IMAX CHINA HOLDING, INC.

Incorporated in the Cayman Islands with limited liability

Stock code : 1970

Annual Report 2021

IMAX®

Chairman's Statement

LETTER TO SHAREHOLDERS

Dear Shareholders,

As I look back on the last two years, it is remarkable how we have emerged from the pandemic with a stronger footing and growing momentum on many fronts. Our accomplishments are the result of years of strategic positioning and investment with consumers and creative talent that has made IMAX what we are today — a premier, global technology platform for entertainment and events.

We command a powerful, premium theater network with unique end-to-end technology. In addition, we strategically empower visionary creators with proprietary cameras and image enhancement tools to amplify their stories and present them in the way they want them to be experienced. As a result, our brand is associated with the creation of must-see events around world-class content with unmatched clarity, sound, scope, and scale.

Nowhere is that clearer than in China, a market ripe with opportunity for our platform given the Chinese filmmaking industry is creating more and more of the world's most ambitious and successful blockbusters, an evolution that favors IMAX. We continue to focus on forming strong partnerships with the best local filmmakers who have embraced IMAX, infusing IMAX DNA into their productions using IMAX Cameras and our unique aspect ratios to create unrivaled experiences that are *Filmed for IMAX*.

These efforts helped drive strong financial performance in 2021, including:

- A revenue and adjusted net income rebound of $112.8 million and $41.7 million, respectively — both approaching pre pandemic, 2019 levels;

- Record local language box office of $150 million, highlighted by record-breaking Chinese New Year opening weekend and National Day Holiday;

- Expanding market share in local blockbusters with strong IMAX DNA;

- Operating cash flow of $30 million; and

- Continued network expansion to 783 screens which when coupled with contractual backlog of 215 will draw close to a 1,000-theater milestone.

The evolution of the industry has been underpinned by tentpole films that continue to grow their dominance in box office, both local language and Hollywood.

'Detective Chinatown 3' and *'The Battle at Lake Changjin'* — both *Filmed for IMAX* — shattered multiple records overall and in IMAX in 2021 during the Chinese New Year and National Day Holiday, respectively. *'Lake Changjin'* delivered over RMB5.7 billion box office, surpassing *'Wolf Warrior 2'* to become the highest-grossing title of all-time in China. IMAX accounted for close to 6% of its opening weekend box office. Its sequel, the country's top grossing film thus far in 2022, was also *Filmed for IMAX* and we have driven nearly 6% of its box office.

We expanded our long-term commitment with local language films in 2022 by making a RMB30 million investment into *'Mozart in Space'*, a science fiction movie, *Filmed for IMAX* with proven director Chen Sicheng who directed the *'Detective Chinatown'* franchise. We look forward to making similar investments in the future where possible for local films with great box office potential and that embrace IMAX DNA. When it comes to creating the most immersive and ambitious blockbuster filmmaking, IMAX — as the only end-to-end technology — is increasingly a first-choice partner in China — replicating a strategy that we have done so well with in Hollywood for 20 years.

We continue to grow our market share with Hollywood films as well, with our average opening weekend indexing now exceeding 13%, up from approximately 11% in 2019 despite a stable screen market share of just 1%. *'Dune'* which was *Filmed for IMAX* is a perfect example of Chinese audiences' growing demand to see visual cinematic spectacles, with IMAX contributing to an impressive 24% of its opening box office. With Hollywood relying more and more on franchise films, IMAX China critically continues to grow its indexing with Hollywood sequels, including *'No Time to Die'* (15%), *'Fast and Furious 9'* (9%) and *'Godzilla vs Kong'* (12%).

Chairman's Statement (Continued)

The drive towards blockbuster movies in theaters and the growing appetite to view them in IMAX positions us very well going into 2022 which features an unprecedented slate of Hollywood films we are hoping to see gain access to China, including new installments of *'Thor', 'Doctor Strange' 'Black Panther', 'Jurassic World',* and of course, the sequel to *'Avatar'* — all proven box office performers in China.

The huge success of *'Avatar'* on IMAX screens 12 years ago accelerated our network expansion in China to becoming the largest premium entertainment network as we are currently standing. The film still has an extremely strong brand association with IMAX as evidenced when IMAX captured 31% of its opening weekend box office, on just 1% of screens, in its re-release earlier this year.

Our strong performance in 2021 was achieved despite the inability of many Hollywood films to enter China. There were many factors contributing to this trend — factors which include the Hollywood studios' experimentation with hybrid distribution strategies and the backlog of local films created by the pandemic.

The recent release date announcements of *'Uncharted'* and *'The Batman'* is an encouraging sign that certain genre films will once again start releasing in China. We will obviously continue to monitor the issue closely as we stand to benefit greatly from a very strong 2022 Hollywood slate — full of IMAX DNA and commercially proven IP in the Chinese market.

Finally, due to the unique asset-light nature of our business and because of our strong cash flow generation, we are pleased to announce the recommendation of a final dividend of approximately $9.2 million or HK$0.210 per share on an increased net income payout ratio of 50%, up from 33% previously. Our commitment to returning capital to our shareholders remains an important objective of the Company as demonstrated by the $27 million we returned in dividends and share repurchases this year.

On behalf of the Board and management, I would like to thank our shareholders for your unwavering support, trust, and confidence. 2021 accelerated the drive to further eventize content creation and consumption, setting a favorable backdrop for IMAX China to strengthen our footing in the years to come. We look forward to building on the momentum as we capitalize on the continued premiumization of China's theatrical entertainment and a multi-year pipeline of blockbuster content.

Thank you,

Richard L. Gelfond
Chairman, IMAX China Holding, Inc.

