

Unaudited interim consolidated financial statements of

**SPACKMAN EQUITIES GROUP INC.**

(formerly Centiva Capital Inc.)

For the quarter ended March 31, 2014

(In Canadian Dollars)

# **SPACKMAN EQUITIES GROUP INC.**

(formerly Centiva Capital Inc.)

For the quarter ended March 31, 2014

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## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under the National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity's auditor.

Charles Spackman  
Chief Executive Officer

Kyoungwon Na  
Chief Financial Officer

May 26, 2014

# SPACKMAN EQUITIES GROUP INC.

(formerly Centiva Capital Inc.)

## Interim Consolidated Statements of Financial Position - Unaudited

(In Canadian Dollars)

	As at March 31, 2014	As at December 31, 2013
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents (Note 5)	\$ 7,191,041	\$ 12,066,679
Marketable securities (Note 6)	2,720,384	2,663,856
Trade and other receivables (Note 7)	1,701,596	896,444
Prepaid expenses and sundry assets	272,289	312,469
Note receivables (Note 9)	693,401	644,343
Other current assets (Note 8)	940,216	619,722
	13,518,927	17,203,513
<b>NON-CURRENT</b>		
Loan receivable (Note 10)	61,753	2,131,653
Long-term investment	2,673,262	930,736
Other long-term assets (Note 11)	701,714	655,325
Notes receivable (Note 9)	496,789	496,789
Property and equipment (Note 12)	778,269	778,733
Intangible assets (Note 13)	13,575,039	8,583,058
Deferred tax assets	968,996	945,654
Goodwill	1,700,730	1,700,730
	20,956,552	16,222,678
	\$ 34,475,479	\$ 33,426,191
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Short-term borrowings (Note 15)	\$ 1,406,445	\$ 1,342,288
Accounts payable and accrued liabilities (Note 14)	2,073,154	2,281,098
Deferred revenue	2,514,424	2,616,172
Advances on production and distribution	11,480,303	8,957,723
Income taxes payable	734,932	1,304,203
	18,209,258	16,501,484
<b>NON-CURRENT</b>		
Convertible bonds	1,466,641	1,385,421
Deferred tax liabilities	131,158	122,250
Other long term liabilities	15,470	19,615
	1,613,269	1,527,286
	19,822,527	18,028,770
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 16)	11,601,165	11,601,165
Contributed surplus	395,031	395,031
Equity component of convertible bonds	114,363	114,363
Deficit	(2,847,396)	(2,344,604)
Accumulated other comprehensive loss	683,522	683,547
Total equity attributable to shareholders' of the Company	9,946,685	10,449,502
Non-controlling interest	4,706,267	4,947,919
	14,652,952	15,397,421
	\$ 34,475,479	\$ 33,426,191

The accompanying notes form an integral part of these financial statements

**SPACKMAN EQUITIES GROUP INC.**  
(formerly Centiva Capital Inc.)  
**Interim Consolidated Statements of Operations - Unaudited**  
(In Canadian Dollars)

	Three Months Ended	
	March 31, 2014	March 31, 2013
<b>Revenues</b>		
Film production and distribution	\$ 2,804,733	\$ 124,052
Realized gain on sale of marketable securities	21,251	123,128
Other income	239,329	178,435
	<u>3,065,313</u>	<u>425,615</u>
<b>Expenses</b>		
Direct film production costs	2,587,048	199,745
General and administrative	634,671	410,835
Selling expenses	559,095	554,937
Depreciation and amortization	20,768	155,104
Unrealized loss on fair value of marketable securities	8,175	129,011
	<u>3,809,757</u>	<u>1,449,632</u>
Loss before income tax	(744,444)	(1,024,017)
Income tax recovery	-	12,890
Net loss for the period	<u>\$ (744,444)</u>	<u>\$ (1,011,127)</u>
<b>Attributable to:</b>		
Shareholders' of the Company	\$ (502,792)	\$ (768,826)
Non-controlling interests	(241,652)	(242,301)
	<u>\$ (744,444)</u>	<u>\$ (1,011,127)</u>
Net loss per share (basic and fully diluted) (Note 17)	<u>\$ (0.005)</u>	<u>\$ (0.007)</u>
Weighted average number of shares	<u>148,856,131</u>	<u>148,829,183</u>

The accompanying notes form an integral part of these financial statements

# SPACKMAN EQUITIES GROUP INC.

(formerly Centiva Capital Inc.)

