

# SPACKMAN EQUITIES GROUP

## Management's Discussion and Analysis

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, which are prepared on a consolidated basis, for the nine months period ended September 30, 2013, and for the year ended December 31, 2012.

SEGI is a publicly-traded company listed on the TSX Venture Exchange under the symbol "SQG". SEGI owns businesses engaged in the production of motion pictures and documentary programs in Korea and owns a restaurant in Korea. SEGI also invests in films produced by its businesses and invests in publicly traded Korean companies.

Prior to October 31, 2011 the Company's name was Centiva Capital Inc. ("Centiva"). 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.

## 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.

## HIGHLIGHTS OF THIRD QUARTER 2013

- On July 3, 2013, *COLD EYES*, a crime thriller produced by the Company's subsidiary Zip Cinema Co., Ltd. ("Zip"), opened at #1 at the Korean box office. With a total budget of approximately KRW 6.5 billion (including P&A), *COLD EYES*, directed by Jo Eui-seok and Kim Byeong-seo, and featuring top Korean stars, Seol Kyeong-gu, Jung Woo-sung, Han Hyo-joo, and Junho, of the K-pop group 2PM, is about a rookie member of the Special Forces Unit of the Korean Police specializing in covert surveillance of high profile criminal targets, who teams up with the veteran team leader to track down an elusive leader of a dangerous criminal organization. *COLD EYES* eventually sold over 5.5 million tickets and grossed KRW 40 billion (CAD \$39 million) at the Korean box office, placing the film as one of the highest grossing domestic films of 2013.

- On July 31, 2013, *SNOWPIERCER*, the critically-acclaimed sci-fi action film produced by the Company's subsidiary Opus Pictures Co., Ltd. ("Opus"), opened at #1 at the Korean box office, breaking the record for the best non-holiday opening ever and the fastest film to reach 4 million ticket admissions in Korean history. With a production budget of USD 50 million and directed by world-renowned Korean director, Bong Joon-ho, *SNOWPIERCER* features Chris Evans (*Captain America*), John Hurt (*Harry Potter*) and Academy Award winners, Tilda Swinton (*Michael Clayton*), and Octavia Spencer (*The Help*), while also featuring Korean stars, Song Kang-ho and Go Ah-sung. In this post-apocalyptic class-struggle story adapted from the cult French graphic novel *Le Transperceneige*, a semi-reluctant revolutionary leader of a group of dissidents, who live in the rear of a perpetually moving train, revolt against the elites in the front of the train. *SNOWPIERCER* eventually sold over 9.3 million, grossing over KRW 67 billion (CAD \$65 million) at the Korean box office. *SNOWPIERCER* is being released worldwide in over 100 countries.
- On August 2, 2013, Spackman Entertainment Group Limited ("SEGL"), the entertainment holding subsidiary of the Company, engaged PrimePartners Corporate Finance Pte. Ltd. as its Full Sponsor for the planned listing on the Catalist board of the Singapore Exchange Securities Trading Limited. The listing is expected to be completed in the first half of 2014.
- On September 18, 2013, in preparation for SEGL's planned listing on the Catalist board of the Singapore Exchange, SEGL subscribed for 200,000 common shares, or 50.25%, of Spackman Entertainment Korea Inc. ("SEKI") at a price per share of KRW 5,000 (par value) for a total subscription consideration of KRW 1,000,000,000 (CAD \$971,000). SEKI is an investment company incorporated in Korea that makes early-stage investments into films developed and produced by Zip and Opus. The remaining 49.75% of SEKI is owned by the Company.
- On September 24, 2013, in preparation for SEGL's planned listing on the Catalist board of the Singapore Exchange, SEGL purchased 100% of the outstanding shares of Spackman Equities Limited ("SEL"), a holding company that owns 7% of each of Zip and Opus, from the Company, for a consideration of CAD 700,000 in cash. As a result of this transaction, SEGL beneficially owns 100% of Zip and Opus.
- On September 30, 2013, SEGL closed the first tranche of pre-IPO financing by raising a total of USD 2,850,000 (CAD \$2,948,000) by way of a private placement to a group of private investors by (i) issuing 1,850 common shares to a group of private investors at a price of USD 1,000 per share (which is equivalent to a pre-money valuation for SEGL of USD 10 million) and (ii) issuing two USD 500,000 convertible promissory notes for a total of USD 1,000,000 (CAD \$1,034,000) to two private investors. The convertible notes have a term of two years, bear interest at the rate of 2% per annum and are convertible into common shares of SEGL at a conversion price of USD 1,000 per share at any time prior to maturity. The Company participated in the SEGL private placement by subscribing for 350 common shares of SEGL for USD 350,000 (CAD \$362,000).
- 71,000 common shares of the Company were issued in the third quarter as a result of the exercise of 71,000 warrants at \$0.05 per warrant.