Exclusive licensee of the IMAX brand in the theatre and films business in Greater China with access to global partnerships

Sole commercial platform for the release of IMAX films in Greater China, which is the largest major cinema market in the world in 2020

One of the strongest entertainment brands in Greater China(1)

Unique cinematic experience and end-to-end cinematic solution

Largest non-conventional theatre network with highest average box office per screen in Greater China and significant ticket price premium

Note

1. According to a survey conducted by Milward Brown Research

BIG PRODUCTION, BLOCKBUSTER LOCAL LANGUAGE FILMS WITH IMAX DNA AND OUR EXPANSIVE NETWORK DRIVES RECORD LOCAL LANGUAGE BOX OFFICE – ESTABLISHING A SOLID FOUNDATION FOR CONTINUED RECOVERY

Despite sporadic COVID outbreaks, 2021 saw theatres on track to recovery as a result of our strategy to work with filmmakers to inject IMAX DNA into their biggest productions that lend themselves to IMAX. Local programing delivered new IMAX box office records and continued theatre expansion.

BLOCKBUSTERIZATION DRIVES IMAX BOX OFFICE

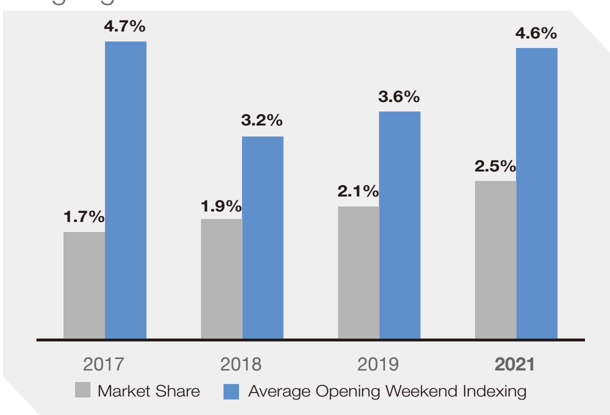
Throughout 2021, we exhibited a total of 50 movies with 34 in Mainland China and 16 in Hong Kong and Taiwan only. We recorded record box office in local language films of US$150 million up 30% from that of 2019. The huge success of *'Detective Chinatown 3'* and *'The Battle at Lake Changjin'* — both *Filmed for IMAX* — led to multiple industry and IMAX records in key theatrical windows including Chinese New Year and the National Holiday. We delivered our best-ever opening weekend for the Chinese New Year holiday, grossing $25 million through February 14. *'Lake Changjin'* delivered over RMB5.7bn in overall box office, surpassing *'Wolf Warrior 2'* to become the highest-grossing title of all-time in China with IMAX accounting for close to 6% of its opening weekend box office. It's sequel, the country's top grossing film thus far in 2022, was also *Filmed for IMAX* and we have driven nearly 6% of its box office.

Our positioning as the premium and preferred choice of theatrical entertainment has only strengthened post-pandemic, demonstrated by our significantly higher indexing across both Hollywood and local language tentpoles. For example, our screens represented an impressive 24% opening weekend box office of *Dune* — a visual cinematic tentpole that was '*Filmed for IMAX'.* We also delivered our franchise-best indexing of approximately 15% for *No Time to Die* and 9% of '*Fast & Furious 9*'. '*Godzilla vs. Kong'* did well over RMB1 billion in overall box office in which we indexed 12%.

While our screens only represent 1% of the total screen count in China, we see an upward momentum in our market share. Our average opening weekend indexing for Hollywood titles exceeded 13%, up from approximately 11% in 2019. Our average opening weekend indexing for local language films was 4.6%, up from 3.6% in 2019.

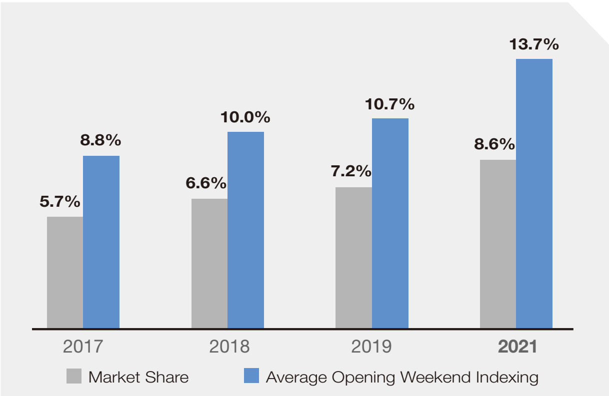
Our increased indexing bodes well for what looks to be an exceptional slate of Hollywood tentpole titles in 2022, headlined by *'Avatar 2'*. The original title's long-lasting impact was still visible when it was re-released this past year, with IMAX screens capturing a stunning 31% of opening weekend box in China. We are encouraged by the recent release date announcements of '*Unchartered'*, '*The Batman', and 'Fantastic Beasts'* in China, and look forward to other highly anticipated Hollywood titles including: *Doctor Strange in the 'Multiverse of Madness', 'Jurassic World: Domination', 'Thor: Love and Thunder'*, many of which contain IMAX DNA. We also look forward to the release of '*Mozart from Space'* from the director of the *Detective Chinatown* franchise, and '*The Interpreter'* — both local language titles with strong IMAX DNA.