## Interim Consolidated Statements of Comprehensive Loss - Unaudited

(In Canadian Dollars)

	Three Months Ended	
	March 31, 2014	March 31, 2013
<b>Statement of Comprehensive Loss</b>		
Net loss for the period	\$ (744,444)	\$ (1,011,127)
Other comprehensive loss for the period		
Foreign exchange translation	(25)	(19,639)
Net comprehensive loss for the period	\$ (744,469)	\$ (1,030,766)
Attributable to:		
Shareholders' of the Company	(502,817)	(783,759)
Non-controlling interests	(241,652)	(247,007)
	\$ (744,469)	\$ (1,030,766)

The accompanying notes form an integral part of these financial statements

# SPACKMAN EQUITIES GROUP INC.

(formerly Centiva Capital Inc.)

## Interim Consolidated Statements of Changes in Equity - Unaudited

For the three months ended March 31, 2014 and March 31, 2013

(In Canadian Dollars)

	Common Shares	Capital stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive (Loss) Income	Non-Controlling Interest	Equity component of Convertible Bond	Total Shareholders' Equity
Balance-Dec. 31, 2013	148,900,183	\$ 11,601,165	\$ 395,031	\$ (2,344,604)	\$ 683,547	\$ 4,947,919	\$ 114,363	\$ 15,397,421
Loss for the period	-	-	-	(502,792)	-	(241,652)	-	(744,444)
Foreign currency translation	-	-	-	-	(25)	-	-	(25)
Balance-Mar. 31, 2014	148,900,183	\$ 11,601,165	\$ 395,031	\$ (2,847,396)	\$ 683,522	\$ 4,706,267	\$ 114,363	\$ 14,652,952

  

	Common Shares	Capital stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Equity component of Convertible Bond	Total Shareholders' Equity
Balance-Dec. 31, 2012	148,829,183	\$ 11,595,769	\$ 400,427	\$ (3,041,688)	\$ 8,855	\$ 1,073,755	-	\$ 10,037,118
Loss for the period	-	-	-	(768,826)	-	(242,301)	-	(1,011,127)
Foreign currency translation	-	-	-	-	(15,263)	(4,376)	-	(19,639)
Balance-Mar. 31, 2013	148,829,183	\$ 11,595,769	\$ 400,427	\$ (3,810,514)	\$ (6,408)	\$ 827,078	-	\$ 9,006,352

The accompanying notes form an integral part of these financial statements

# SPACKMAN EQUITIES GROUP INC.

(formerly Centiva Capital Inc.)

## Interim Consolidated Statements of Cash Flows - Unaudited

(In Canadian Dollars)

	Three Months Ended	
	March 31, 2014	March 31, 2013
<b>Net Inflow (Outflow) of Cash Related to the Following Activities:</b>		
<b>Operating</b>		
Net loss from operations	\$ (744,444)	\$ (1,011,127)
Items not affecting cash:		
Unrealized loss (gain) on value of marketable securities	(8,175)	129,011
Gain on sale of marketable securities	(21,251)	(123,128)
Depreciation and amortization	20,768	155,104
Income tax recoverable	-	(12,890)
	(753,102)	(863,030)
Net changes in non-cash working capital balances:		
Trade and other receivables	(862,278)	1,365,764
Prepaid expenses and sundry assets	40,180	14,358
Accounts payable and accrued liabilities	(653,329)	(169,030)
Deferred revenue and customers' deposits	(101,748)	(21,776)
Other current assets	(4,992,391)	(1,509,950)
Advances on production and distribution	2,522,580	(59,994)
Foreign withholding and taxes payable	-	(71,644)
Cash inflow (outflow) from operating activities	(4,800,088)	(1,315,302)
<b>Investing</b>		
Property and other equipment acquired	(19,894)	(120,367)
Proceeds from sale, net of purchases, of short-term investments	(27,102)	395,030
Loans and note receivables granted	-	(623,286)
Disposal of investment in project	-	53,085
Long-term investments, net	(1,788,915)	-
Loans and Advances	-	(243,636)
Other current assets	(499,570)	-
Proceeds from collection of loans	2,069,900	-
Proceeds from collection of note receivables	130,019	-
	(135,562)	(539,174)
<b>Financing activities</b>		
Proceeds from short-term borrowings, net of repayment	64,157	(51,043)
Proceeds from other long-term liabilities	(4,145)	-
	60,012	(51,043)
Increase in cash position during the period	(4,875,638)	111,518
Cash and cash equivalents, beginning of period	12,066,679	1,056,203
Cash and cash equivalents, end of period	\$ 7,191,041	\$ 1,167,72