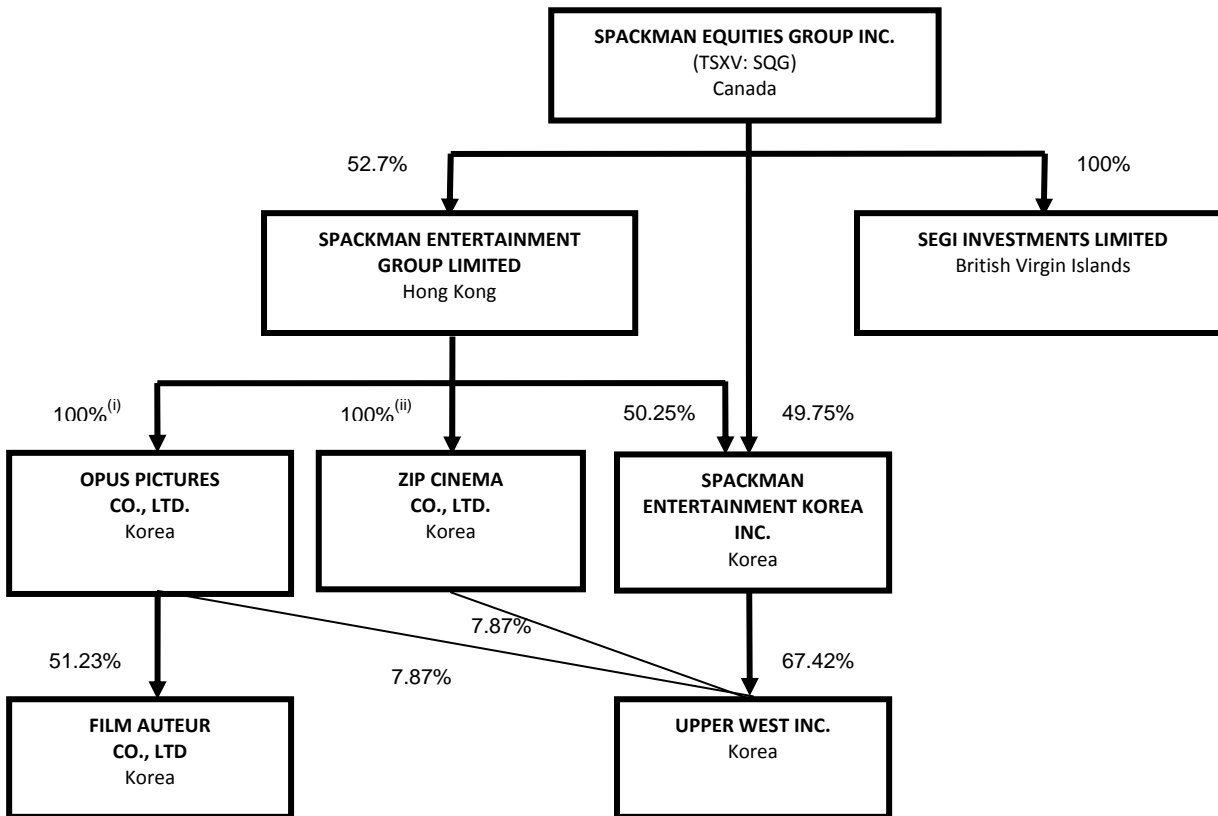
#### **HIGHLIGHTS SUBSEQUENT TO THIRD QUARTER 2013**

- On November 12, 2013, SEGL closed the second tranche of pre-IPO financing by raising an additional USD 1,800,000 (CAD \$1,890,000) by way of a private placement to a group of private investors by (i) issuing 1,300 common shares at a price of USD 1,000 per share (which is equivalent to a pre-money valuation for SEGL of USD 11.85 million) and (ii) issuing three convertible promissory notes for a total of USD 500,000 (CAD \$525,000). The convertible notes have the same terms as the notes issued by SEGL in September, 2013. After this financing the Company owns 52.7% of SEGL.

- Effective November 15, 2013, Kyoungwon Na was retained as a financial advisor to the Company. It is intended that he will be appointed Chief Financial Officer of the Company in the near term upon the resignation of Jenifer Cho.

**STRUCTURE AND HOLDINGS**

The following chart shows the structure and holdings of the Company as of the date of this MD&A:



- (i) Spackman Entertainment Group Limited (“SEGL”) owns 93% of Opus Pictures directly, and the remaining 7% through its wholly-owned subsidiary Spackman Equities Limited. As a result, SEGL’s ultimate beneficial ownership of Opus Pictures is 100%.
- (ii) Spackman Entertainment Group Limited (“SEGL”) owns 92.996% of Zip Cinema directly, and the remaining 7.004% through its wholly-owned subsidiary Spackman Equities Limited. As a result, SEGL’s ultimate beneficial ownership of Zip Cinema is 100%.

## **Spackman Entertainment Group Limited**

Spackman Entertainment Group Limited ("SEGL"), incorporated in Hong Kong on July 31, 2011, is an entertainment holding company that owns businesses engaged in the independent production of theatrical motion pictures in Korea. SEGL seeks to become a leading consolidator of a network of film and entertainment production businesses and brands, primarily in Korea.

