

Financial Statements of

**SPACKMAN EQUITIES GROUP INC.**

December 31, 2011 and 2010

# **SPACKMAN EQUITIES GROUP INC.**

December 31, 2011 and 2010

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## **Management's Responsibility for Financial Reporting**

The accompanying financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The integrity and objectivity of these financial statements are the responsibility of management.

Management is also responsible for establishing and maintaining adequate internal control over financial reporting. In support of this responsibility, management maintains a system of internal control to provide reasonable assurance as to the reliability of financial information and the safe-guarding of assets. The financial statements include the amounts of which are based on the best estimates and judgments of management.

The Board of Directors oversees management’s responsibilities for financial reporting through the Audit Committee, which consists of three directors, two of whom are independent and not involved in the daily operations of the Company. The Audit Committee meets with management and independently with the external auditors to satisfy itself that management’s responsibilities are properly discharged and to review the financial statements and the disclosures contained in the financial statements.

The Board of Directors has appointed the firm of Rich Rotstein LLP as the external auditors of the Company. The external auditors conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have reviewed the internal controls over financial reporting and have full access to the Audit Committee with respect to their findings concerning the fairness of financial reporting and the adequacy of internal controls.

Charles Spackman  
Chief Executive Officer

Jenifer Cho  
Director of Finance

April 30, 2012



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Spackman Equities Group Inc.

### "Report on the Financial Statements"

We have audited the accompanying financial statements of Spackman Equities Group Inc. which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the statements of income (loss), changes in equity, comprehensive income (loss) and accumulated other comprehensive loss and cash flows for the years then ended December 31, 2011 and 2010 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Spackman Equities Group Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010, and the results of operations and its cash flows for the years then ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

*Comparative Information*

Without modifying our opinion, we draw attention to Note 20 to the consolidated financial statements which indicates that the comparative information presented as at December 31, 2010 has been restated.

***Rich Rotstein LLP***

Chartered Accountants  
Licensed Public Accountants

Toronto, Canada  
April 30, 2012

# SPACKMAN EQUITIES GROUP INC.

## Statements of Financial Position

(Expressed in Canadian Dollars)

	As at December 31, 2011	As at December 31, 2010 (Note 20)	As at January 1, 2010 (Note 20)
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	\$ 1,056,203	\$ 192,954	\$ 41,465
Marketable securities (Note 6)	-	561,428	518,034
Accounts receivable (Note 7)	-	79,127	115,679
HST Recoverable	4,121	15,033	3,037
Prepaid expense and sundry assets	-	8,593	7,595
	1,060,324	857,135	685,810
INVESTMENTS (Note 8)	1,775,000	1,925,140	2,317,362
NOTE RECEIVABLE (Note 9)	582,591	-	-
PROPERTY AND EQUIPMENT (Note 10)	-	4,064	16,592
	<b>\$ 3,417,915</b>	<b>\$ 2,786,339</b>	<b>\$ 3,019,764</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities (Note 11)	\$ 48,534	\$ 35,091	\$ 86,259
Deferred revenue (Note 12)	-	261,378	101,899
Provision (Note 13)	85,000	21,381	-
	133,534	317,850	188,158
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital (Note 15)	3,966,772	3,514,327	3,514,327
Contributed surplus (Note 16)	315,853	291,264	277,185
Deficit	(998,244)	(1,093,213)	(716,017)
Accumulated Other Comprehensive Loss	-	(243,889)	(243,889)
	3,284,381	2,468,489	2,831,606
	<b>\$ 3,417,915</b>	<b>\$ 2,786,339</b>	<b>\$ 3,019,764</b>

APPROVED BY THE BOARD:

"Charles Spackman"  
Director

"Martin Mohabeer"  
Director

The accompanying notes form an integral part of these financial statements

## SPACKMAN EQUITIES GROUP INC.

### Statements of Income (Loss)

For the year ended December 31, 2011 and 2010

(Expressed in Canadian Dollars)

	2011	2010
<b>Revenues</b>		
Realized gain on sale of privately-held investments	\$ -	\$ 76,236
Accretion on notes receivable (Note 9)	8,974	-
	8,974	76,236
<b>Expenses</b>		
General and administrative	398,721	318,821
Stock-based compensation (Note 15(d))	-	14,079
	398,721	332,900
Net loss from continuing operations	(389,747)	(256,664)
Income (loss) from discontinued operations (Note 4)	(250,027)	57,120
Gain from distribution of Aylen's shares (Note 15(b))	734,743	-
<b>Net income (loss) for the year</b>	<b>94,969</b>	<b>(199,544)</b>
Deficit, beginning of year	(1,093,213)	(893,669)
<b>Deficit, end of year</b>	<b>\$ (998,244)</b>	<b>\$ (1,093,213)</b>
Net loss per share from continuing operations (basic and fully diluted) (Note 17)	\$ (0.01)	\$ (0.02)
Net loss per share from discontinued operations (basic and fully diluted) (Note 17)	\$ (0.01)	\$ -
Weighted average number of shares	27,171,481	16,856,632

The accompanying notes form an integral part of these financial statements

## SPACKMAN EQUITIES GROUP INC.

### Statements of Changes in Equity

For the years ended December 31, 2011 and 2010

(Expressed in Canadian Dollars)

	Number of fully paid common shares	Capital stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive income (loss) (Note 20)	Total shareholders' equity (Note 20)
Balance, January 1, 2010	16,856,632	\$3,514,327	\$ 277,185	\$ (716,017)	\$ (243,889)	\$ 2,831,606
Net loss for the year	-	-	-	(199,544)	-	(199,544)
Restatement of deferred revenue	-	-	-	(177,652)	-	(177,652)
Stock options	-	-	14,079	-	-	14,079
Balance, December 31, 2010	16,856,632	\$3,514,327	\$ 291,264	\$ (1,093,213)	\$ (243,889)	\$ 2,468,489
Net income for the year	-	-	-	94,969	-	94,969
Shares issued through private placements	61,720,000	3,086,000	-	-	-	3,086,000
Share issue costs	-	(204,027)	-	-	-	(204,027)
Warrants issued to the agent	-	-	24,589	-	-	24,589
Disposal of publicly- traded investment	-	-	-	-	243,889	243,889
Reduction of stated capital	-	(2,429,528)	-	-	-	(2,429,528)
Balance, December 31, 2011	78,576,632	\$3,966,772	\$ 315,853	\$ (998,244)	\$ -	\$ 3,284,381