The accompanying notes form an integral part of these financial statements



# SPACKMAN EQUITIES GROUP INC.

## Notes to the Financial Statements

March 31, 2014 and 2013

(In Canadian Dollars)

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### 1. INCORPORATION AND NATURE OF OPERATIONS

Spackman Equities Group Inc. (the "Company" or "SEGI") was incorporated on May 18, 2006. The registered head office is located at Royal Bank Plaza, South Tower, Suite 3800, 200 Bay Street, Toronto, Ontario, M5J 2Z4, Canada.

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 as discussed in Note 4. The name Team Vision International Limited was changed to Spackman Entertainment Group Limited ("SEGL").

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 the Republic of Korea ("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.

Through its indirect operating subsidiaries, ZIP Cinema Co., Ltd. and Opus Pictures Limited Liability Company, the Company is involved in the production, development and distribution of motion pictures in Korea.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 26, 2014.

#### (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) Basis of consolidation

These condensed consolidated unaudited interim financial statements include the accounts of the Company and its subsidiaries, SEGL and SEGI Investments Limited, BVI. A subsidiary is an entity in which the Company has control, directly or indirectly, where control is determined based on whether the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All material intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's direct subsidiaries at March 31, 2013 are as follows:

- (1) Registered Name: Spackman Entertainment Group Limited, Hong Kong ("SEGL") (formerly Team Vision International Limited)  
Percent of Equity Interest: 55.40%  
Principal Business Activity: Investment company for film production and entertainment businesses

# SPACKMAN EQUITIES GROUP INC.

## Notes to the Financial Statements

March 31, 2014 and 2013

(In Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(2) Registered Name: SEGI Investments Limited, BVI  
Percent of Equity Interest: 100%  
Principal Business Activity: Investments  
Principal Place of Business and Country of Incorporation: British Virgin Islands

Details of the Company's indirect subsidiaries at March 31, 2013 are as follows:

Spackman Equities Ltd. ("SEL")

Percent of Equity Holdings: 55.40% (2012 - 100%)  
Principal Business Activity: Investment  
Principal Place of Business and Country of Incorporation: Hong Kong

Zip Cinema Co., Ltd. ("ZIP")

Percent of Equity Holdings: 55.40% (2012 - 68.19%)  
Principal Business Activity: Motion picture production, development and distribution  
Principal Place of Business and Country of Incorporation: South Korea

Opus Pictures Limited Liability Company ("Opus")

Percent of Equity Holdings: 55.40% (2012 - 68.19%)  
Principal Business Activity: Motion picture production, development and distribution  
Principal Place of Business and Country of Incorporation: South Korea

Spackman Entertainment Korea Inc. ("SEKI")

Percent of Equity Holdings: 55.4% (2012 - 100%)  
Principal Business Activity: Investment  
Principal Place of Business and Country of Incorporation: South Korea

Upper West Inc. ("Upper West")

Percent of Equity Holdings: 46.07% (2012 - 76.60%)  
Principal Business Activity: Operation of Martini Kitchen on entertainment lounge and cafe.  
Principal Place of Business and Country of Incorporation: South Korea

Film Auteur Co., Ltd.