Currently, SEGL owns two of the most recognized and successful independent motion picture production brands in Korea, namely, Zip Cinema Co., Ltd. ("Zip") and Opus Pictures Co., Ltd. ("Opus"). The two production companies have produced some of Korea's biggest box office hits since 2005. Zip and Opus originate and develop the screenplay; procure the directors, cast and crew; arrange the financing for the film projects; oversee and manage the actual filming activities and the post-production process; and serve as the central coordinator between all the major parties involved in the film project.

The principal subsidiaries of SEGL are:

1) Opus Pictures Co., Ltd.

Business: Independent developer, producer, and investor of theatrical motion pictures  
HQ: Seoul, Korea  
SEGL ownership: 100%

2) Zip Cinema Co., Ltd.

Business: Independent developer and producer of theatrical motion pictures  
HQ: Seoul, Korea  
SEGL ownership: 100%

3) Spackman Entertainment Korea Inc.

Business: Investor of theatrical motion pictures produced by Zip and Opus  
HQ: Seoul, Korea  
SEGL ownership: 50.25%

Currently, SEGL is in the process of preparing for an initial public offering on the Catalist board of the Singapore Exchange Securities Trading Limited. On August 2, 2013, SEGL engaged PrimePartners Corporate Finance Pte. Ltd. as its Full Sponsor for the planned listing on Catalist. Through this planned listing, SEGL seeks to raise capital:

- to expand Zip's and Opus' future slate of productions,
- to make accretive acquisitions of production businesses and brands, and
- for general working capital.

The amount of capital to be raised at the listing is yet to be determined. The listing is expected to be completed by the first half of 2014.

The registered address of SEGL is 917-920 One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.

