

# SPACKMAN EQUITIES GROUP INC. (FORMERLY CENTIVA CAPITAL INC.)

## Management's Discussion and Analysis

*The following provides additional analysis of the operations and financial position of Spackman Equities Group Inc. (formerly Centiva Capital Inc.) ("Spackman" or "the Company"). It is supplementary information and should be read in conjunction with the financial statements and accompanying notes for the three and nine month periods ended September 30, 2011 and the year ended December 31, 2010.*

*Spackman is a publicly-traded company listed on the TSX Venture Exchange under the symbol SQG. As of November 28, 2011 there were 78,576,632 common shares issued and outstanding. Additional information relating to the Company may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.spackmanequities.com](http://www.spackmanequities.com).*

### FORWARD-LOOKING STATEMENTS

*Included in this Management Discussion and Analysis 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.*

### OVERALL PERFORMANCE

Spackman has a diversified investment portfolio through its investments in marketable securities and venture investments in early-stage companies with high growth potential, and its Grapevine Solutions business. At September 30, 2011, the Company had investments in marketable securities of \$1,000 (December 31, 2010: \$561,000, March 31, 2011: \$586,000 and June 30, 2011: \$472,000) and venture investments in early-stage companies totalling \$1,843,000 (December 31, 2010: \$1,925,000, March 31, 2011 \$1,907,000 and June 30, 2010: \$1,899,000).

### INVESTMENTS

#### ***VFM Leonardo Inc.***

At September 30, 2011 Spackman owned an 8.2% equity interest in VFM Leonardo Inc. (formerly VFM Interactive Inc.) ("VFM") representing approximately 13.9% on a fully-diluted basis, should all warrants and options be exercised.

On April 22, 2008, VFM completed a financing of \$13.8 million, to be used for working capital purposes and to fund the expansion of its business. As part of the financing, Spackman converted its \$600,000 in VFM convertible debentures and resulting settlement interest of \$88,000, into Series A convertible preferred shares. Following these transactions, Spackman now has 5,494,269 common and preference shares together with 12,000,000 warrants. The warrants have an expiry date of March 1, 2014 and an exercise price of \$0.001.

On November 5, 2008, VFM acquired the business of European-based Leonardo Media B.V., the leading distributor of still image content for the travel industry. The combined entity carries on business under the name VFM Leonardo.

VFM, which is headquartered in Toronto, Ontario, has developed an online video and rich media advertising platform and distribution network that allow advertisers to distribute informational rich media marketing content to highly targeted consumers across thousands of relevant sites and electronic channels. Currently, VFM provides off-platform technology-driven rich media solutions, connectivity and interactivity for the hotel, lodging and the online travel distribution industries. VFM's end-to-end media management and distribution solution is a content "hub" that aggregates hotel and travel-related digital rich media content such as videos, 360° virtual tour images, Flash productions and still images, and automates its distribution to travel websites and any other points of contact where rich media can be viewed by consumers researching and booking travel accommodations.

VFM is the world's largest provider and distributor of online visual content for the hotel and travel industry. VFM's content library includes more than one million digital photographs, videos and 360° virtual tours for over 80,000 hotels and resorts worldwide. Through VScape®, VFM distributes this content to its online media network of all four Global Distribution Systems, Pegasus, and 30,000 plus travel-related channels including online travel agencies, travel research and supplier web sites, search portals and major travel intermediaries. VFM's online media network includes industry leaders such as Sabre, Galileo, Travelocity, Orbitz, Priceline, Tripadvisor, Yahoo! Travel, Kayak, Google and more. For more information, visit VFM's website [www.vfmleonardo.com](http://www.vfmleonardo.com).

As a result of two lawsuits commenced in the US in 2009 against VFM by a competitor, and the threats they represented to VFM's business, the Company decided to write-down the value of the investment in VFM at December 31, 2009 to \$1. The litigation was settled in the fourth quarter of 2010 in a manner favourable to VFM, and as a result the Company has written the value of the investment back up to its previous carrying value of \$1,843,890 at December 31, 2010.

In addition to the US litigation referred to above, VFM is subject to the risks inherent in the hotel segment of the travel industry and a decline in that segment would have a significant negative effect on its business.

Under IFRS, the Company, not being classified as an investment company, carries its investment in VFM at cost, there being no active market in its privately-held shares.

#### ***411 Local Search Corp.***

The company sold its entire shareholding of 694,443 shares of 411 Local Search Corp. in the first quarter of 2010.