Percent of Equity Holdings: 28.38% (2012 - 18.36%)  
Principal Business Activity: Motion picture production, development and distribution  
Principal Place of Business and Country of Incorporation: South Korea

#### (d) Critical accounting estimates, judgment and assumptions

The preparation of the unaudited interim period condensed consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions in applying the Company's accounting policies, which have an effect on the reported amounts and disclosures made in the unaudited

# SPACKMAN EQUITIES GROUP INC.

## Notes to the Financial Statements

March 31, 2014 and 2013

(In Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

interim period condensed consolidated financial statements and accompanying notes. Management continually evaluates these estimates, judgments and assumptions on a periodic basis. These estimates, judgments and assumptions are based on management's historical experience, best knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances.

Material estimates and assumptions are made with respect to establishing the valuation of acquired assets, goodwill, intangible assets, financial instruments, depreciation and amortization, impairment of intangible assets and other non-financial assets, and the parameters used in the measurement of post-employment and other long term employee benefits. These estimations depend upon subjective or complex judgments about matters that may be uncertain, and changes in those estimates could materially impact the unaudited interim period condensed consolidated financial statements. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in Note 3 in our financial statements for the year ended December 31, 2013 have been applied consistently to all periods presented in these financial statements.

### 4. BUSINESS ACQUISITIONS

#### Acquisition of Opus and Zip

On January 10, 2012, pursuant to a share exchange agreement, the Company acquired 5,500 common shares of TVIL representing 55% of the issued and outstanding TVIL common shares in exchange for an aggregate consideration of \$3,352,305 consisting of 30,475,500 common shares. The purpose of the business combination was to increase the Company's holdings to obtain control of two companies engaged in the production and distribution of theatrical motion pictures in the Republic of Korea and international markets.

As a consequence of this transaction, the Company increased its holdings of Opus Pictures Limited Liability Company ("Opus") and Zip Cinema Co. Ltd. ("Zip"). At December 31, 2011 the Company held 7% of the common shares of Opus and 7% of the common shares of Zip through its 100% owned subsidiary SEL. TVIL holds 93% of the common shares of Opus and 93% of the common shares of Zip. Following the business combination, the Company's total direct and indirect holdings of Opus and Zip (collectively "Korean Subsidiaries") was 58.15% of the common shares of Opus and 58.15% of the common shares of Zip. By a special resolution filed under the Companies Ordinance (Laws of Hong Kong) the name TVIL was changed to Spackman Entertainment Group Limited.

In the fourth quarter of 2012, the Company increased its ownership in SEGL from 55% to 65.8% by purchasing a total of 1,080 shares equivalent to 10.8% of SEGL from Blackwell Associates Group Inc. ("Blackwell"), an arm's-length shareholder of SEGL for a total consideration of \$897,642. As a result, the Company's total direct and indirect holdings of Opus and Zip at December 31, 2012 were 68.2% of the common shares of Opus and 68.2% of the common shares of Zip. The Company recognized \$592,895 loss on the equity transactions.

# SPACKMAN EQUITIES GROUP INC.

## Notes to the Financial Statements

March 31, 2014 and 2013

(In Canadian Dollars)

### 4. BUSINESS ACQUISITIONS (Cont'd)

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

	Amount
Assets acquired	
Current Assets	
Cash	\$ 342,698
Short-term investments	179,147
Trade receivables (all collectible)	296,698
Short-term loans	134,758
Other current assets	434,301
	\$ 1,387,602
Non-current assets	
Long-term investments	46,468
Available for sale financial instruments	26,022
Long-term loans	2,060,247
Property and equipment	81,180
Intangible assets	1,289,847
Deferred tax assets	36,853
Other non-current assets	375,302
	3,915,919
Total Assets	\$ 5,303,521
Liabilities	
Current liabilities	
Short-term borrowings	\$ 602,205
Film obligation and production loans	1,095,597
Other payables	366,090
Accrued expenses	2,212
Withholdings	3,485
Advances from customers	162,235
Income tax payable	178,804
	\$ 2,410,628
Non-current liabilities	
Defined benefits liabilities	286,555
Deferred tax liabilities	214,636
	501,191
Total liabilities	\$ 2,911,819
Net assets acquired at their carrying values	\$ 2,391,702