IMAX China Box Office Market Share in Local Language Titles

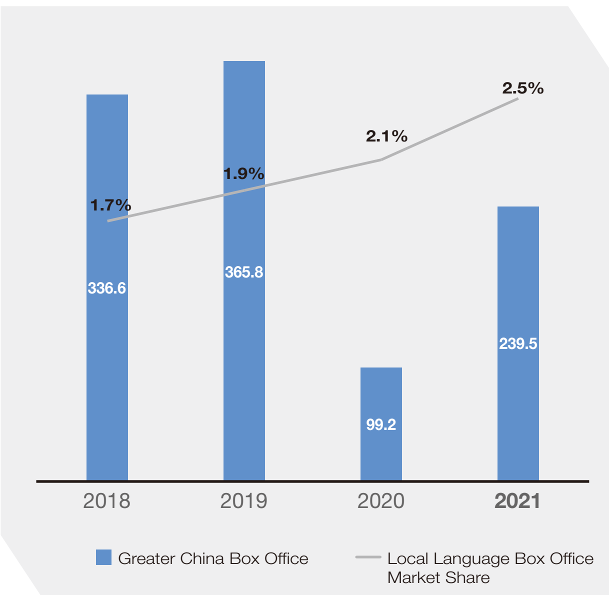


BIG PRODUCTION, BLOCKBUSTER LOCAL LANGUAGE FILMS WITH IMAX DNA AND OUR EXPANSIVE NETWORK DRIVES RECORD LOCAL LANGUAGE BOX OFFICE — ESTABLISHING A SOLID FOUNDATION FOR CONTINUED RECOVERY (Continued)

IMAX China Box Office Market Share in Hollywood Titles



IMAX China Box Office millions $

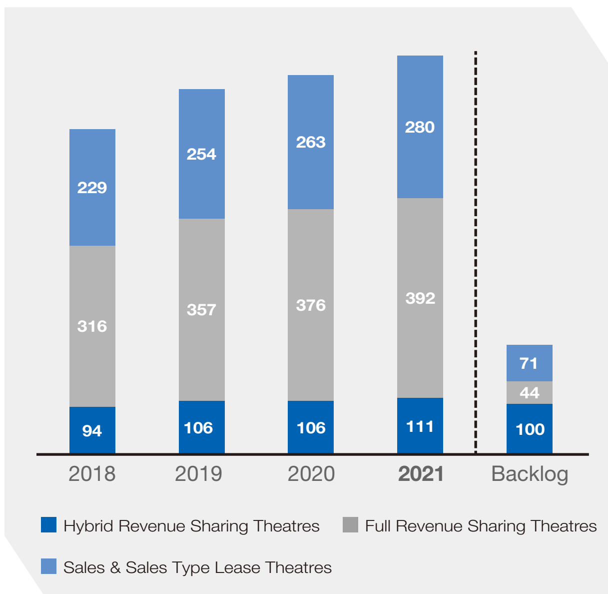


IMAX NETWORK AND BACKLOG

In 2021, we installed 57 new and upgraded systems as compared to 42 installations in 2020. Our 57 installations included 24 new revenue sharing theatres, 20 new sales and sales-type lease theatres, 5 IMAX Laser upgrades and 8 relocations. As Hollywood release dates normalize, our backlog of theaters, higher indexing and IMAX DNA films should serve as a catalyst for future installations.

As of 31 December 2021, our Greater China network included 783 theatres in over 210 cities with a backlog of 215 systems comprised of 44 full revenue share, 100 hybrid revenue share and 71 sales and sales-type lease systems. This draws the total number of contracted IMAX theatres in Greater China close to the 1000 milestone. We signed a total of 25 new and upgraded theatre systems in 2021 including 5 with Broadway and 10 with Wanda, both long time, multi theater clients of IMAX China.

IMAX China Network



BIG PRODUCTION, BLOCKBUSTER LOCAL LANGUAGE FILMS WITH IMAX DNA AND OUR EXPANSIVE NETWORK DRIVES RECORD LOCAL LANGUAGE BOX OFFICE — ESTABLISHING A SOLID FOUNDATION FOR CONTINUED RECOVERY (Continued)

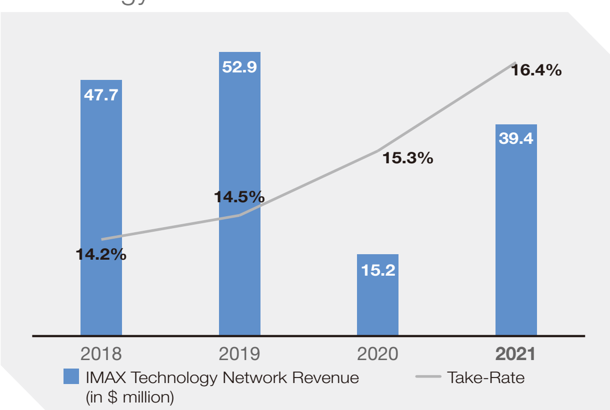
TECHNOLOGY AND NETWORK

Our IMAX Technology Network consists of all revenue driven from box office, including film revenue and box office revenue from revenue sharing arrangements and sales-type lease arrangements.

In exchange for IMAX screen time and proprietary DMR conversion services, studios pay us a fixed percentage of box office for each movie exhibited on our network; exhibitors also pay us a contractual percentage of box office generated by using our IMAX Systems to exhibit DMR formatted movies.

With the reopening of theaters in mainland China in July/20 and strong momentum in key release windows, we saw revenue from our Technology Network grow 159% to US$39 million on the back of box office recovery to US$239 million and an increase in take-rate to 16.4%, up 110 basis points year-over-year. Network business margin was 57%, up from 0.6% in 2020, benefitting from the inherent operating leverage of our business model.