The accompanying notes form an integral part of these financial statements



**SPACKMAN EQUITIES GROUP INC.****Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Loss  
For the Years Ended December 31, 2011 and 2010**

(Expressed in Canadian Dollars)

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	2011	2010
		(Note 20)
<hr/> <b>Statement of Comprehensive Income (Loss)</b> <hr/>		
Net income (loss) for the year	\$ 94,969	\$ (199,544)
Other comprehensive income (loss) for the year, increase (decrease) in fair value of publicly-traded and private investments available for sale	- 243,889	- -
Net comprehensive income (loss) for the year	\$ 338,858	\$ (199,544)
<hr/>		
<b>Statement of Accumulated Other Comprehensive Loss</b> <hr/>		
Accumulated other comprehensive loss, beginning of year	\$ (243,889)	\$ (243,889)
Other comprehensive income (loss) for the year	243,889	-
Accumulated other comprehensive loss, end of year	\$ -	\$ (243,889)

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The accompanying notes form an integral part of these financial statements

# SPACKMAN EQUITIES GROUP INC.

## Statements of Cash Flows

For the Years Ended December 31, 2011 and 2010

(Expressed in Canadian Dollars)

	2011	2010
<b>Net Inflow (Outflow) of Cash Related to the Following Activities:</b>		
<b>Operating</b>		
Net loss from continuing operations	\$ (389,747)	\$ (256,664)
Items not affecting cash:		
Realized gain on sale of privately-held investments	-	(76,236)
Stock-based compensation (Note 15(c))		14,079
Accretion on notes receivable	(8,974)	-
	(398,721)	(318,821)
Net changes in non-cash working capital balances:		
Accounts payable and accrued liabilities	27,561	(56,028)
Provision	63,619	21,381
Cash inflow (outflow) from operating activities	(307,541)	(353,468)
Net cash inflow (outflow) from discontinued operations (Note 4)	(105,492)	103,876
	(413,033)	(249,592)
<b>Investing</b>		
Investment in equity (Note 8(b))	(1,775,000)	-
Proceeds from sale, net of purchases, of marketable securities	155,690	401,081
	(1,619,310)	401,081
<b>Financing activities</b>		
Issuance of common shares (Note 15(b))	3,086,000	-
Common share issue costs (Note 15(b))	(179,438)	-
Cash transferred to Ayleen	(10,970)	-
	2,895,592	-
<b>Increase in cash position during the year</b>	863,249	151,489
Cash and cash equivalents, beginning of year	192,954	41,465
<b>Cash and cash equivalents, end of year</b>	\$ 1,056,203	\$ 192,954
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for:		
Interest paid	\$ -	\$ -
Income taxes	\$ -	\$ -
Cash and cash equivalent (represented by Cash in Banks)	\$ 1,056,203	\$ 192,954

The accompanying notes form an integral part of these financial statements

## **SPACKMAN EQUITIES GROUP INC.**

### **Notes to the financial statements**

**December 31, 2011 and 2010**

(Expressed in Canadian Dollars)

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#### **1. INCORPORATION AND NATURE OF OPERATIONS**

Spackman Equities Group Inc. (the "Company" or "SEGI") formerly Centiva Capital Inc. ("Centiva") was incorporated on May 18, 2006 as China Resolve Inc. ("China Resolve"), a wholly-owned subsidiary of TriNorth Capital Inc. ("TriNorth"). On July 26, 2007, pursuant to an amendment of articles of incorporation, China Resolve changed its name to Centiva Capital Inc. On October 10, 2007, TriNorth completed the reorganization and spun all of its assets and liabilities, except those relating to new equity to Centiva in exchange for common shares of Centiva. After the Spin-Out, Centiva continued to carry on TriNorth's business as a Canadian-based investment company, with a number of venture investments and a portfolio of marketable securities. Centiva also took over the operations of Grapevine Solutions ("Grapevine") acquired by TriNorth in June 2007. Grapevine's business is based in Markham, Ontario and it consists of licensing and selling web-based survey and data collection software to third parties.

On October 28, 2010, Centiva formed a wholly-owned subsidiary named Aylen Capital Inc. ("Aylen"), as a private Canadian Corporation. Aylen remained inactive from the date of incorporation to October 31, 2011.

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 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 promissory note in an amount representing \$0.05 per issued and outstanding common share of Centiva immediately prior to the Arrangement. The Arrangement was approved by Centiva shareholders at a special meeting held on September 23, 2011 and by the Ontario Superior Court of Justice on September 27, 2011.

The Company adopted a special resolution approving the completion of a reorganization of the Company's net assets, accordingly, the following transactions occurred on October 31, 2011:

- The Company transferred all of its then existing assets and liabilities, except those relating to the Company's new financing and tax losses to Aylen, a then wholly-owned subsidiary of SEGI, in exchange for common shares of Aylen.
- SEGI reduced the stated capital of its common shares; and distributed to its shareholders all of the common shares of Aylen as a payment for the reduction of stated capital.

On the same date, Centiva changed its name to Spackman Equities Group Inc. Trading in the common shares ("Common Shares") of the Company was halted on July 5, 2011. On October 31, 2011, the common shares of Spackman Equities Group Inc. commenced trading on the TSX Venture Exchange under the symbol "SQG". The registered head office is located at Royal Bank Plaza, South Tower, Suite 3800, 200 Bay Street, Toronto, Ontario, M5J 2Z4, Canada.

SEGI will carry on the business of identifying and investing into or acquiring small/medium-sized growth companies. It will focus on investing into or acquiring growth companies in Asia (principally in China and Korea) at attractive valuations, building a diversified portfolio of such growth companies and, ultimately, delivering the collective value derived from the performance of these businesses to the shareholders.

## **SPACKMAN EQUITIES GROUP INC.**

### **Notes to the financial statements**

**December 31, 2011 and 2010**

(Expressed in Canadian Dollars)

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## **2. BASIS OF PREPARATION**

### **(a) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") applicable to the preparation of financial statements including IFRS 1. Subject to certain transition elections disclosed in Note 5 the Company has consistently applied the same accounting policies in its opening IFRS balance sheet as at January 1, 2010 and throughout all years presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Company's statement of financial position, statements of operations and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the years ended December 31, 2010 and January 1, 2010 (the "transition date"). The Company has applied all effective IFRS standards as at December 31, 2010, as required and applied certain optional exemptions and certain mandatory exceptions as applicable for the first time IFRS adopters.