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

<u>Shareholder</u>	<u># of Common Shares Owned</u>	<u>% Ownership</u>
Spackman Equities Group Inc.	6,930	52.7%
Other minority shareholders	6,220	47.3%
<b>TOTAL</b>	<b>13,150</b>	<b>100%</b>

### **Opus Pictures Co., Ltd.**

Opus Pictures Co., Ltd. (“Opus”) was established on August 12, 2005, in the Republic of Korea by renowned movie producer, Tae Hun Lee. Opus is recognized as one of the leading independent developers, producers, and investors 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 6.9 million box office tickets sold domestically and one of the highest grossing movies in Korean movie history. Opus is also the co-producer of *SNOWPIERCER*, a Hollywood sci-fi action film with a budget of USD 50 million, and starring Chris Evans (*Captain America*), Ed Harris (*The Rock, Man on the Ledge*), John Hurt (*Harry Potter Series*) as well as Academy Award winner Octavia Spencer. The directors are the internationally renowned Park Chan-wook and Bong Joon-ho. *SNOWPIERCER* opened in Korea on July 31, 2013, breaking the record for the best non-holiday opening ever, and is the fastest film to reach 4 million tickets in Korean history. Since its release, *SNOWPIERCER* has sold 9.3 million tickets in Korea, grossing over KRW 67 billion (CAD \$62 million) at the box office. Opus is the first Korean movie production company to produce a Hollywood production of this magnitude.

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 licenses its films to ancillary markets including cable, broadcast television, and home video/DVD. Its movies are distributed and shown throughout Asia and worldwide.

Opus’ principal office is located at 3F, Proom Building, 82 Nonhyun-Dong, Gangnam-Gu, Seoul, Korea 135-818. [www.opuspictures.com](http://www.opuspictures.com)

#### *Management of Opus*

Mr. Tae Hun Lee 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, 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* (2010), an action thriller which was Korea’s biggest box office draw of 2010, selling 6.9 million tickets at the domestic box office. Mr. Lee has also produced the USD 50 million Hollywood blockbuster, *SNOWPIERCER*. Prior to establishing Opus Pictures in 2005, Mr. Lee was the CEO of Moho Films, a leading Korean film production company established in partnership with Park Chan-Wook and other renowned Korean directors. Mr. Lee also worked at PMC Pictures, one of the leading musical production companies in Korea. He graduated with a B.A. from Sogang University in Korea, and a Master’s degree in European Film Studies from Edinburgh University in the U.K.

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

<u>Shareholder</u>	<u># of Common Shares Owned</u>	<u>% Ownership</u>
Spackman Entertainment Group Limited	25,110	93%
Spackman Equities Limited (100% owned by SEGL)	1,890	7%
<b>TOTAL</b>	<b>27,000</b>	<b>100%</b>

### **Zip Cinema Co., Ltd.**

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 trade 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 original content to 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. *WOOCHI* (2009), with 6.5 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) also achieved 2.3 million tickets domestically. Zip's film in 2012, *ALL ABOUT MY WIFE* opened in Korean theatres in May 2012, and sold almost 4.94 million tickets and grossed KRW 30 billion (CAD \$27 million) domestically, becoming Korea's highest-grossing romantic comedy of all time, and cementing Zip's industry-wide reputation as a serial hit-maker. Zip's most recent release, *COLD EYES*, a crime thriller that opened in Korean theaters on July 3, 2013, sold over 5.5 million tickets and grossed KRW 40 billion (CAD \$37 million) at the box office, placing the film as one of the highest grossing domestic films of 2013. *COLD EYES* was also selected as the Gala Presentation for the 2013 Toronto International Film Festival.