Technology Network Revenue

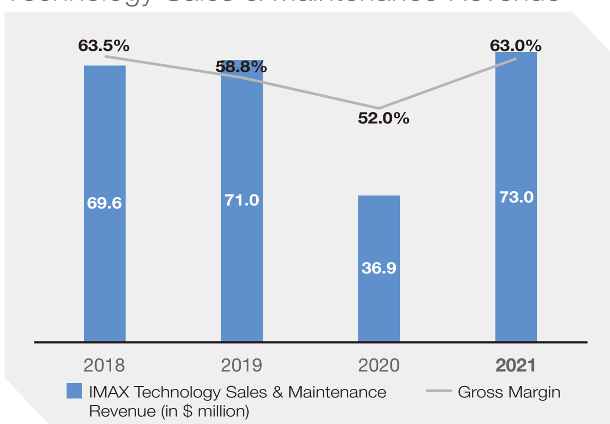


TECHNOLOGY SALES & MAINTENANCE

Our IMAX Technology Sales & Maintenance involves the design, procurement and provision of state of art digital theatre systems at our exhibitor partners' movie theatres, as well as the provision of related project management and ongoing maintenance services and aftermarket sales. Technology Sales & Maintenance represents revenue not directly tied to box office results and includes four segments: (1) IMAX systems (2) revenue sharing arrangements (3) IMAX maintenance and (4) other theatre business.

IMAX Technology Sales and Maintenance revenue reached US$73 million, up 98% year-on-year and 3% higher than 2019. Gross margin was 63%, up from 52% in 2020, all driven by increased sale installation activities, higher mix of Laser installs and removal of the maintenance holiday we offered to exhibition partners during the time of theater closure in 2020.

Technology Sales & Maintenance Revenue



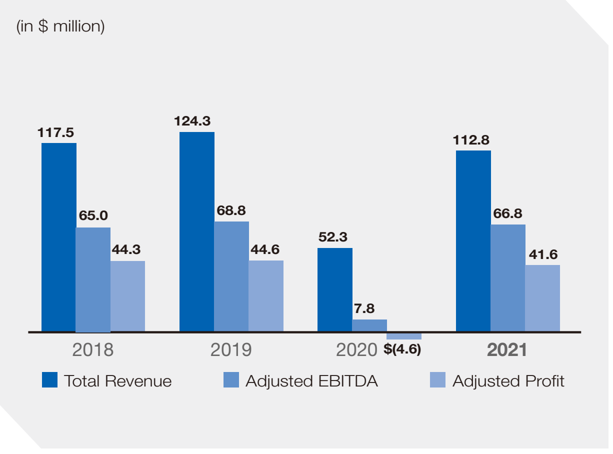
BIG PRODUCTION, BLOCKBUSTER LOCAL LANGUAGE FILMS WITH IMAX DNA AND OUR EXPANSIVE NETWORK DRIVES RECORD LOCAL LANGUAGE BOX OFFICE — ESTABLISHING A SOLID FOUNDATION FOR CONTINUED RECOVERY (Continued)

OVERALL PERFORMANCE

China revenue for FY2021 was US$112.8 million, up 116% year-on-year, driven by recovery in box office and installation activities. We also recorded a profitability turnaround to US$42 million adjusted net profit, compared to a US$4.6 million net loss in 2020.

Given our financial strength and strong cash flow generating ability, our Board of Directors recommended the payment of a final dividend for 2021 of $0.027 per share, equivalent to HK$0.210 per share. This is based on an increased payout ratio of 50% of net income, up from 33% of net income during 2017 to 2019.

Overall Performance in $ Million

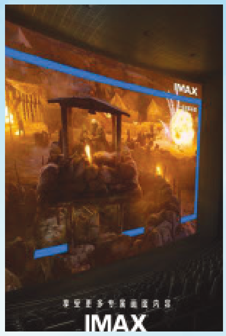


IMAX

IMAX CHINA'S GROWING INDEXING ACROSS LOCAL LANGUAGE BLOCKBUSTERS

Detective Chinatown 3 (Feb 2021)

- Filmed with IMAX cameras
- Led the way in record breaking Chinese New Year Window
- Best 3-day opening weekend of all time
- Total box office of RMB4.5 billion
- 6th highest grossing title in China film history



The Battle at Lake Changjin (Oct 2021)

- IMAX expanded aspect ratio
- 6% indexing with IMAX screens
- Highest-grossing title in China film history delivering RMB5.78 billion in total box office
- Biggest opening weekend of the National Day holiday for IMAX
- The highest-grossing IMAX opening day among domestic war movies
- The best IMAX opening day indexing among domestic war films

Watergate Bridge (Feb 2022)

- IMAX expanded aspect ratio
- 6% indexing with IMAX screens
- Highest-grossing title in China thus far in 2022 with gross box office of RMB3.96 billion
- Third-best six-day performance for an IMAX Chinese New Year release

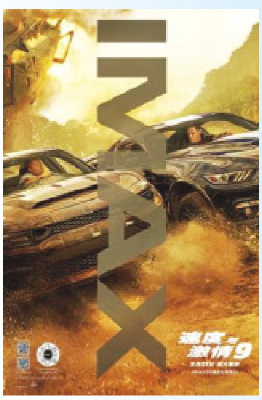
COMMANDING AVERAGE IMAX CHINA OPENING WEEKEND INDEXING OF MAJOR HOLLYWOOD TENTPOLES

Dune
(24% indexing)

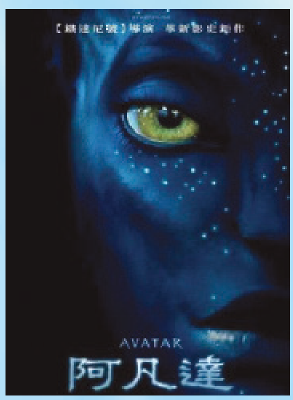
No Time to Die
(15% indexing)

Free Guy
(13% indexing)

Godzilla vs. Kong
(12% indexing)



Fast and Furious 9
(9% indexing)



Avatar re-release
(31% indexing)

Board of Directors & Experienced Management Team

Richard Gelfond
Non-executive Director and Chairman

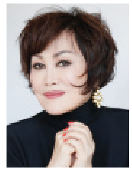
Experience

- 27 years at IMAX and industry experience

John Davison
Independent Non-executive Director

Experience

- President and Chief Executive Officer of Four Seasons Holdings Inc.