#### ***Biorem Inc.***

At December 31, 2009, the Company owned 225,000 shares, or approximately 1.8%, of Biorem Inc., a supplier of biofilters for air pollution control in municipal and industrial applications. Biorem's shares trade on the TSX Venture Exchange under the stock symbol "BRM". In the first quarter of 2010, the Company sold 62,500 shares at a loss of \$79,000. In the third quarter of 2011, the Company sold its entire remaining holdings of 162,500 shares at a loss of \$158,000.

#### ***Grapevine Solutions***

Grapevine Solutions ("Grapevine") was acquired by TriNorth Capital Inc. ("TriNorth") in June 2007. For accounting purposes, the acquisition of Grapevine was recorded at TriNorth's carrying amount which was nil, as was the promissory note, and these values were transferred to Spackman.

Grapevine's business is based in Markham, Ontario and it consists of providing web-based survey and data collection services to third parties, most of whom are based in North America. Its software is used to perform customizable employee evaluations, employee surveys, customer surveys, training surveys, surveys of boards of directors, web polls and data collection surveys.

The business has two full-time employees and engages consultants to provide software programming, upgrade and design services.

## PORTFOLIO INVESTMENTS

The Company's portfolio investments consist of a broadly diversified selection of Canadian and U.S. dividend producing instruments, securities and equities, the Company having closed out its portfolio of fixed income securities during the second quarter of 2009. At September 30, 2011, the portfolio investments were transferred to Aylen Capital Inc. in anticipation of the asset transfer discussed in Note 7 of the financial statements. The consideration of \$546,000 for the transfer was included in accounts receivable at September 30, 2011.

	September 30, 2011	December 31, 2009
	(%)	(%)
Canadian Equities		
Canadian Income Trusts	—	18.7
Canadian Large Cap Equity	—	15.1
Canadian Large Cap Equity Growth	—	13.7
	—	<b>47.5</b>
International Equities		
US Large Cap Equity	—	16.9
International Equities	—	17.5
	—	<b>34.4</b>
Other Canadian Equities	—	<b>18.1</b>
	—	<b>100.0</b>

## RESULTS OF OPERATIONS

Grapevine had sales revenue of \$188,000 for the quarter ended September 30, 2011 (the "current quarter") and \$454,000 for the first nine months of the year as compared with \$107,000 for the third quarter of 2010 and \$359,000 for the first nine months of 2010, after adjusting for unearned revenue. Selling expenses for the current quarter was \$85,000 (2010: \$94,000) and for the first nine months were \$270,000 (2010: \$299,000)

The Company's other primary source of revenue arises from interest and other income from its cash and marketable securities, which for the current quarter was \$4,000 (2010: \$4,000). For the first nine months of the year the interest and other income from its cash and marketable securities was \$12,000 (2010: \$12,000).

General and administrative expenses for the current quarter totalled \$93,000 (2010: \$57,000) and \$286,000 for the first nine months of the year (2010: \$223,000). The increase was mainly due to higher salary and IFRS conversion costs.

As the software development costs were fully expensed in the first quarter of 2010, there was no amortization for the current quarter as compared to \$20,000 for the first nine months of 2010.

Under the provisions of IAS 39, Financial Instruments – Recognition and Measurement, based on the Fair Market Value, the gains and losses on the Company's portfolio of marketable securities held for trading are recognized in computing net income. Such amounts totalled unrealized loss of \$100,000 in the current quarter and \$99,000 in the first nine months, as compared with unrealized gains of \$42,000 for the third quarter of 2010 and \$30,000 in the first nine months of 2010.

Realized losses were \$206,000 in the current quarter (2010: gains of \$1,000) and losses of \$205,000 in the first nine months (2010: \$10,000) on the sale of marketable securities held for trading.

The Company recorded a net loss of \$3,000 in the first nine months of 2010 on the sale of investments in 411 Local Search Corp. and Biorem.

As a result of the foregoing, the Company recorded an loss of \$293,000 (\$0.02 per share) for the current quarter and a loss of \$395,000 (\$0.02 per share) for the first nine months of 2011, as against income of \$2,000 (\$0.001 per share) for the third quarter of 2010 and a loss of \$147,000 (\$0.009 per share) for the first nine months of 2010.