These financial statements were authorized for issuance by the Board of Directors of the Company on April 30, 2012.

### **(b) Basis of measurement**

These financial statements have been prepared on the historical cost convention, except for certain financial instruments that have been measured at fair value. The Company's functional currency is expressed in Canadian dollars.

### **(c) Use of estimates and judgment**

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments, estimates and underlying assumptions are reviewed on a continuous basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant areas of financial reporting that require management's estimates and judgments are as follows:

- Accrued liabilities

The Company uses estimates to record the expenses that have been incurred but payments have not been made (Note 11).

- Share-based payments

Compensation expense relating to stock option awards granted by the Company to employees and non-employees in exchange for service is based on fair value of the option. The stock option fair value is determined using the Black-Scholes option valuation model which requires the use of assumptions and is, by its nature, subject to measurement uncertainty (Note 15(d)).

- Deferred income tax assets

Deferred income tax assets are recognized for unused income tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred income tax assets that can be recognized based upon the likely

## **SPACKMAN EQUITIES GROUP INC.**

### **Notes to the financial statements**

**December 31, 2011 and 2010**

(Expressed in Canadian Dollars)

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timing and level of future taxable profits together with future tax-planning strategies (Note 18).

- Amortization of property and equipment

The Company amortizes its property and equipment on a straight-line basis as management believes that this method reflects the consumption or resources related to the economic life of the assets better than an accelerated method and is more representative of the economic substance of the underlying use of those assets (Note 10).

### **3. SIGNIFICANT ACCOUNTING POLICIES**

With the disposal effective October 31, 2011 of all the then existing assets and liabilities of the Company, other than those resulting from the new equity, the accompanying financial statements and notes thereto reflect the Company's operations from October 31, 2011, except as otherwise stated.

The following are the significant accounting policies used in the preparation of the financial statements.

#### **(a) Revenue recognition**

Revenue is recognized to the extent that is probable that future economic benefits will flow to the Company and the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received or to be received.

Interest income is recognized as it accrues using the effective interest method. Dividends declared from a privately-held company are not recognized unless payment of such dividends were received by the Company.

#### **(b) Provision**

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance cost.

#### **(c) Financial instruments**

##### **Financial assets**

Financial assets are classified into four categories:

- Fair value through profit or loss (“FVTPL”);
- Held-to-Maturity (“HTM”);
- Loans and receivables; and
- Available for sale (“AFS”).

##### **Financial assets at fair value through profit or loss (“FVTPL”)**

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company

## **SPACKMAN EQUITIES GROUP INC.**

### **Notes to the financial statements**

**December 31, 2011 and 2010**

(Expressed in Canadian Dollars)

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manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in the statement of income (loss).

#### **Held to maturity ("HTM")**

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of income (loss).

#### **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company classified its financial assets which consisted trade and other receivables as loans and receivables.

#### **Available-for-sale ("AFS")**

Non-derivative financial assets not included in the above categories are classified as available-for-sale. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

#### **Financial liabilities**

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss; and
- Other financial liabilities

#### **Fair value through profit or loss**

This category comprises of derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried on the balance sheet at fair value, with the changes in fair value recognized in the statement of income (loss).

#### **Other financial liabilities**

This category includes trade and other payables and due to related party, which are recognized at amortized cost.

## **SPACKMAN EQUITIES GROUP INC.**

### **Notes to the financial statements**

**December 31, 2011 and 2010**

(Expressed in Canadian Dollars)

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#### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of comprehensive loss. If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of income (loss) to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### **(d) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and in banks, deposits and other short-term highly liquid investments with maturities of three months or less and are currently held by financial institutions with high credit worthiness. Cash and cash equivalents are designated as FVTPL and are carried at fair value.

#### **(e) Marketable securities**

Marketable securities consist of investments in mutual fund securities and shares of publicly traded companies. Marketable securities are measured at fair value and recognized on the trade date. Mutual fund securities are valued using the net asset value per unit of each fund. The fair value of publicly traded securities is determined using quoted market prices. Realized and unrealized gains and losses are recognized using average cost. Gains and losses in the changes on fair value of marketable securities are charged to current operations.

Distributions from mutual fund securities are recorded as other income. Distributions that are reinvested increase the cost base of the marketable securities.

#### **(f) Prepaid and sundry assets**

Prepays and other sundry assets consist of in advance payments for goods and services applicable to future periods.

## **SPACKMAN EQUITIES GROUP INC.**

### **Notes to the financial statements**

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#### **(g) Property and equipment**

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes any expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing items and restoring the site on which they are located.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components). Property and equipment are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use, using the straight-line method less its residual value over the estimated useful lives of the assets as follows:

Software	3 years straight-line
Computer equipment	3 years straight-line

Changes to amortization rates are accounted for on a prospective basis.

#### **(h) Stock-based compensation**

The Company issues share-based awards to its officers and directors. The awards are comprised of equity-settled stock options. Fair values of share options are calculated using the Black-Scholes valuation method at the date of the grant and adjusted for estimated forfeitures. For awards with graded vesting, the fair value of each tranche is calculated separately and recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. At each reporting date, the Company will reassess its estimates of the number of awards that are expected to vest and recognize the impact of any revision in the income statement with a corresponding adjustment to contributed surplus.

The Company issues shares and share options under its share-based compensation plans as described in Note 15(d). Any consideration paid by employees on exercise of share options or purchase of shares, together with the amount initially recorded in contributed surplus, is credited to share capital.

#### **(i) Earnings (loss) per share**

Basic earnings per share are calculated by dividing the net income or loss for the period attributed to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated using the same method as for basic earnings per share and adjusting the weighted average of common shares outstanding during the period to reflect the dilutive impact, if any, of options and warrants assuming they were exercised for that number of common shares calculated by applying the treasury stock method. The treasury stock method assumes that all proceeds received by the Company when "in the money options" and warrants are exercised will be used to purchase common shares at the average market price during the reporting period.

#### **(j) Income taxes**

The Company follows the liability method to provide for income taxes on all transactions recorded in its consolidated financial statements. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused losses, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled. The



## **SPACKMAN EQUITIES GROUP INC.**

### **Notes to the financial statements**

**December 31, 2011 and 2010**

(Expressed in Canadian Dollars)

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effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings or equity in the period that includes the substantive enactment date. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.