Yue-Sai Kan
Independent Non-executive Director

Experience

- Established Yue-Sai Kan Productions
- Sold Yue-Sai, a Chinese cosmetics business, to L'Oreal in 2004

Dawn Taubin
Independent Non-executive Director

Experience

- Former Chief Marketing Officer of DreamWorks Animation
- Former President of Marketing at Warner Bros Pictures

Peter Loehr
Independent Non-executive Director

Experience

- Former Managing Director of Creative Artists Agency in China
- Former Chief Executive Officer of Legendary East

Megan Colligan
Non-executive Director

Experience

- 3 years at IMAX and 23 years of industry experience

Edwin Tan
Chief Executive Officer Executive Director

Experience

- Joined IMAX China in December 2019 and 3 years of industry experience

Jiande Chen
Non-executive Director and Vice Chairman

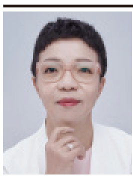
Experience

- 10 years at IMAX and 21 years of industry experience

Jim Athanasopoulos
Chief Financial Officer and Chief Operating Officer Executive Director

Experience

- 21 years at IMAX and industry experience, 10 years at IMAX China



Mei-Hui (Jessie) Chou
Chief Marketing Officer Executive Director

Experience

- 15 years at IMAX and 24 years of industry experience

Yifan (Yvonne) He
General Counsel and Joint Company Secretary

Experience

- Joined IMAX China in December 2020 and 1 year of industry experience

Honggen Yuan (Karl)
Senior Vice President, Theatre Development

Experience

- 20 years at IMAX and industry experience

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Edwin Tan, *Chief Executive Officer*
Jim Athanasopoulos, *Chief Financial Officer and Chief Operating Officer*
Mei-Hui (Jessie) Chou, *Chief Marketing Officer*

Non-executive Directors

Richard Gelfond, *Chairman*
Megan Colligan
Jiande Chen, *Vice Chairman*

Independent Non-executive Directors

John Davison
Yue-Sai Kan
Dawn Taubin
Peter Loehr

AUDIT COMMITTEE

John Davison (Chair)
Dawn Taubin
Richard Gelfond

REMUNERATION COMMITTEE

Yue-Sai Kan (Chair)
John Davison
Megan Colligan

NOMINATION COMMITTEE

Richard Gelfond (Chair)
Yue-Sai Kan
Peter Loehr

JOINT COMPANY SECRETARIES

Yifan (Yvonne) He
Chan Wai Ling, *FCIS, FCS (PE)*

AUTHORISED REPRESENTATIVES

Jim Athanasopoulos
Chan Wai Ling, *FCIS, FCS (PE)*

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

CORPORATE HEADQUARTERS

7/F, Verdant Place
No. 128 West Nanjing Road
Huangpu District, Shanghai
People's Republic of China

REGISTERED OFFICE

c/o Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

1970

COMPANY WEBSITE

www.imax.cn

Highlights

FINANCIAL HIGHLIGHTS

	2021	2020	Change
Total revenue (US$'000)	**112,801**	52,331	115.6%
Gross profit (US$'000)	**68,188**	19,347	252.4%
Gross profit %	**60.4%**	37.0%	2,340 bps
Profit (loss) for the year (US$'000)	**38,217**	(26,739)	242.9%
Profit (loss) for the year %	**33.9%**	(51.1)%	8,500 bps
Profit (loss) per share (US$)	**0.11**	(0.08)	237.5%
Adjusted profit (loss) (US$'000)	**41,661**	(4,612)	1,003.3%
Adjusted profit (loss) %	**36.9%**	(8.8)%	4,570 bps
Selling, general and administrative expenses (US$'000)	**(16,820)**	(14,381)	17.0%
Adjusted EBITDA (US$'000)	**66,805**	7,782	758.5%
Adjusted EBITDA %	**59.2%**	14.9%	4,430 bps
Total theatre system signings	**25**	38	(13 units)
Sales arrangements	**9**	20	(11 units)
Revenue sharing arrangements	**9**	1	8 units
IMAX Laser upgrades	**2**	17	(15 units)
Sales renewals	**5**	—	5 units
Total theatre system installations	**57**	42	15 units
Sales and sales-type lease arrangements	**26**	15	11 units
Revenue sharing arrangements	**26**	24	2 units
IMAX Laser upgrades	**5**	3	2 units
Gross box office (US$'000)	**239,454**	99,249	141.3%
Box office per screen (US$'000)	**328**	145	126.2%


IMAX®
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Management Discussion and Analysis

Management Discussion and Analysis

OVERVIEW

The Company is a leading entertainment technology company, the exclusive licensee of the IMAX brand in the theatre network, sales and maintenance business, and the sole commercial platform for the release of IMAX films in Greater China. Standing for the highest quality and most immersive motion picture entertainment experience, the IMAX brand is one of the strongest entertainment brands in Greater China.

History and Introduction

The IMAX business commenced operations in the PRC in 1998, when IMAX Corporation started offering its theatre systems to museums and science centres. Over the years, the focus of the business moved from institutional to commercial theatres. As at 31 December 2021, there were 783 IMAX theatres in Greater China, including 768 in commercial locations, and an additional 215 theatres in backlog. On 8 October 2015, the Company completed a Global Offering and the Company's Shares were listed on the Stock Exchange.