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

The office of Zip is located at 4F, Proom Building, 82 Nonhyun-Dong, Gangnam-Gu, Seoul, Korea 135-818. [www.zipcine.com](http://www.zipcine.com)

#### *Management of Zip*

Ms. Eugene Lee is the Founder, Chief Executive Officer and Head Producer of Zip. Ms. Lee commenced her film career as Marketing Director of B.O.M. Films, another major Korean film label. She also worked as an advertising executive at KORAD, one of the largest advertising agencies in Korea at the time. Before establishing Zip, she has 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). 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. After establishing Zip at the end of 2005, Ms. Lee produced some of Korea's biggest box office hits, including *VOICE OF A MURDERER* (2006), which sold 3.25 million tickets at the domestic box office, and *HAPPINESS* (2007), a film that premiered at the Toronto International Film Festival in 2007. More recently, Ms. Lee produced *WOOCHI* (2009), which was the #1 Korean film of 2009 at the domestic box office selling 6.5 million tickets. *HAUNTERS* (2010) also achieved over 2.5 million tickets domestically, establishing Zip Cinema's leading position in the industry. Zip's *ALL ABOUT MY WIFE* (2012) sold 4.94 million tickets domestically and grossed KRW 30 billion (CAD \$27 million), becoming one of Korea's highest-grossing romantic comedy of all time. Her latest film, *COLD EYES*, opened in Korean theaters on July 3, 2013, and has become one of the most commercially successful Korean films of 2013, selling over 5.5 million tickets and grossing KRW 40 billion (CAD \$37 million) at the box office. Ms. Lee graduated with a B.A. from Ewha Women's University in Korea.

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

<b><u>Shareholder</u></b>	<b><u># of Common Shares Owned</u></b>	<b><u>% Ownership</u></b>
Spackman Entertainment Group Limited	15,614	92.996%
Spackman Equities Limited (wholly-owned by SEGL)	1,176	7.004%
<b>TOTAL</b>	<b>16,790</b>	<b>100%</b>

**Spackman Entertainment Korea Inc.**

Spackman Entertainment Korea Inc. ("SEKI") is an investment company incorporated in Korea that makes early-stage investments into films developed and produced by Zip and Opus. SEKI also owns a majority equity interest in Upper West Inc., the operator of the café lounge, Martini Kitchen, in Korea's Gangnam district.

SEKI was incorporated on August 3, 2012 in Korea with a paid-in-capital of KRW 990 million (CAD \$880,000), equivalent to 198,000 common shares at par value of KRW 5,000 per share, by the Company. On September 25, 2013, SEGL invested KRW 1,000,000,000 (CAD \$971,000) into SEKI by subscribing for 200,000 common shares, or 50.25%, at par value of KRW 5,000 per share.

SEKI invests into films developed and produced by Zip and Opus through special contractual arrangements, namely, Investment and Profit Distribution Agreements. As an affiliate of Zip and Opus, SEKI will generally have more favorable investment terms than those of other outside investors (in most cases, a guarantee of the principal amount invested).

Upper West Inc. ("UW"), a majority-owned subsidiary of SEKI, operates the café lounge, Martini Kitchen, located at 25, Dosan-daero 15-gil, Gangnam-gu, Seoul, Korea 135-889. UW was incorporated on September 28, 2012 with a total paid-in-capital of KRW 445 million (CAD \$393,000). Of this total paid-in-capital, SEKI subscribed for 60,000 common shares, or 67.42%, of UW at the par value of KRW 5,000 per share for a total subscription consideration of KRW 300 million (CAD \$265,000). Zip and Opus also each invested KRW 35 million (CAD \$31,000) for 7,000 shares, or 7.865%, in UW. Third party investors invested the remaining KRW 75 million (CAD \$66,000) for 15,000 shares, or 16.85%.

SEKI's office is located at 607, 641, Nonhyeon-ro, Gangnam-gu, Seoul, Korea 135-824.