# SPACKMAN EQUITIES GROUP INC.

## Notes to the Financial Statements

March 31, 2014 and 2013

(In Canadian Dollars)

### 4. BUSINESS ACQUISITIONS (Cont'd)

Net assets acquired at their carrying values	\$	2,391,702
Fair value adjustments to net assets acquired:		
Deferred tax liabilities		(236,990)
Intangible assets		1,074,349
Goodwill (i)		1,700,730
Non-controlling interest (measured at fair value)		(1,351,288)
	\$	3,578,503
Comprised of:		
Shares issued	\$	3,352,305
Initial cost of 7% investment		700,000
Less: Loss on acquisition of controlling interest (ii)		(473,802)
	\$	3,578,503

(i) The Company acquired goodwill in excess of the purchase price paid over the fair value of the net assets acquired and relates to expected benefit of revenue growth, future market development and the assembled work force. Amounts of revenue and loss reporting during the period comprise substantially all the entire motion picture and entertainment segment (note 29) and represent approximately a full year of activity. At December 31, 2012, the fair value of goodwill was estimated to equal its carrying value as there was no impairment during the period from the acquisition date January 10, 2012 to December 31, 2012. Goodwill is non-deductible for tax purposes.

The carrying value of goodwill is reviewed at each reporting period date to determine whether there exists any indications of impairment. As at December 31, 2013 there was no impairment and no impairment loss has been recognized. The Company determined the recoverable amount based on its fair value less cost of disposal, which was calculated based on recent private placements by SEGL level at a price of US \$1,000 per share.

(ii) Due to the Company obtaining control of both Zip and Opus, its initial 7% interest in Zip and Opus was revalued at the acquisition date fair value and resulting in a loss of \$473,802 that is recorded in profit and loss.

	Amount
Initial cost of investment	\$ 700,000
Non-controlling interest	(226,198)
Loss on acquisition of controlling interest	\$ 473,802

# SPACKMAN EQUITIES GROUP INC.

## Notes to the Financial Statements

March 31, 2014 and 2013

(In Canadian Dollars)

### 4. BUSINESS ACQUISITIONS (Cont'd)

(iii) Increase in equity interest of Opus and Zip through purchase of 1,080 shares from Blackwell

	Amount
Amount paid	\$ 897,642
Non-controlling interest	(304,747)
Loss on step - up acquisition	\$ 592,895

#### Dilution of SEGL, SEKI and SEL

During the year ended 2013, through a series of share purchases and share issuances, including SEGL completing a private placement for \$2,978,080, the Company's ownership of SEGL decreased from 65.80% to 55.40% and the Company's ownership of SEKI and SEL decreased from 100% to 55.40% with resulting reductions in the Company's interests in Zip and Opus (note 2).

As the Company retained ultimate control of SEGL, SEL and SEKI, these transactions were recorded as capital transactions. The Company recognized an increase to non-controlling interest in the amount of \$2,264,393 and an increase of \$110,193 to deficit.

#### Acquisition of control of Film Auteur

On June 15, 2013, Opus acquired an incremental 21.23% of the common voting shares of Film Auteur Co. Ltd. ("Film Auteur") for consideration of \$134,918. This acquisition combined with its previous 30% of the common voting shares gave Opus control of Film Auteur as it now controls 51.23% of the issued shares. Accordingly, consolidation of Film Auteur is now required. The acquisition has been accounted for as a step acquisition.