We believe that we are a key participant in the Greater China film industry with wide-spread recognition and consumer loyalty through our early entry and historical successes. A significant majority of our revenue is generated in the PRC, and we expect the PRC to represent the principal source of our growth in the future. Our goal is to deliver the IMAX experience to an even wider audience in Greater China, being the largest cinema market in the world by total box office revenue.

We have three primary groups, namely the (1) IMAX Technology Network, (2) IMAX Technology Sales and Maintenance and (3) New Business Initiatives and Other.

IMAX Technology Network

Our IMAX Technology Network involves the digital re-mastering of Hollywood and Chinese language films into the IMAX format through a proprietary IMAX DMR conversion process and the exhibition of these films on the IMAX theatre network in Greater China.

We generate revenue by sharing in a percentage of box office generated from IMAX formatted films under 3 different segments: (1) IMAX DMR films, (2) revenue sharing arrangements and (3) sales and sales-type lease arrangements.

Under IMAX DMR films, we generate revenue by sharing in a certain percentage of IMAX box office received by our studio partners for the conversion and release of Hollywood and Chinese language films to the IMAX theatre network. This arrangement enables us to share in the box office success of a film while limiting our exposure to the significant capital investment required in making a film and the regulatory requirements governing the production and distribution of films in Greater China.

Under revenue sharing arrangements, we generate revenue from two types of models — full revenue sharing arrangements and hybrid revenue sharing arrangements. Under full revenue sharing arrangements, we provide theatre systems to our exhibitor partners in return for ongoing fees based on a percentage of the IMAX box office with no upfront fee. Under hybrid revenue sharing arrangements, we receive ongoing fees based on a percentage of IMAX box office and charge a relatively smaller upfront fee to our exhibitor partners which is recorded in the IMAX Technology Sales and Maintenance. The percentage charged under a hybrid arrangement is typically less than a full revenue sharing arrangement. The revenue sharing business model enables our exhibitor partners to expand their IMAX theatre network more rapidly by reducing their upfront costs, while aligning our interests with theirs and allowing us to share in the box office they generate. These arrangements create a recurring revenue stream from the theatre side of our business for the term of the agreement without IMAX having to incur the capital expenditures required to build and operate movie theatres.

Management Discussion and Analysis (Continued)

Under sales-type lease arrangements, we typically require the payment of upfront and ongoing fees, which can include a fixed minimum amount per annum and contingent rent in excess of the minimum payments. The contingent rent included in our IMAX Technology Network is recognized after the fixed minimum amount per annum is exceeded as driven by box office performance. Contingent rent on sales arrangements is estimated and recognized with the revenue in IMAX Technology Sales and Maintenance.

Prior to 2020, the majority of our IMAX Technology Network revenue was derived from Hollywood films. This was mainly due to the nature of the Hollywood films we program, big budget blockbusters that lend themselves to the IMAX experience. Since 2020, because of the COVID-19 pandemic, we saw Hollywood film release dates delayed in Greater China. We also saw certain Hollywood films not securing a release date in the PRC in 2021 under the quota system. As a result, the majority of our IMAX Technology Network revenue shifted to Chinese language films, with the percentage of Chinese language box office year over year amounting to 31.4%, 66.3% and 60.1% in FY2019, FY2020 and FY2021, respectively. While Hollywood films remain an important part of our programming schedule, the Chinese consumer's association of the IMAX brand and experience with blockbusters has extended beyond Hollywood and into Chinese language films. As local filmmakers start to develop their content into franchises, much like their Hollywood counterparts, we are actively working with local directors to create and deliver their work in the most visual way, leveraging IMAX certified cameras and exclusive aspect ratios. Films including such IMAX DNA elements are referred to as *Filmed for IMAX*. We believe such Hollywood and Chinese language films help drive higher market share for IMAX. We remain strategically focused on Chinese language films given their importance in the market and the fact that we earn a higher take rate on these films. Chinese language films continue to improve with growing production budgets and clearly resonate with local audiences, especially in lower tiered Chinese cities where we have seen significant IMAX theatre

expansion. We continue to incorporate a multiple programming strategy whereby we program multiple Chinese language films within the same release window to offer our partners more flexibility in programing. Our partnership with local filmmakers has driven a deeper involvement of IMAX technology in content production and this strategic effort delivered the most ever "*Filmed for IMAX*" local films in history and record Chinese language box office in FY2021. We will continue to focus on this strategy in 2022 and the years ahead.

IMAX Technology Sales and Maintenance

Our IMAX Technology Sales and Maintenance involves the design, procurement and provision of premium digital theatre systems at our exhibitor partners' movie theatres, as well as the provision of related project management, ongoing maintenance services and aftermarket sales.

IMAX Technology Sales and Maintenance revenue is revenue not directly tied to box office results and includes four segments: (1) IMAX systems, (2) revenue sharing arrangements, (3) IMAX maintenance and (4) other theatre.

Under IMAX Systems, we typically charge a fixed upfront sale fee and annual minimum payments. The recognition of contingent rent on sales arrangements is estimated and recognized under IMAX Technology Sales and Maintenance as well. Under revenue sharing arrangements, we charge a relatively small upfront fee under hybrid arrangements to our exhibitor partners. IMAX maintenance includes an annual maintenance fee which includes initial terms of 10 to 12 years in length plus renewal terms of 5 to 10 additional years. Under other theatre, we generate revenue from the aftermarket sales of 3D glasses, screen sheets, sound system, parts and other items.

New Business Initiatives and Other

New Business Initiatives and Other includes all revenue in connection with any other non-core business initiatives that are in the development and/or start-up phase.