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

<b><u>Shareholder</u></b>	<b><u># of Common Shares Owned</u></b>	<b><u>% Ownership</u></b>
Spackman Equities Group Inc.	198,000	49.75%
Spackman Entertainment Group Limited	200,000	50.25%
<b>TOTAL</b>	<b>398,000</b>	<b>100.00%</b>

## RESULTS OF OPERATIONS

For the third quarter ended September 30, 2013 (the "current quarter") the Company had revenue of \$6,141,000 compared with \$1,217,000 for the third quarter of 2012. Revenue for the nine months ended September 30, 2013 was \$8,592,000 compared with \$3,833,000 for the nine months ended September 30, 2012. Revenue for the current quarter is almost entirely the film production and distribution revenues of Opus and Zip which were \$5,964,000, as well as other income of \$178,000.

General and administrative expenses totalled \$716,000 for the current quarter and \$1,640,000 for the first nine months, compared with \$186,000 for the third quarter of 2012 and \$544,000 for the first nine months of 2012. The increase was mainly the result of increased activities from the Opus and Zip businesses. In addition for the current quarter the Company had direct production costs of \$1,719,000 (\$965,000 for third quarter of 2012) and selling expenses of \$352,000 (\$190,000 for third quarter of 2012).

As a result of the foregoing, the Company recorded a net income of \$2,558,000 (\$0.017 per share) for the current quarter and a net income of \$1,154,000 (\$0.008 per share) for the first nine months of 2013 (third quarter of 2012: net income of \$57,000 (\$0.001 per share) and a net loss of \$221,000 ((\$0.001) per share) for the first nine months of 2012. The Company reported a net comprehensive income of \$2,787,000 for the current quarter and a comprehensive income of \$1,440,000 for the first nine months of 2013 compared with net comprehensive loss of \$26,000 for the third quarter of 2012 and a comprehensive loss of \$263,000 for the first nine months of 2012.

## SUMMARY OF SELECTED QUARTERLY INFORMATION

	Quarter to September 30 2013	Quarter to June 30 2013	Quarter to March 31 2013	Quarter to December 31 2012	Quarter to September 30 2012	Quarter to June 30 2012	Quarter to March 31 2012	Quarter to December 31 2011
<b>Revenue</b>								
Sales	5,964,192	1,888,952	124,052	905,307	1,179,747	2,377,557	178,910	(375,120)
Interest and other income	178,068	244,859	178,435	150,966	51,119	52,698	5,279	41,456
Gain (loss), realized and unrealized	(1,105)	3,382	11,557	508,563	12,621	(45,433)	(5,300)	303,428
<b>Net Income (Loss)</b>								
Total	2,557,631	(392,114)	(1,011,127)	(1,206,685)	70,475	1,325,426	(1,630,516)	(133,714)
Per share	0.017	(0.002)	(0.007)	(0.017)	0.00	0.02	(0.01)	(0.002)
Per share (diluted)	0.017	(0.002)	(0.007)	(0.017)	0.00	0.02	(0.01)	(0.002)
<i>Other Comprehensive Income (Loss), being increase (decrease) in fair value of publicly-traded investments available for sale</i>								
	229,160	76,039	(19,639)	31,299	(82,981)	89,447	(47,816)	-
<b>Comprehensive ( Loss) income</b>								
	2,786,791	(316,075)	(1,030,766)	(1,175,386)	(12,506)	1,414,693	(1,651,332)	(133,714)



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

Working capital at September 30, 2013 was \$2,995,000 compared with \$(4,467,000) at June 30, 2013 and \$5,595,000 at September 30, 2012.

Current liabilities were \$22,127,000 at September 30, 2013 compared with \$10,691,000 at June 30, 2013 and \$6,431,000 at September 30, 2012.

Cash, cash equivalents and marketable securities were \$5,893,000 at September 30, 2013 compared with \$4,497,000 at June 30, 2013 and \$7,260,000 at the end of the third quarter of 2012.

The Company's capital resources consist of cash, cash equivalents and marketable securities, 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 \$716,000 for the third quarter of 2013, \$1,729,000 for the year 2012 and \$186,000 for the third quarter of 2012.