The identifiable assets and liabilities assumed are summarized below:

	Amount
Current Assets	\$ 293,660
Long-term assets	9,124
Customer relationship	34,395
Current liabilities	(302,797)
	34,382
Non-Controlling interests	(16,768)
	\$ 17,614
Purchase consideration:	
Gain on acquisition of incremental 21.23%	3,955
Cash advanced prior to acquisition	13,659
	\$ 17,614

**SPACKMAN EQUITIES GROUP INC.**  
**Notes to the interim consolidated financial statements - Unaudited**  
**March 31, 2014 and March 31, 2013**  
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The gain on acquisition of the incremental 21.23% was a result of previous loans and investment in projects given to Film Auteur, which were impaired in the books of Opus.

During the year, Film Auteur issued shares from treasury to Opus and cancelled the amount owing to Opus relating to the loans and investments in projects.

**5. CASH AND CASH EQUIVALENTS**

The Company's cash and cash equivalents consist of the following:

	March 31, 2014	December 31, 2013
Cash in banks	\$6,772,406	\$ 11,901,634
Cash held by broker	400,719	156,380
Cash on hand	17,916	8,665
	<b>\$ 7,191,041</b>	<b>\$ 12,066,679</b>

**6. MARKETABLE SECURITIES**

The Company has the following marketable securities:

	March 31, 2014 Fair Value	December 31, 2013 Fair Value
Investment in equities	\$ 6,157	\$ 2,542,030
Short-term investments	2,714,227	121,826
	<b>\$ 2,720,384</b>	<b>\$ 2,663,856</b>

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 (if within bid-ask spread) at the period end date. Short-term investments consist of money market funds and mutual funds. The fair value of money market funds and mutual funds is determined using the net asset value per unit of each fund. The gain (loss) in the value of marketable securities was recognized in the consolidated statement of income.

**SPACKMAN EQUITIES GROUP INC.**  
**Notes to the interim consolidated financial statements - Unaudited**  
**March 31, 2014 and March 31, 2013**  
(In Canadian Dollars)

**7. TRADE AND OTHER RECEIVABLES**

Details of the Company's trade and other receivables are as follows:

	March 31, 2014	December 31, 2013
Trade receivables	\$ 133,804	\$ 45,228
Other receivables	1,557,704	846,732
HST Recoverable	10,088	4,484
	<b>\$ 1,701,596</b>	<b>\$ 896,444</b>

**8. OTHER CURRENT ASSETS**

	March 31, 2014	December 31, 2013
Advance payments to customers	\$ 726,122	\$ 415,311
Loan interest receivable	214,094	204,411
	<b>\$ 940,216</b>	<b>\$ 619,722</b>

**9. NOTES RECEIVABLE**

	March 31, 2014	December 31, 2013
Aylen Capital Inc. (i)	496,789	\$ 496,789
Trinity Capital Advisors Ltd. (ii)	300,000	300,000
Short-term loans (iii)	393,401	344,343
	1,190,190	1,141,132
Less: Short-term portion	(693,401)	(644,343)
	<b>496,789</b>	<b>\$ 496,789</b>

( i ) The note is non-interest bearing. The note is considered a contingent receivable and is only recognized when it is virtually certain that an inflow of economic benefits will arise. On the date of the transaction such virtual certainty did not exist. During 2013, certain marketable securities were sold by Aylen in the amount of \$179,077 (2012 – \$264,712). These proceeds are eligible for repayment on demand. The amounts have been presented as long term receivable as the Company has waived the right to demand repayment until January 1, 2015.

( ii ) On December 18, 2012, the Company granted a loan to Trinity Capital Advisors Ltd. ("Trinity") amounting to \$300,000. The loan is unsecured and bears interest at 6% and matures on December 18, 2014. Accrued interest was recorded at March 31, 2013.



**SPACKMAN EQUITIES GROUP INC.****Notes to the interim consolidated financial statements - Unaudited****March 31, 2014 and March 31, 2013**

(In Canadian Dollars)

( iii ) Short term loans were made throughout the year to various entities, are due on demand, with the interest rate ranging from 6% to 8%.