IMAX Technology

IMAX theatre systems bring together IMAX DMR conversion technology, advanced projection systems, curved screens and proprietary theatre geometry as well as specialised sound systems to create a more intense, immersive and exciting experience than in a traditional movie theatre. They are the product of over 50 years of research and development by IMAX Corporation, our Controlling Shareholder. As the exclusive licensee of the IMAX brand and technology in Greater China, we have full access to the most advanced IMAX theatre systems based on proprietary technology produced by IMAX Corporation.

In 2014, IMAX Corporation introduced its first laser-based digital projection system, and has continued research and development aimed at creating more affordable laser-based solutions with various screen sizes for our commercial multiplex customers. Beginning in late-2021, we began offering an additional laser-based theatre system product to provide a broader array of customers with an opportunity to replace and upgrade IMAX Xenon Theatre Systems. We believe that IMAX Laser offerings deliver increased resolution, sharper and brighter images, deeper contrast as well as the widest range of colors available to filmmakers today and we believe these offerings can help facilitate the next major lease renewal and upgrade cycle for the Greater China commercial IMAX network.

Our IMAX Laser network currently stands at 79 theatres.

Management Discussion and Analysis (Continued)

Our Partnerships

We have strong and successful partnerships with a number of key players across the Greater China film industry. These include approximately 80 exhibitors, including the largest exhibitor in the world, Wanda Film (formerly Wanda Cinema), as well as other established market players such as CGI Holdings Limited (formerly CJ CGV Holdings, Ltd.), Guangzhou Jinyi Media Corporation, Omnijoi Cinema Development Co., Ltd., Beijing Bona International Cineplex Investment and Management Co., Ltd., and Broadway Theatre Company Ltd. We have access to IMAX Corporation's exceptional Hollywood relationships with Disney, Warner Brothers, Universal and Sony. We also work with leading producers, directors and studios in Greater China, such as Wanda Film, Bona Film, Alibaba Pictures, China Film and Huace Pictures to convert Chinese language films into the IMAX format for the release on the IMAX theatre network. In addition, we work with large commercial real estate developers to identify potential new IMAX theatre locations.

Our Competitive Strengths

We believe that our success to date, and potential for future growth, are attributable to the following competitive strengths:

- A strong premium entertainment brand in the Greater China market;
- Strong slate of big production budget, blockbuster Hollywood and Chinese language films that favor the IMAX experience;
- Relationships with top filmmakers in Hollywood and Greater China that embrace the IMAX technology and platform for the production and distribution of their films;
- Unparalleled network in top locations throughout Greater China, supported by approximately 80 exhibitor partnerships;
- Leading IMAX theatre system and laser-based technology delivering a unique cinematic experience;
- Significant value creation across the film industry for exhibitors, studios, filmmakers and commercial real estate developers; and
- Experienced management team supported by prominent shareholders.

Our Business Strategies

Our goal is to deliver the unique IMAX experience to an even wider audience in Greater China through the following strategies:

- Increasing the number of Chinese language films we release per year and the percentage of annual box office we generate from these films;

- Strengthening our cooperation with PRC studios and filmmakers, including incorporation of IMAX DNA within local films such as using IMAX Cameras and expanded aspect ratios as done previously with certain Hollywood films and, where applicable, investing in certain selected films with filmmakers that embrace IMAX DNA and our platform;

- Expanding the IMAX theatre network in the PRC which includes the rollout of IMAX laser technology and the offer of an additional laser-based theatre system product to replace and upgrade IMAX Xenon Theatre Systems;

- Increasing the number of strategic revenue sharing arrangements that deliver acceptable returns, with our exhibitor partners;

- Maintaining our market leading position as a provider of a premium cinematic experience;

- Continuing to invest in the IMAX brand in Greater China; and

- Leveraging the global IMAX brand and relationships to develop and invest in the continued evolution of our businesses.

The management discussion and analysis is based on the Group's consolidated financial statements for FY2021 prepared in accordance with IFRS and must be read together with the consolidated financial statements and the notes which form an integral part of the consolidated financial statements.

Impact of COVID-19 Pandemic

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Group's business and the global economy. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theatres in countries around the world to temporarily close, including the IMAX theatres in those countries. As a result of the theatre closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in Greater China IMAX theatres, while several other films were released directly or concurrently to streaming platforms which we believe negatively impacted the box office of such films.

The COVID-19 pandemic resulted in significantly lower levels of revenues, profits, and operating cash flows for the Group during 2020 and, to a lesser extent, during 2021, when compared to periods prior to the onset of the pandemic primarily due to limited Hollywood film releases during these years which impacted IMAX gross box office ("**GBO**"). Installation and maintenance activity during FY2021 approximated pre pandemic activity in Mainland China but may continue to be impacted in the event of any future COVID-19 outbreaks and theatre closures.

As a result of past theatre closures and reduced box office levels, beginning in the second quarter of 2020 through the fourth quarter of 2021, the Group provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theatres were closed and operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding, or longer, extension of the term of the underlying sale or lease arrangement. Notwithstanding the above, the Group experienced, and is likely to continue to experience, delays in collecting payments due under existing theatre sale or lease arrangements with exhibitor partners who are facing financial difficulties.

Management Discussion and Analysis (Continued)

For the year ended December 31, 2021, GBO generated by IMAX films totaled US$239 million, surpassing the totals for 2020 by US$140 million (141%) and included record Chinese language films box office of US$136 million. We are encouraged by these box office results and are further encouraged by the strong pipeline of Hollywood and Chinese language films scheduled to be released for theatrical exhibition in 2022. In addition, due to the broad reopening of the IMAX theatre network in 2021, the Group reversed $4.0 million of its allowance for current expected credit losses as the theatrical exhibition industry continues to recover from the COVID-19 pandemic.