According to the provisions of IAS 39, Financial Instruments – Recognition and Measurement, unrealized gains and losses on the Company's publicly-traded investments available for sale are recognized in other comprehensive income, net of taxes. Such amounts totalled income of \$270,000 in the current quarter (2010: loss of \$36,000) and income of \$244,000 for the first nine months of 2011 (2010: income of \$76,000). The related taxes thereon were reduced to nil through the application of a valuation allowance.

As a result of the foregoing, the Company reported comprehensive income of \$23,000 for the current quarter (2010: a comprehensive loss of \$34,000), and a comprehensive loss of \$151,000 for the first nine months (2009: \$71,000).

## SUMMARY OF SELECTED QUARTERLY INFORMATION

	Quarter to September 30 2011	Quarter to June 30 2011	Quarter to March 31 2011	Quarter to December 31 2010	Quarter to September 30 2010	Quarter to June 30 2010	Quarter to March 31 2010	Quarter to December 31 2009
Revenue								
Sales	188,587	110,194	155,168	\$111,222	\$107,240	\$115,445	\$136,300	\$115,823
Interest and investment income	3,596	4,542	3,406	4,833	3,718	4,266	3,829	5,119
Gain (loss), realized and unrealized,	(306,009)	(20,309)	22,890	36,134	43,392	(37,085)	9,810	11,018
Net Income (Loss)								
Total	(292,566)	(82,914)	(19,887)	(52,432)	1,959	(100,167)	(48,904)	(96,430)
Per share	0.02	(0.00)	(0.00)	(0.00)	0.00	(0.00)	(0.00)	(0.01)
Per share (diluted)	0.02	(0.00)	(0.00)	(0.00)	0.00	(0.00)	(0.00)	(0.01)
Other Comprehensive Income (Loss), being increase (decrease) in fair value of publicly-traded investments available for sale	269,889	(8,000)	(18,000)	2,004,000	(36,000)	37,000	149,000	(1,820,000)
Comprehensive ( Loss) income	22,677	(90,914)	(37,877)	1,799,570	(34,041)	(137,167)	100,094	(1,916,319)

## LIQUIDITY AND FINANCIAL POSITION

Working capital at September 30, 2011 was \$634,000 compared with \$717,000 at December 31, 2010 and \$586,000 at June 30, 2011.

Current liabilities at September 30, 2011 were \$27,000 compared with \$56,000 at December 31, 2010 and \$38,000 at June 30, 2011.

The amount of marketable securities included in working capital together with cash and cash equivalents decreased to \$1,000 at September 30, 2011 compared to \$754,000 at December 31, 2010 and \$571,000 at June 30, 2011. The marketable securities were transferred to Ayleen Capital Inc. in anticipation of the asset transfer described in Note 7 of the financial statements and the amount transferred of \$546,000 is included in accounts receivable at September 30, 2011.

## CAPITAL RESOURCES

The Company maintains a portfolio of marketable securities which, at quarter-end market value together with its cash and cash equivalents, aggregated \$4,000 at the end of September 2011.

These capital resources, along with the income and gains, if any, from the marketable securities, and the income, if any, from the operations of Grapevine, 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 \$286,000 in the first nine months of 2011, \$319,000 for fiscal 2010 and \$223,000 for the first nine months of 2010.

## **CRITICAL ACCOUNTING ESTIMATES**

The Company's accounting policies are described in Note 4 to the December 2010 financial statements. The preparation of the Company's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current quarter. Changes in estimates of useful lives are accounted for prospectively from the date of change. Actual results could differ from these estimates.

The assets and liabilities that require management to make significant estimates and thus are deemed critical accounting policies are the carrying value of its privately-held venture investments and the fair value of option grants.

### ***Investments***

Investments in shares of investee companies in which the Company's ownership is greater than 20% but not more than 50%, and over which the Company has the ability to exercise significant influence, are accounted for using the equity method. At December 31, 2010 and September 30, 2011, the Company had no such investments.

For other investments, in accordance with IAS, the Company carries the investments consistent with the following:

- The portfolio of marketable securities is classified as held for trading and is measured at fair value;
- Publicly-traded investments, if any held, over which the Company does not have the ability to exercise significant influence are classified as available for sale and are carried at fair value based on quoted closing prices at the balance sheet date or the closing price on the last day the security traded if there were no trades at the balance sheet date; and
- Privately-held investments are classified as available for sale and are valued at cost except where there is pervasive evidence supporting an increase or decrease in carrying value.

These fair values of the Company's investments are subject to risks and uncertainties.