#### **(k) Comprehensive income (loss)**

Comprehensive income (loss) is the change in the Company's shareholders' equity that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains and losses on available-for-sale investments. Certain gains and losses are recorded as part of net earnings to be presented in other "comprehensive income (loss)" until it is considered appropriate to recognize into net earnings.

The Company is required to report comprehensive income (loss) and its components in the financial statements.

#### **(l) Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet dates. The resulting exchange gains and losses are recognized in the earnings. Non-monetary assets and liabilities other than the functional currency that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in other than the functional currency are translated using the exchange rate at the date of the transaction.

#### **(m) Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the entity. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

#### **(n) Business combinations**

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities and contingent liabilities incurred or assumed at the date of acquisition.

Goodwill is initially measured as the excess of the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss

Acquisition-related costs are expensed as incurred.

#### **(o) Share issuance costs**

Share issuance costs incurred on the issue of the Company's shares are charged directly to equity.

#### **(p) Recent accounting pronouncements**

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. Except as otherwise noted below for IFRS 9, IAS 32 and amendments to IFRS 7, the standards

## **SPACKMAN EQUITIES GROUP INC.**

### **Notes to the financial statements**

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are effective for the annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impacts of these standards on its financial statements.

#### (i) IFRS 9 – Financial Instruments

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. This new standard is effective for annual periods beginning on or after January 1, 2015.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39 Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

#### (ii) IFRS 10 – Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation-Special Purpose Entities and is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

#### (iii) IFRS 11 “Joint Arrangements”

IFRS 11 Joint Arrangements establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

#### (iv) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 Disclosure of Involvement with other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

## **SPACKMAN EQUITIES GROUP INC.**

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#### (v) IFRS 13 “Fair Value Measurement”

IFRS 13 Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

#### (vi) Amendments to IAS 1 – Financial Statement Presentation”

The amendments to IAS 1 require entities to separate items presented in Other Comprehensive Income (OCI) into two groups based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled, such as remeasurements resulting from the amendments to IAS 19, will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

#### (vii) Amendments to other standards

In addition, there have been amendments to existing standards, including IFRS 7 Financial Instruments: Disclosure, IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures, and IAS 32 Financial Instruments: Presentation. IFRS 7 amendments require disclosure about the effects of offsetting financial assets and financial liabilities and related arrangements on an entity’s financial position. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. IAS 32 addresses inconsistencies when applying the offsetting requirements, and is effective for annual periods beginning on or after January 1, 2014.

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**4. DISCONTINUED OPERATIONS**

On October 31, 2011, the Company had transferred all of the existing assets and liabilities, except those relating to the new equity and tax losses to Aylen, a then wholly-owned subsidiary, in exchange for 16,856,632 common shares of Aylen and a promissory note in an amount representing \$0.05 per issued and outstanding common share of SEGI (formerly Centiva) immediately prior to the Arrangement.

The following table summarizes the income (loss) from discontinued operations:

	December 31, 2011	December 31, 2010
<b>Revenues</b>		
Sales revenue	\$ 427,722	\$ 470,207
Interest and dividend	13,683	16,646
Unrealized gain on fair value of marketable securities held for trading	-	64,965
	441,405	551,818
<b>Expenses</b>		
Selling expenses	286,329	393,221
Loss on publicly-traded investments	207,915	79,323
Unrealized loss on fair value of marketable securities	98,768	-
Loss on sale of marketable securities	12,821	9,627
Amortization of software development cost	-	10,000
Depreciation	1,895	2,527
	607,728	494,698
Income (loss) from discontinued operations	(166,323)	57,120
Less: transaction costs	(83,704)	-
Net income (loss) from discontinued operations	\$ (250,027)	\$ 57,120

Prior to reorganization, the Company generated revenue primarily from subscription fees and consulting income from Grapevine's on-line surveys and data collection. The Company recorded revenue and associated unearned revenue based on the contract price. Revenues from subscription fees were recognized on a straight-line basis over the term of the contract. The unearned component of the subscription fees collected was recorded as deferred revenue (Note 12).

Investment and other income include interest earned on invested funds and gains on disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit and loss. Dividends received from public companies were recognized at the ex-dividend date.

**SPACKMAN EQUITIES GROUP INC.****Notes to the financial statements****December 31, 2011 and 2010**

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The following table presents the effects on cash flow from the discontinued operations:

	December 31, 2011	December 31, 2010
Net income (loss) from discontinued operations	\$ (250,027)	\$ 57,120
Items not affecting cash:		
Loss on publicly-traded investments	207,915	79,323
Loss on fair value of marketable securities	12,821	9,627
Unrealized loss (gain) on fair value of marketable securities	98,768	(64,965)
Amortization of software development cost	-	10,000
Depreciation	1,895	2,527
	71,372	93,632
Net changes in non-cash working capital balances:		
Prepaid expenses	8,593	(998)
Accounts payable	(14,119)	4,859
Accounts receivable	79,128	36,552
Deferred revenue	(261,378)	159,479
HST recoverable	10,912	(11,996)
Net effect on restatement of deferred revenues	-	(177,652)
Cash inflow (outflow) from discontinued operations	\$ (105,492)	\$ 103,876

**5. TRANSITION TO IFRS**

The Company adopted IFRS effective January 1, 2011 with transition date of January 1, 2010. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

These financial statements are the Company's first annual financial statements prepared in accordance with IFRS, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"). In preparing the opening IFRS statement of financial position, the Company has adjusted the amounts reported previously in the financial statements prepared in accordance with Canadian GAAP. The following is an explanation on how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows .

**(a) Initial elections on first-time adoption of IFRS**

IFRS 1, First-Time Adoption of International Financial Reporting Standard permits those companies to take certain optional exemptions from the full retrospective application of IFRS at the time of transition. The Company has made use of the following exemptions.

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Business combinations

The Company has elected to prospectively apply IFRS 3, Business Combinations, from the Transition Date, rather than retrospectively restating all business combinations that have occurred prior to the Transition Date. As such, any goodwill arising from past business combinations have not been adjusted from the carrying value previously determined under Canadian GAAP.

**(b) Mandatory exceptions to full retrospective application**

In accordance with the requirements of IFRS 1, hindsight was not used to create or revise estimates. The estimates previously made by the Company under Canadian generally accepted accounting principles (GAAP) were not revised on transition to IFRS except where necessary to reflect any differences in accounting policies.