**10. LOAN RECEIVABLE**

	March 31, 2014	December 31, 2013
	\$ 61,753	\$ 2,131,653

**11. OTHER LONG-TERM ASSETS**

	March 31, 2014	December 31, 2013
Leasehold deposits	\$ 539,133	\$ 533,699
Other deposits	162,581	121,626
	\$ 701,714	\$ 655,325

**12. PROPERTY AND EQUIPMENT**

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

	March 31, 2014			December 31, 2013		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Vehicle	\$ 88,573	\$ 63,548	\$ 25,025	\$ 86,440	\$ 59,764	\$ 26,676
Equipment	176,722	148,159	28,563	180,602	144,731	35,870
Leasehold improvement	533,706	288,633	245,073	543,153	295,021	248,132
Land	479,608	-	479,608	468,055	-	468,055
	1,278,609	500,340	778,269	1,278,250	499,516	778,733

**13. INTANGIBLE ASSETS**

The Company's intangible assets consist of the following:

	March 31, 2014	December 31, 2013
	Carrying value	Carrying value
Product Inventory	\$ 13,483,759	\$ 8,493,596
Acquired Libraries	89,559	87,402
Software	1,721	2,060
	\$ 13,575,039	\$ 8,583,058

**SPACKMAN EQUITIES GROUP INC.**  
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**14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The Company's contractual maturities were broken down as follows:

	March 31, 2014	December 31, 2013
Trade payables	\$ -	\$ 10,651
Accrued expenses	229,656	225,405
Other payables	1,843,498	2,045,042
	<b>\$ 2,073,154</b>	<b>\$ 2,281,098</b>

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

**15. SHORT-TERM BORROWINGS**

	Interest Rate	Maturity date	March 31, 2014	December 31, 2013
Woori Bank	5.19%	April 25, 2014	317,243	302,772
Industrial Bank	5.87%	April 10, 2014	317,243	302,772
Industrial Bank	4.43%	May 31, 2014	528,740	504,619
Shinhan Bank	6.95%	November 7, 2014	31,724	30,277
Shinhan Bank	4.46%	October 24, 2014	211,495	201,848
			<b>\$ 1,406,445</b>	<b>\$ 1,342,288</b>

Loans were initially recorded in Korean Won. These loans are interest bearing as noted above and are measured at amortized cost.

The above loans are secured by a guarantee from Korea Credit Guarantee Fund.

**16. SHARE CAPITAL**

(a) Authorized

An unlimited number of common shares

(b) Issued and outstanding

March 31, 2014		December 31, 2013	
Number of common shares	Amount	Number of common shares	Amount
148,900,183	\$11,601,165	148,900,183	\$11,601,165

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(c) Warrants

There were no warrants exercised during the January to March 31, 2014

(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.

There was no stock options exercised during the January to March 31, 2014

( i ) On November 26, 2012, the Company granted 936,000 options to an officer and a director with an exercise price of \$0.10 per share and a term of 2 years. The options were vested immediately and were recorded through general and administrative expenses in the amount of \$98,745.

The Company used a zero forfeiture rate in valuing the stock options as all stock options were vested immediately on the date of the grant.

The fair value of the stock options granted has been estimated at the date of the grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	December 31, 2012
Risk-free interest rate	1.00 %
Expected life (in years)	2
Expected volatility	214 %
Dividend yield	0 %
Weighted average exercise price	\$ 0.10
Share price	\$ 0.12

( ii ) On June 18, 2012, 50,000 options were exercised at a price of \$0.10 per share. The market price of the common shares at the time of exercise was \$0.189. The amount of \$14,450 was charged to contributed surplus with a credit to share capital.

The following table shows the stock options held by directors as at March 31, 2013:

Number of options outstanding	Exercise Price \$	Expiry Date	Number of options exercisable
836,000	0.10	November 26, 2014	836,000

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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 during the period. The effect of stock options was anti-dilutive and, hence, diluted loss per share equals basic loss per share.