Included in the Company's results for the current quarter are unrealized mark-to-market loss on the portfolio of marketable securities held for trading totalling \$100,000, which are included in the reported net income together with realized loss of \$206,000. In the first nine months of 2010 such unrealized mark-to-market losses totalled \$99,000 and realized losses totalled \$205,000.

Unrealized mark-to-market gains on the publicly-traded investments available for sale for the current quarter totalled \$270,000, compared with unrealized gains of \$36,000 for the third quarter of 2010. In the first nine months of 2011, unrealized mark-to-market gains on the publicly-traded investments totalled \$244,000 (2010: \$76,000). These amounts are included in other comprehensive income for the respective periods.

## **RISK FACTORS AND RISK MANAGEMENT**

The Company's investment strategy requires assuming risk in exchange for an above-average return on investment. Each of the Company's investee companies, and its wholly-owned Grapevine business, are subject to the risks inherent in the industries in which they operate. Such risks include currency, market and liquidity risk. The investee companies are all at an early stage of development and may continue to require additional capital to develop their business plans.

The Company relies on the expertise of the professional investment managers' experience as portfolio managers in managing risk in the investment of the majority of working capital. Each of the investment managers maintains a diversified portfolio of investments within the overall investment parameters set by Spackman's management. It is impossible to eliminate all risks to which a specific investment is subjected. However, by maintaining a number of holdings in

different sectors of the economy, the Company has diversified its specific risks and hence reduced its overall risk on the investment of working capital.

## **INTERNAL CONTROLS**

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

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Chief Executive Officer (“CEO”) and the Director of Finance (“DOF”) by others within those entities, particularly during the period in which the annual filings are being prepared.

The DOF evaluated the effectiveness of the Company’s Disclosure Controls as at December 31, 2010. The CEO and DOF have concluded that those disclosure controls were adequate for the current year. The Company has only two full-time employees, one of whom is the CEO, and he is supported by part-time consultants and, as such, management is not able to design a traditional control system that relies on the segregation of duties. This weakness is compensated for by increased review by the CEO and DOF of all transactions and cash disbursements.

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

Management of the Company is responsible for designing internal controls over financial reporting for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

## **FUTURE DIRECTION**

Under a Plan of Arrangement which became effective on October 31, 2011, all the existing assets and liabilities of the Company were transferred to Aylen Capital Inc. ("Aylen") in exchange for common shares of Aylen and a promissory note in the amount of \$842,832. Since the effective date, the business previously carried on by the Company has been carried on by Aylen. The name of the Company was changed under the terms of the Arrangement to Spackman Equities Group Inc. and its common shares commenced trading on the TSX Venture Exchange on October 31, 2011 under the symbol "SQG".

Concurrently with the Arrangement, the Company completed a private placement financing in the amount of \$3,086,000 raised through the issuance of 61,720,000 common shares at a price of \$0.05 per share. The net proceeds of the financing will primarily be used by the Company to make new investments, including the acquisition of 17.916% of Intech LCD Group Limited ("Intech") and 100% of Gold China Technologies Limited ("Gold China"). Gold China owns 7.0% of Opus Pictures Co., Ltd. and 7.0% of Zip Cinema Co., Ltd. The remainder of the net proceeds of the financing will be used for additional investments and for working capital purposes.

As part of the reorganization, the Company retained Charles Spackman as its Chief Executive Officer with a mandate to broaden and refocus the investment scope of the Company to Asia, mainly the Republic of Korea and China, by making investments and acquisitions in small and medium-sized businesses with growth potential in Asia.

## **OUTSTANDING SHARE DATA**

The Company has authorized an unlimited number of common shares. As at November 28, 2011, there were 78,576,632 common shares issued and outstanding and 1,536,000 common shares were reserved for issuance pursuant to the exercise of existing stock options granted under the Company's stock option plan.

## **OTHER INFORMATION**

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

Toronto, Ontario  
November 28, 2011





## CORPORATE INFORMATION

### **Board of Directors**

Charles Spackman  
Martin A. Mohabeer  
Richard Lee  
Brian Hemming  
John D. Pennal

### **Officers**

Charles Spackman  
*Chairman, President and Chief  
Executive Officer*

John D. Pennal  
*Corporate Secretary*

Jenifer M. Cho  
*Director of Finance*

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### **Stock Exchange Listing**

The TSX Venture Exchange  
Stock symbol: **SQG**

### **Auditors**

Rich Rotstein LLP  
Toronto, Canada

### **Registrar & Transfer Agent**

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