**(c) Reconciliation of Canadian GAAP to IFRS**

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. IFRS 1 requires a reconciliation of equity, comprehensive income and cash flows for prior periods. These reconciliations along with the explanation of the differences are presented as follows:

**Reconciliation of Equity from Canadian GAAP to IFRS**

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	December 31, 2010	January 1, 2010
Shareholders' equity under GAAP	\$ 2,468,489	\$ 2,831,606
IFRS adjustment	-	-
Total shareholders' equity under IFRS	\$ 2,468,489	\$ 2,831,606

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**SPACKMAN EQUITIES GROUP INC.****Notes to the financial statements****December 31, 2011 and 2010**

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**Reconciliation of Statement of Financial Position from Canadian GAAP to IFRS****January 1, 2010**

	Canadian GAAP (Note 20)	Effect of transition to IFRS Adjustment/ Reclassification	IFRS
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	\$ 41,465	\$ -	\$ 41,465
Marketable securities	518,034	-	518,034
Accounts receivable (i)	118,716	(3,037)	115,679
HST Recoverable (i)	-	3,037	3,037
Prepaid expense and sundry assets	7,595	-	7,595
	685,810	-	685,810
<b>INVESTMENTS</b>	2,317,362	-	2,317,362
<b>PROPERTY AND EQUIPMENT</b>	16,592	-	16,592
	<b>\$ 3,019,764</b>	<b>\$ -</b>	<b>\$ 3,019,764</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities	\$ 86,259	\$ -	\$ 86,259
Deferred revenue	101,899	-	101,899
	188,158	-	188,158
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	3,514,327	-	3,514,327
Contributed surplus	277,185	-	277,185
Deficit	(716,017)	-	(716,017)
Accumulated Other Comprehensive Loss	(243,889)	-	(243,889)
	2,831,606	-	2,831,606
	<b>\$ 3,019,764</b>	<b>\$ -</b>	<b>\$ 3,019,764</b>

(i) HST receivables are reclassified from trade receivables

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(Expressed in Canadian Dollars)

**Reconciliation of Statement of Financial Position from Canadian GAAP to IFRS  
December 31, 2010**

	Canadian GAAP (Note 20)	Effect of transition to IFRS Adjustment/ Reclassification	IFRS
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	\$ 192,954	\$ -	\$ 192,954
Marketable securities	561,428	-	561,428
Accounts receivable (i)	94,160	(15,033)	79,127
HST Recoverable (i)	-	15,033	15,033
Prepaid expense and sundry assets	8,593	-	8,593
	857,135	-	857,135
<b>INVESTMENTS</b>	1,925,140	-	1,925,140
<b>PROPERTY AND EQUIPMENT</b>	4,064	-	4,064
	<b>\$ 2,786,339</b>	<b>\$ -</b>	<b>\$ 2,786,339</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities (ii)	\$ 56,472	\$ (21,381)	\$ 35,091
Deferred revenue	261,378	-	261,378
Provisions (ii)	-	21,381	21,381
	317,850	-	317,850
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	3,514,327	-	3,514,327
Contributed surplus	291,264	-	291,264
Deficit	(1,093,213)	-	(1,093,213)
Accumulated Other Comprehensive Loss	(243,889)	-	(243,889)
	2,468,489	-	2,468,489
	<b>\$ 2,786,339</b>	<b>\$ -</b>	<b>\$ 2,786,339</b>

(i) HST receivables are reclassified from trade receivables

(ii) Under IFRS, provisions are separated from accounts payable and accrued liabilities



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**Reconciliation of Statement of Loss and Comprehensive Loss from Canadian GAAP to IFRS****December 31, 2010**

	Canadian GAAP	Effect of transition to IFRS Adjustment/ Reclassification	IFRS
<b>Revenues:</b>			
Sales revenue	\$ 470,207	\$ -	\$ 470,207
Interest and other income	16,646	-	16,646
Realized gain on sale of privately-held investments	76,236	-	76,236
Unrealized gain on fair value of marketable securities held for trading	64,965	-	64,965
	628,054	-	628,054
<b>Expenses:</b>			
General and administrative	318,821	-	318,821
Selling expenses	393,221	-	393,221
Stock-based compensation	14,079	-	14,079
Amortization of software development costs	10,000	-	10,000
Depreciation	2,527	-	2,527
Loss on sale of marketable securities held for trading	9,627	-	9,627
Loss on sale of publicly-traded investments	79,323	-	79,323
	827,598	-	827,598
Net loss for the year	(199,544)	-	(199,544)
Deficit, beginning of year	(893,669)	-	(893,669)
Deficit, end of year	\$ (1,093,213)	\$ -	\$ (1,093,213)
<b>Statement of Comprehensive Income (Loss)</b>			
Net loss for the year	\$ (199,544)	\$ -	\$ (199,544)
Other comprehensive income (loss) for the year	-	-	-
Net comprehensive income (loss) for the year	\$ (199,544)	\$ -	\$ (199,544)
<b>Statement of Accumulated Other Comprehensive Loss</b>			
Balance, beginning of year	\$ (243,889)	\$ -	\$ (243,889)
Other comprehensive income (loss) for the year	-	-	-
Accumulated other comprehensive loss, end of year	\$ (243,889)	\$ -	\$ (243,889)

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**Reconciliation of Consolidated Statement of Cash Flows**

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the statements of financial position and statements of loss have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been presented.

**6. MARKETABLE SECURITIES**

The Company has the following marketable securities:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Investment in equities	\$ -	\$ -	\$ 701,887	\$ 556,896
Mutual funds	-	-	4,532	4,532
	\$ -	\$ -	\$ 706,419	\$ 561,428

Investment in equities are publicly-traded investments on a recognized securities exchange and for which no sales restrictions apply. The fair value of these securities is based on quoted closing prices at the balance sheet date or the closing bid price on the last day the security traded if there were no trades at the balance sheet date. The fair value of mutual funds is determined using the net value per unit of each fund. The decline in the value of marketable securities was recognized in the statement of income (loss).

**7. ACCOUNTS RECEIVABLE**

Accounts receivable are amounts due from subscriptions that remain uncollected at year end. These amounts are classified as current because collection is expected in one year or less. Accounts receivable are recognized initially at the amount expected to be received less any discount to reduce the recoverable amount to fair value. Subsequently, accounts receivable are measured at amortized cost using the effective interest method less a provision for impairment. The Company has no outstanding receivables as at December 31, 2011.