During the third quarter, the Company's subsidiary SEGL, which beneficially owns 100% of the Korean film companies Opus and ZIP, closed the first tranche of a pre-IPO financing by raising a total of USD 2.85 million (CAD \$2.95 million), of which USD 1.85 million was raised through a private placement of 1,850 common shares at USD 1,000 per share and USD 1 million (CAD \$1 million) was raised through the issuance of convertible notes. The Company, which is the majority shareholder of SEGL, participated in the financing by subscribing for 350 shares for USD \$350,000 (CAD \$362,000). In November, 2013 SEGL raised an additional USD 1.8 million (CAD \$1.89 million) through a private placement of 1,300 common shares at a price of USD 1,000 per share and USD 0.5 million (CAD \$ 0.525 million) of convertible notes. The convertible notes have the same terms as the notes issued by SEGL in September, 2013. After these financings, and as of the date of this MD&A, SEGL owns 52.7% of SEGL.

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

The financial condition of the Company at the end of the third quarter of 2013 was largely unchanged from the financial condition at the end of the second quarter of 2013 and at the end of the year 2012. At September 30, 2013, the Company had cash, cash equivalents and marketable securities of \$5,893,000 (June 30, 2013 \$4,497,000 and December 31, 2012 \$7,260,000) and total liabilities, current and long-term, of \$22,127,000 (June 30, 2013 \$10,691,000 and December 31, 2012 \$8,927,000).

The financial condition of the Company's subsidiary SEGL improved during the third quarter and subsequent thereto as a result of the private placements described in the previous paragraph.

## ***DIRECTORS AND OFFICERS COMPENSATION***

There was no compensation paid to any directors of the Corporation for their services as directors in the third quarter of 2013.

Mr. Spackman is entitled to receive \$120,000 US annually as Chairman and Chief Executive Officer under his employment contract with the Company. Mr. Spackman received \$30,000 US in the third quarter of 2013 as Chairman and Chief Executive Officer. Mr. Spackman is also entitled under his employment contract (i) to receive 15% of any investment proceeds in excess of the initial costs of such investment resulting from the disposition of any current or future venture investment and (ii) to be issued options to purchase up to 5% of the outstanding shares of the Company. Mr. Spackman received a payment of \$63,000 in the first quarter of 2013 which represented 15% of the net realized gains from investment trading activities. No options have been issued to Mr. Spackman by the Company.

Mr. Pennal received \$15,000 in the third quarter of 2013 as Vice President.

Jenifer Cho received \$13,500 in the third quarter of 2013 as Chief Financial Officer.

## **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 the Company'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.

### **Liquidity and Negative Cash Flows**

Revenues from the film production businesses owned by the Company are very unpredictable. From time to time the Company has experienced, and may continue to experience, negative cash flow from its operating activities. In the nine months ended September 30, 2013 the Company's cash flow from operating activities was (\$4,926,000) and its working capital was \$2,995,000. In the event of negative cash flow from operations, the Company has to fund its operations with its cash on hand, cash equivalents and marketable securities. The Company's cash on hand, cash equivalents and marketable securities at September 30, 2013 was \$5,893,000. This amount should be adequate to continue to fund the Company's operations for the foreseeable future. If the Company has to raise capital to fund its operations or to make further investments in its businesses it may have to sell assets, or raise funds through the sale of additional equity or a combination of those two things. There may not be a ready market for the sale of its assets and it may not be possible to issue additional shares or other securities, or the issue of additional shares or other securities if it were to be possible may result in significant dilution to the interests of existing shareholders.

Opus, Zip, Spackman Entertainment Korea Inc., Upper West Inc., and SEGI Investments Limited are all at a relatively early stage of development and will likely require additional funding to continue operations or to develop their business plans until they become self funding. The Company would have to use its cash, cash equivalents and marketable securities to provide any such additional funding.

### **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 a limited number of businesses – in particular the film production business in Korea - 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.