**18. SEGMENT AND GEOGRAPHIC INFORMATION**

Geographic allocation:

The Company operates in three geographic segments: Canada, Korea and Hong Kong

	March 31, 2014			Total
	Canada	Korea	Hong Kong	
Revenue	\$21,251	\$2,783,482	-	\$2,804,733
Property and equipment	1,525	753,106	23,638	778,269
Intangible assets and goodwill	-	15,275,769	-	15,275,769

	March 31, 2013			Total
	Canada	Korea	Hong Kong	
Revenue	\$ 57,172	\$ 269,973	\$ 98,470	\$ 425,615
Property and equipment	2,363	778,971	36,795	818,129
Intangible assets and goodwill	-	5,054,553	-	5,054,553

Operating segment allocation:

The Company has two operating segments: (1) Motion pictures and entertainment and (2) Management of investments. These two operating segments operate in three geographic locations: Korea, Hong Kong and Canada. The strategic business units offer different products and strategies and are managed separately because they require different operating and management strategies. Segments results and assets include items directly attributable to a segment as well as items that can be allocated on a reasonable basis. The management evaluates segment performance on the basis of operating results on a periodic basis.

	March 31, 2014			Total
	Motion Pictures	Investments		
Revenue	\$ 2,804,733	\$ -	\$ -	\$ 2,804,733
Investment and other revenue	239,329	21,251	-	260,580
Direct production cost	(2,587,048)	-	-	(2,587,048)

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Income	457,014	21,251	478,265
Selling, general and administrative	(898,522)	(256,914)	(1,155,436)
Reportable segment profit (loss) before undernoted	(441,508)	(235,663)	(677,171)
Interest expenses	(54,680)	-	(54,680)
Depreciation and amortization	(17,172)	(3,596)	(20,768)
Unrealized gain (loss) on marketable securities	-	8,175	8,175
Reportable segment loss before taxes	\$ (513,360)	\$ (231,084)	\$ (744,444)

	March 31, 2012		
	Motion Pictures	Investments	Total
Revenue	\$ 178,910	\$ -	\$ 178,910
Investment and other revenue		5,279	5,279
Direct production cost	(234,631)	-	(234,631)
Income (loss)	(55,721)	5,279	(50,442)
Selling, general and administrative	(335,871)	(191,167)	(527,038)
Reportable segment profit (loss) before undernoted	(391,592)	(185,888)	(577,480)
Interest expenses, net of interest income	(5,568)	-	(5,568)
Depreciation and amortization	(240,990)	-	(240,990)
Impairment loss	(300,376)	-	(300,376)
Loss on acquisition of controlling interest	-	(473,802)	(473,802)
Unrealized gain (loss) on marketable securities	-	(5,300)	(5,300)
Reportable segment loss before taxes	\$ (938,526)	\$ (664,990)	\$ (1,603,516)

**19. COMMITMENTS AND CONTINGENCIES**

The Company has entered into an operating lease agreement for its business premises at Hong Kong for \$101,745 per month. The lease will expire on November 15, 2015 subject to renewal. In addition to the monthly lease payment, the Company is responsible for the proportionate share of common area costs.

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**20. SUBSEQUENT EVENTS**

The following events or transactions have occurred since March 31, 2014:

On April 17, 2014, the Company purchased 19,500 common shares, or 19.5%, of Pravala (Asia) Limited, an early stage Hong Kong company that is the exclusive Asia distributor of the mobile solutions of Waterloo-based Pravala Networks Inc., for a purchase consideration of CAD \$150,000 in cash.

On April 25, 2014, SEGL converted all its outstanding convertible notes in the amount of CAD 1,385,421 (USD 1,500,000) at the conversion price of USD 1,000 resulting in the issuance of 1,500 new common shares of SEGL.

On April 25, 2014, SEGL closed another round of pre-IPO financing by raising a total of USD 4,596,288 (CAD \$5,068,786) by way of a private placement to three investors by issuing 1,776 common shares at USD 2,588 per share which is equivalent to a pre-money valuation for SEGL of USD 40 million (CAD \$44.1 million). After the conversion of all outstanding convertible notes and the issuance of shares pursuant to this pre-IPO financing, the Company owns 44.9% of SEGL.

On May 13, 2014, UAA Korea Co., Ltd. repaid USD 1,019,159 (CAD 1,109,146) of convertible notes issued on January 17, 2014 with all accrued interest.