The following table outlines the details of aging of the Company's receivables:

	2011	2010
Current	\$ -	\$ 47,771
Past due		
31-60 days	-	15,270
Greater than 60 days	-	16,086
Less: allowance for doubtful accounts	-	-
Total receivable, net	\$ -	\$ 79,127

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**8. INVESTMENTS****(a)** The Company has the following venture investments:

	No. of shares	2011	No. of shares	2010
Privately held investments:				
VFM Leonardo Inc. (i)				
Common shares	-	\$ -	3,075,359	\$ 1,156,000
Convertible preference shares and warrants to purchase further common shares	-	-	2,436,658	687,890
	-	\$ -	5,512,017	\$ 1,843,890
Publicly-traded investments:				
Biorem Inc. (ii)				
Common shares	-	-	162,500	81,250
	-	\$ -	5,674,517	\$ 1,925,140

(i) The Company owned an equity interest of 8.2% in VFM Leonardo Inc. ("VFM") representing approximately 13.9% on a fully-diluted basis, should all warrants and options be exercised. These shares were transferred to Aflen on October 31, 2011.

(ii) Prior to reorganization, the Company sold 100% of the Biorem Inc. shares.

**(b)** During the year, the Company made the following investments:

	No. of shares	2011
Investment in Intech LCD Group	3,075,359	\$ 1,075,000
Investment in Gold China	2,436,658	700,000
	5,512,017	\$ 1,775,000

(i) On October 31, 2011, the Company has acquired 17.916% equity interest of Intech LCD Group Limited ("Intech"). Intech LCD Group Limited, 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 diverse 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.

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( ii ) The Company acquired 100% of the issued and outstanding common shares of Gold China Technologies Limited ("Gold China"). Gold China is a special purpose vehicle incorporated in Hong Kong that will serve as a vehicle for SEGI to indirectly own:

- 1890 common shares of Opus Pictures Co. Ltd. ("Opus"), representing a 7.0% equity ownership of Opus Pictures Co. Ltd. and
- 1,176 common shares of Zip Cinema Co. Ltd. ("Zip"), representing a 7.0% equity ownership of Zip Cinema

Opus was established in Korea as an independent developer, producer and investor of theatrical motion pictures in Korea.

Zip Cinema Co., Ltd. produces motion pictures in crime drama, melodrama, drama, oriental action fantasy, and fantasy action categories in South Korea. The company was founded in 2006 and is based in Seoul, South Korea.

The investments were recorded at carrying value. The management reviewed the indicators of impairment based on IAS 36 and believed that there is no permanent impairment on these investments.

#### 9. NOTE RECEIVABLE

The Company received a demand promissory note in the amount of \$842,832 from Aylen Capital Inc. on October 31, 2011 in exchange for the assets and liabilities transferred. The note is secured and is subject to certain conditions such that the holder shall not demand payment of the principal amount unless assets of the maker have been sold and the holder shall not demand payment from the maker in an amount that exceeds the net proceeds of the sale of such assets by the maker.

The Company uses the effective interest rate method to determine the fair value of the note. The effective interest rate of the note was 8% and a maturity date of 5 years from the date of issue. The discount is amortized on a straight-line basis over a period of 5 years. At each reporting period, the Company accretes the carrying value of the note by recognizing accretion income in the statement of income (loss) and a debit to note receivable.

The balance of note receivable as at December 31, 2011 was determined as follows:

	2011
Fair value of note receivable, on issue date at 8%, term 5 years	\$ 573,617
Accretion income	8,974
	\$ 582,591

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**10. PROPERTY AND EQUIPMENT**

The Company's property plant and equipment consist of the following:

	2011			2010		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Software	\$ -	\$ -	\$ -	\$80,000	\$ 80,000	\$ -
Computer equipment	-	-	-	7,581	3,517	4,064
	\$ -	\$ -	\$ -	\$87,581	\$ 83,517	\$ 4,064

The Company transferred all of its property and equipment to Aylen on October 31, 2011.

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consist primarily of outstanding vendors' invoices and accrued expenses incurred during the year. The balances owing to the creditors are payable in accordance with the vendors' individual credit terms. The Company's contractual maturities were broken down as follows:

	December 31, 2011	December 31, 2010
Less than 3 months	\$ 48,534	\$ 35,091
3 - 6 months	-	-
6 - 9 months	-	-
9 - 12 months	-	-
Greater than 12 months	-	-
	\$ 48,534	\$ 35,091

Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations.

**12. DEFERRED REVENUE**

Deferred revenue represents the unearned portion of subscription fees collected from customers amortized on a straight-line basis over the remaining life of the contract.

	2011	2010
Unearned subscription fees	\$ -	\$ 261,378

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**13. PROVISION**

The Company made the following provisions related to organizational restructuring:

	2011	2010
Provision for expenses incurred related to restructuring	\$ 85,000	\$ 21,381

The restructuring expenses pertains to legal fees and other professional fees to be incurred related to reorganization. The restructuring charges are included in the general and administrative expenses.

**14. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT**Measurement and Fair value

The Company's financial assets and liabilities are classified and measured as follows:

Financial Instrument	Classification	Measurement	Fair Value	
			2011	2010
<i>Financial assets:</i>				
Cash and cash equivalent	Held-for-trading	Fair value	\$ 1,056,203	\$ 192,954
Marketable securities	Held-for-trading	Fair value	\$ -	\$ 561,428
Accounts receivable	Loans and receivables	Amortized cost	\$ -	\$ 79,127
HST Recoverable	Loans and receivable	Amortized cost	\$ 4,121	\$ 15,033
Notes Receivable	Loans and receivable	Amortized cost	\$ 582,591	\$ -
<i>Financial liabilities:</i>				
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	\$ 48,534	\$ 35,091
Deferred revenues	Other financial liabilities	Amortized cost	\$ -	\$ 261,378

The fair value of the Company's financial assets and liabilities approximate their respective carrying value as at the balance sheet date because of the short term maturity of these instruments. The Company currently does not use hedges or other derivative financial instruments in its operations.

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Financial instruments recorded at fair value on the balance sheet date are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 - valuation techniques based on inputs for the asset or liability that are not based on observable market data.