### **Industry Risks**

Each of the Company's investees is subject to the risks inherent in the industry in which it operates. In the case of Opus and Zip, their businesses are very dependent 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**

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 production 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 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**

The Company 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 the Company'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.

## **Economic Conditions in Korea**

The majority of the Company's operations and assets are located in the Republic of Korea through its ownership of Opus, Zip which are based in Korea and Upper West Inc. which operates a café and lounge in Seoul, Korea. As a result, the Company is subject to political, economic, legal and regulatory risks specific to Korea. From early 1997 until 1999, Korea experienced a significant financial and economic downturn, from which it has now recovered to a large extent.

## **Tensions with North Korea**

Relations between the Republic of Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase or change abruptly as a result of current and future events. In recent years, there have been heightened security concerns stemming from North Korea's nuclear weapons and long-range missile programs and increased uncertainty regarding North Korea's actions, particularly in light of the recent leadership change, and possible responses from the international community. Tensions have escalated on the Korean peninsula, and there can be no assurance that the level of tension will not escalate further in the future.

Any further increase in tensions which may occur, for example, if military hostilities occur or North Korea experiences a leadership or economic crisis, could have a material adverse effect on our the Company's operations and the market value of its common shares.

## **Financial Instability in Other Countries**

The Korean market and the Korean economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Financial turmoil in Asia and elsewhere in the world in recent years has adversely affected the Korean economy. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on

the securities of companies in other countries. A loss of investor confidence in the financial systems of emerging and other markets may cause increased volatility in Korean financial markets. It is possible that the financial events of the type that occurred in emerging markets in Asia in 1997 and 1998 will happen again which would have an adverse effect on the market value of the Company's common shares.

## **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 National 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 National 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.

### **International Financial Reporting Standards**

The Company's financial statements for the third quarter ended September 30, 2013 and for the year ended December 31, 2012 and the comparative information presented in such financial statements have been prepared in accordance with IFRS applicable to the presentation of financial statements.

## **STRATEGY AND FUTURE DIRECTION**

The Company's strategy and focus is to (i) identify and acquire small/medium-sized growth companies, primarily in the Republic of Korea, that possess proprietary know-how or technologies and a track record of profitable operations; (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.

In August, 2013 the Company announced its intention to pursue a listing in the first half of 2014 for its subsidiary SEGL on the Catalist board of the Singapore Exchange. The Company owns 52.7% of SEGL and SEGL owns 100% of Opus and Zip. If such a listing for SEGL is successfully obtained, SEGL intends to complete an equity financing concurrently with the listing and as a result the Company's ownership of SEGL would decrease.

Moving forward, SEGI will continue to work with the managements of Opus and Zip to enhance the value of their businesses.

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.

SEGI will also opportunistically make investments in selected small-capitalization publicly-traded companies that the Company believes are attractive investment propositions, or undervalued relative to their underlying financial fundamentals and operating performance. After making an investment into such publicly-traded companies, SEGI plans to encourage and implement such measures as changes in management strategy, business diversification, cost cutting, strategic mergers & acquisitions, capital restructuring, improvements in investor relations activities, and other initiatives typically undertaken by corporate restructuring specialists, in order to seek capital appreciation. Such small-cap stocks targeted by SEGI are investment opportunities that are normally overlooked by institutional investors (i.e. private equity funds, hedge funds, special situations funds, etc.) due to their small size and relatively negligible presence in the market, making such opportunities an attractive niche for SEGI to exploit without significant competition.

The ultimate objective of the Company will be to reflect the collective value derived from the performances of Opus and Zip and its other investments in the Company's share price.

#### ***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 September 30, 2013, there were outstanding 148,900,183 common shares, options to acquire an additional 836,000 common shares and warrants to acquire 685,000 common shares. As at the date of this MD&A, 148,900,183 common shares, 836,000 options and no warrants are outstanding.

#### ***OTHER INFORMATION***

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

November 28, 2013