, Opus and Zip face intense competition in their respective markets, including competition from other companies some of whom have greater financial and other resources, and more advanced technological development. In the case of Opus and Zip, the movie industry is a world-wide industry and films made in Hollywood, India and many other countries compete with Korean films on the worldwide stage for viewership. There can be no assurance that they will be able to successfully compete against their respective competitors or that such competition will not have a material adverse effect on their businesses, financial condition, results of operations and cash flows.

### *Currency Fluctuations*

The Company is exposed to fluctuations in the value of the currencies of the Republic of Korea, the People's Republic of China, the Special Administrative Region of Hong Kong, Canada and the United States.

The Company does not use currency derivatives to hedge against adverse currency fluctuations.

### *Legal Claims and Other Contingencies*

SEGI, and its investee companies may become parties to law suits, claims and litigation arising in the ordinary course of business. Such law suits could result in significant costs and the outcome of such law suits could have a material negative impact on the Company's financial position, operating results, or the Company's ability to continue to carry on its business activities.

### *Lack of Market for SEGI's Shares*

Although the Company's common shares are listed and traded on the TSX Venture Exchange, there may not be a liquid market for the shares and any market price for the shares may not reflect the underlying value of the Company's business and assets.

## **INTERNAL CONTROLS**

### ***Disclosure controls and procedures***

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. The Company as a venture issuer is not required to certify the design and evaluation of the issuer's disclosure controls and procedures.

### ***Internal controls over financial reporting***

Management of the Company is responsible for designing internal controls over financial reporting for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. The Company as a venture issuer is not required to certify the design and evaluation of the issuer's disclosure controls and procedures.

## ***STRATEGY AND FUTURE DIRECTION***

The Company's overall strategy and focus is to (i) identify and acquire small/medium-sized growth companies, primarily in China and the Republic of Korea, that possess proprietary technologies or industry-specific know-how; (ii) assist the management of each acquired company to enhance its value; (iii) originate collaboration amongst the portfolio of acquired companies to create new opportunities for one another and leverage off each others' capabilities and resources; and (iv) reflect the collective value derived from the performance of the acquired businesses on the share price of the Company.

Specifically the Company will continue to work with the managements of Intech, Opus and Zip to enhance the value of their businesses. Selective investments will be made in the films produced by Opus and Zip through the Company's wholly-owned subsidiary SEK. The Company's wholly-owned subsidiary SIL will invest in publicly traded Korean small capitalization companies which are undervalued relative to their underlying fundamentals or which represent turnaround or restructuring opportunities.

SEGI understands that the managements of Opus and Zip have a deeper understanding and knowledge of the specific business and sector in which it operates. Therefore, SEGI plans to actively work with the managements of Opus and Zip to identify particular areas in which the SEGI management can help enhance value. Such areas include:

(1) *Financing Alternatives*. SEGI will provide guidance and support to Opus, and Zip in areas such as corporate finance, mergers, acquisitions, divestitures, capital markets, financial reporting, accounting and treasury operations; (2) *Strategic Guidance*. SEGI will provide strategic guidance to Opus and Zip regarding market positioning, business model development and market trends. (3) *Cross-Border Expansion*. SEGI believes that the multinational business experience of the SEGI management will help Opus and Zip expand their businesses into new markets geographically. The SEGI management will provide regulatory, financial, and operational support in new local markets. (4) *Business Relationships*. SEGI will provide new business relationships to Opus and Zip throughout various parts of the world which may result in potential business opportunities, strategic alliances/partnerships, joint marketing efforts, acquisitions, and other transactions. (5) *Executive Recruiting and Human Resources*. SEGI will assist Opus and Zip in recruiting key executive talent by leveraging the network of contacts of the SEGI management. In addition selective investments will be made in the films produced by Opus and Zip through the Company's wholly-owned subsidiary SEK which will assist in the financing of such films and will position the Company to gain economic exposure to such films from both an investment perspective as well as from a production revenue perspective.

The ultimate objective of SEGI will be to reflect the collective value derived from the performances of Intech, Opus, Zip and any other portfolio investment in the share price of SEGI.

## ***OUTSTANDING SHARE DATA***

The Company has authorized an unlimited number of common shares and an unlimited number of preference shares issuable in series. As at the date of this MD&A, there were outstanding 148,829,183 common shares, options to acquire an additional 1,286,000 common shares and warrants to acquire 756,000 common shares.

## ***OTHER INFORMATION***

Additional information related to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

November 23, 2012