The fair value of cash and cash equivalents and marketable securities are measured based on Level 1 inputs referred to in the three levels of the hierarchy noted above. The Company does not have any Level 2 or Level 3 fair value measurements and thus no continuity schedule has been presented. In addition, there have been no significant transfers between levels.

#### Risk management

The Company, through its financial assets and liabilities, is exposed to various risks which could affect its ability to achieve its strategic objectives for growth and in maximizing shareholders' returns. The Company's management takes an active role in the risk management process by reviewing policies and procedures, assessing risks and mitigating the various financial risks that could impact the financial position and results of operations.

The following analysis provides a measurement of risks as at December 31, 2011 and 2010.

#### (a) Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices.

#### (b) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any floating interest rate instruments and therefore it is not exposed to interest rate fluctuations. In addition, the Company does not enter into derivative financing and has no interest rate swap or financial contracts in place as at or during the year ended December 31, 2011 and 2010.

#### (c) Foreign exchange risk

Foreign currency exchange risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates.

The Company believes it is not significantly exposed to foreign exchange rate risk; the risk is considered to be acceptable as a normal risk of that type of business. The Company does not actively hedge its foreign currency and had no forward contracts in place as at December 31, 2011 and 2010.

#### (d) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument

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fails to meet its contractual obligations, and arises principally from the Company's cash and accounts receivable. The carrying amount of financial assets represents the maximum credit exposure to the Company.

## (e) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company manages liquidity risks by monitoring the actual and forecasted cash flows taking into account the current and planned operations. The Company's estimated minimum contractual undiscounted cash flow requirements for its financial liabilities were disclosed in Note 11.

**15. SHARE CAPITAL**

## a) Authorized

An unlimited number of common shares

## (b) Issued and outstanding

	December 31, 2011		December 31, 2010	
	Number of common shares	Amount	Number of common shares	Amount
Beginning balance	16,856,632	\$ 3,514,327	16,856,632	\$ 3,514,327
Private placements, non-brokered (i)	50,000,000	2,500,000	-	-
Private placements, brokered (i)	11,720,000	586,000	-	-
Share issue costs (ii)	-	(204,027)	-	-
Reduction of stated capital (iii)	-	(2,429,528)	-	-
Ending balance	78,576,632	\$ 3,966,772	16,856,632	\$ 3,514,327

## (i) October 31, 2011, the Company completed the following:

- Non-brokered private placement through the issuance of 50,000,000 common shares at a price of \$0.05 per share with gross proceeds of \$2,500,000.
- Brokered private placement through the issuance of 11,720,000 common shares at a price of \$0.05 per share with gross proceeds of \$586,000. Associated with the private placement, the Company paid a cash commission of 8%, administration and corporate finance fees. The Company also issued broker's warrants to the agent equivalent to 8% of the shares sold by the agent.

(ii) Share issue costs include commissions paid to agent, fair value of warrants issued to agent and other expenses related to financing.



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(iii) As a result of reorganization, the Company reduced the stated capital by \$2,429,528 and distributed to the shareholders in the Distribution Record Date all of Aylen's common shares as a payment on the reduction of SEGI's stated capital. The Company recorded a gain of \$734,743 resulting from the transaction.

Fair market of Aylen's shares distributed to Centiva's shareholders	\$	2,429,528
Less: Book value of Aylen's shares		(1,694,785)
Gain on distribution of Aylen's shares to Centiva's shareholders	\$	734,743

**(c) Warrants**

The Company has the following outstanding warrants as at December 31, 2011:

	Number of warrants	Exercise price	Amount
Outstanding - December 31, 2010	-	\$ -	\$ -
Issued during the year (i)	937,600	0.05	24,589
Outstanding - December 31, 2011	937,600	\$ 0.05	\$ 24,589

(i) Under the terms of an agency agreement, the Company issued a total of 937,600 warrants to the agent on October 31, 2011. Each warrant entitles the agent to subscribe for one common share of the Company at the price of \$0.05 per common share, expiring 24 months from the date of issue.

The Company uses the fair value method of accounting for the warrants using the Black-Scholes option pricing model. The fair value of warrants was calculated based on the following assumptions:

Risk-free interest rate	0.84 %
Expected life (in years)	2.0
Expected volatility	100.00 %
Dividend yield	0 %
Weighted average exercise price	\$0.05

**(d) Stock options**

The Company has an incentive stock option plan for the officers and directors enabling them to purchase common shares. Each option granted under the plan is for a maximum term of 5 years. The exercise price is determined by the Company's board of directors at the time the option is granted, subject to regulatory approval, and may not be less than the most recent closing price of the common shares at the date of grant. Vesting provisions are also determined at the time of grant by the Company's board of directors.

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The following table summarizes the option transactions as at December 31, 2011 and 2010:

	<b>2011</b>		<b>2010</b>	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning	1,536,000	\$ 0.10	1,386,000	\$ 0.10
Granted during the year (i)	-	-	150,000	\$ 0.10
Ending balance	1,536,000	\$ 0.10	1,536,000	\$ 0.10

(i) On November 19, 2010, the Company granted 150,000 stock options to its officers and directors in accordance with its stock option plan. The options are exercisable at a price of \$0.10 per share and have a term of five years. There were no stock options granted in 2011.

The Company uses the fair value method of recording the stock options using the Black-Scholes Option Pricing Model. The fair value of options was calculated based on the following assumptions at the time of the grant:

	<b>2010</b>
Risk-free interest rate	2.10 %
Expected life (in years)	5
Expected volatility	165 %
Dividend yield	0 %
Weighted average exercise price	\$ 0.10

The total fair value of the stock options granted in 2010 amounted to \$14,079. The stock-based compensation expense was recorded against income and a credit to Contributed Surplus.

The following table shows the stock options outstanding as at December 31, 2011:

Number of options outstanding	Exercise Price \$	Expiry Date	Number of options exercisable
986,000	0.10	November 26, 2012	986,000
50,000	0.10	May 2, 2013	50,000
50,000	0.10	May 13, 2013	50,000
150,000	0.10	November 27, 2013	150,000
150,000	0.10	November 25, 2014	150,000
150,000	0.10	November 19, 2015	150,000
1,536,000	0.10		1,536,000

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The following summarizes information on the stock options outstanding as at December 31, 2011:

Weighted average exercise price	\$	0.10
Options outstanding as at December 31, 2011		1,536,000
Weighted average remaining contractual life		1.52 years
Options exercisable as at December 31, 2011		1,536,000

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**16. CONTRIBUTED SURPLUS**

	2011		2010	
Balance, beginning of year	\$	291,264	\$	277,185
Options issued during the year (Note 15(d))		-		14,079
Warrants issued during the year (Note 15(c))		24,589		-
Balance, end of year	\$	315,853	\$	291,264

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**17. NET LOSS PER SHARE**

Loss per share is calculated by dividing the net loss per financial statements by weighted average number of common shares outstanding for the year. The effect of stock options was anti-dilutive and, hence, diluted loss per share equals basic loss per share.

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(Expressed in Canadian Dollars)

**18. INCOME TAXES**Provision for income taxes

The provision for income taxes attributable to income before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 28.25% (2010-30.99%) of pre-tax income as a result of the following:

	<b>2011</b>	<b>2010</b>
Net income (loss) before taxes	\$ 94,969	\$ (199,544)
Expected recovery of income taxes based on combined federal and provincial statutory rate of 28.25% (2010-30.99%) applied to loss	26,829	(61,800)
Adjustments to tax (benefit) expense resulting from:		
Non-deductible permanent differences	175,027	7,400
Timing differences	25,841	25,100
Valuation allowance	(227,697)	29,300
Current tax expense	\$ Nil	\$ Nil

Future income tax balances

The tax effects of temporary differences that give rise to significant portions of the future income tax assets and liabilities are presented below:

	<b>2011</b>	<b>2010</b>
Non-capital losses	\$ 333,799	\$ 236,000
Capital losses	57,093	30,400
Unamortized reorganization costs	-	57,900
Timing differences resulting in potential future income tax assets	-	229,800
Total gross future tax assets	390,892	554,100
Less valuation allowance	(390,892)	(554,100)
Total net future tax assets	\$ Nil	\$ Nil

## SPACKMAN EQUITIES GROUP INC.

### Notes to the financial statements

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#### Capital and non-capital losses available

The Company has non-capital losses of approximately \$1,182,000 (2010-\$762,000) and capital losses of approximately \$404,200 (2010 - \$196,200) that may be carried forward to reduce income taxes in future years.

If not utilized, the non-capital losses will expire as follows:

Year of Expiry	Amount
2026	\$ 56,000
2027	73,000
2028	162,000
2029	141,000
2030	330,000
2031	420,000
	\$ 1,182,000

## 19. REMUNERATION OF KEY PERSONNEL

The remuneration of directors and other key management personnel of the Company was as follows:

	2011	2010
Salaries (i)	\$ 35,373	\$ -
Directors' fees (ii)	20,934	-
Stock options (Note 15(d))	-	14,079
Total	\$ 56,307	\$ 14,079

(i) Relates to management salaries paid from November 1 to December 31, 2011 after reorganization. The management salaries for 2010 were included in the loss of discontinued operations.

(ii) Directors' fees paid after reorganization.

## 20. RESTATEMENT OF PRIOR YEARS' COMPARATIVE

#### Statements of financial position

The Company made an adjustment to the December 31, 2010 comparative figures due to recognition of a prior period error relating to discontinued operations. In December 31, 2010, subscription fees revenue was recognized thirty days after signing of the contract. The Company is restating amounts to amortize the subscription fees received from customers base on the term of the contract.

**SPACKMAN EQUITIES GROUP INC.****Notes to the financial statements****December 31, 2011 and 2010**

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Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Loss

The other comprehensive income during the year amounting to \$1,928,000 was reclassified to accumulated other comprehensive income (loss) at the beginning of the year.

The resulting adjustments to the December 31, 2010 comparative statement of financial position were as follows:

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	Increase (Decrease) \$
<hr/> Statement of Financial Position:	
( i ) Accounts receivable	83,726
( ii ) Deferred revenue	261,377
( iii ) Retained earnings - beginning of year	177,651
( iv ) Investments - beginning of year	1,928,000
<hr/>	
Statement of Comprehensive Income (Loss) and Accumulated Other Comprehensive Loss:	
( iv ) Other comprehensive income (loss) during the year	(1,928,000)
( v ) Accumulated other comprehensive income (loss), beginning of year	1,928,000

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The above adjustments and reclassification have no effect on the statement of income (loss).

Other amounts affected throughout the restated financial statements and accompanying notes have been amended as appropriate.

**21. MANAGEMENT OF CAPITAL**

The Company's objective is to develop a strong capital base to sustain future development and growth of the business. The Company manages its capital by maintaining a flexible capital structure which optimizes the cost of capital at an acceptable level of risk and makes adjustments on it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company's capital base is currently represented by shareholders' equity. The Board of Directors does not establish a quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company also intends to increase its capital base by continuing to issue shares and related equity instruments, such as warrants. It is not anticipated that the Company will pay dividends for the foreseeable future. The Company is not subject to any externally imposed capital requirements.

## **SPACKMAN EQUITIES GROUP INC.**

### **Notes to the financial statements**

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The Company's over-all strategy with respect to capital risk management remained unchanged during the year. The Company is not subject to any externally imposed capital requirements as at December 31, 2011.

## **22. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation. These reclassifications did not affect the prior year's net losses.

## **23. SUBSEQUENT EVENT**

On January 10, 2012, the Company acquired 55% of the issued and outstanding shares of Team Vision International Limited ("TVIL") in exchange for the issuance of 30,475,500 common shares of the Company at a deemed price of \$0.15 per share. The common shares issued in connection with the transaction have a hold period in Canada until May 10, 2012.

TVIL holds 93% of Opus Pictures Co. Ltd. and approximately 92.996% of Zip Cinema Co. Ltd. The Company also indirectly owns 7.0% equity ownership in Opus and 7.004% equity ownership in Zip through its equity interest in Gold China Technologies Limited. Opus and Zip are engaged in the production and distribution of theatrical motion pictures in the Republic of Korea and other overseas markets.

On March 9, 2012 by a special resolution filed under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) the name Gold China Technologies Limited was changed to Spackman Equities Limited. On March 12, 2012 under the same resolution, the name Team Vision International Limited was changed to Spackman Entertainment Group Limited.

Resulting from the subsequent investment, the Company has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units are managed separately and offer different products and services.

Motion Picture: Includes the production and distribution of Korean language commercial films and resulting royalties.

Other: Includes the management of investments and notes receivable.