As of 31 December 2021, over 95% of IMAX theatres in Greater China had resumed operations with 75% capacity restrictions in place, however, the impact of the COVID-19 pandemic on the Group's business and financial results will continue to depend on numerous evolving factors that cannot be accurately predicted. These factors will vary by market in Greater China, including the duration and scope of the pandemic, the emergence of variants of the virus, and ongoing government responses to the pandemic, which could lead to further theatre closures, theatre capacity restrictions and/or delays in the release of films.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We believe that our financial condition and results of operations have been and will continue to be affected by the following factors:

Box Office Success of IMAX Films

Film Slate

Our financial performance is affected by the number of films released to the IMAX network in Greater China (known as the "**slate**") and the box office performance of those films. We source films produced by Hollywood and local studios and filmmakers and convert those films into the IMAX format using IMAX DMR conversion technology developed by IMAX Corporation. In FY2020 and FY2021, 25 and 34 IMAX films, respectively, were released and generated revenue for us in the PRC. The number of Hollywood films released in the PRC in FY2021 was 13, as compared to 16 in FY2020 and 30 in FY2019. We believe the fewer Hollywood releases was due to the COVID-19 pandemic, Hollywood's experimentation with a hybrid distribution and the cultural importance of Chinese language films in FY2021. But even as these factors lift, some Hollywood films have still failed to secure release dates in the PRC. IMAX Corporation has entered into contractual arrangements with filmmakers and studios in Hollywood to convert a number of films into the IMAX format for release in FY2022. While it is our intention that these films be released to the IMAX theatre network in the PRC, given the restrictions imposed by film quotas for Hollywood films in the PRC that may be impacted by macro U.S. China relations, we cannot be assured that these IMAX format Hollywood films will be made available.

Securing a slate of desirable Hollywood and Chinese language films in the IMAX format is critical to driving higher total box office and average box office per screen for IMAX theatres. The strength of the film slate we choose is also important to maintaining the ticket price premium that IMAX theatres typically command. We carefully select films for conversion into the IMAX format that we believe will be best received by local audiences, and then we work closely with the studios and filmmakers to enhance the viewing experience, which in addition to conversion into the IMAX format may include unique aspect ratios and utilisation of IMAX certified cameras for image capture. As a result, the average box office per screen for IMAX theatres is significantly higher than that of conventional theatres in the PRC. The average box office per screen of IMAX theatres was US$0.33 million in FY2021 compared to the average box office per screen of approximately US$0.09 million for all screens in the PRC for FY2021, according to Top Consulting. Higher average box office per screen for IMAX theatres makes them more attractive to exhibitors, which enables us to grow the IMAX theatre network and generate revenue from new installations.

In addition, as the number of IMAX theatres under revenue sharing arrangements has grown from 482 as at 31 December 2020 to 503 as at 31 December 2021, and our backlog as at 31 December 2021 also included 144 IMAX theatre systems under revenue sharing arrangements, strong box office performance of films will continue to weigh significantly on IMAX Technology Network revenues as well as profit. While we mitigate box office highs and lows by employing a portfolio approach to our films in any given year, we believe that a key factor in the box office success of our films is not only selecting the right Hollywood and Chinese language films, but also ensuring the right balance of Hollywood and Chinese language films for our slate.

Film Release Date and Film Mix

Censorship rules and film quotas restrict the number of Hollywood films that can be shown in the PRC each year. Accordingly, balancing the release dates for IMAX films released, as well as the mix of Chinese language films and Hollywood films released in the PRC, is an important factor affecting our business. Over the past few years, the PRC regulatory bodies have supported gradual liberalisation of the film industry and introduced many government initiatives to foster growth of the film industry, including a 2012 agreement with the United States to permit an additional 14 3D or IMAX films to be released in the PRC each year beyond the previous quota of 20 Hollywood films. However, the 2012 agreement with the United States expired in 2017 and will need to be renegotiated. The timing of any renegotiation has been delayed by the ongoing macro US China relations. The scope of any renegotiation may include the quota of Hollywood films to be released in the PRC and Hollywood studios' take rate on these films. If the number of Hollywood films to be released in the PRC increases over and above the current quota and/or if the Hollywood studios' take rate increases, it may have a positive effect on our business through a larger marketing spend on films, a larger selection of films or IMAX securing a take rate closer to that achieved elsewhere in the world. However, we cannot assure you that the Hollywood film quota or Hollywood studio take rate will increase or that any renegotiation will benefit us.

Release dates for Hollywood films in the PRC generally have been set with shorter lead times than in other markets. In addition, at certain times during the year, Chinese language films are released with less competition from Hollywood films. As a result, supplying IMAX theatres with Chinese language films in the IMAX format is important to ensure that there are IMAX films showing in IMAX theatres at all times, as well as to cater to local consumer demand for Chinese language films. Chinese language films have proven to be very successful at the box office. According to Top Consulting, as at 31 December 2021, 8 out of the top 10 box office films in the PRC in calendar 2021 were Chinese language films. In 2021, the Chinese language films, *The Battle at Lake Changjin, Detective Chinatown 3, My Country, My Parents, Raging Fire, Chinese Doctors, and Cliff Walkers* were part of the top 10 performing box office films for the industry, and were all a part of our IMAX slate for 2021. We also share a higher percentage of box office for Chinese language films compared to Hollywood films primarily due to Chinese studios retaining a much higher percentage of box office than Hollywood studios. Chinese language films make up a significant share of the total PRC box office, amounting to 83.7% in FY2021 and 83.8% in FY2020, according to Top Consulting. Pre COVID-19, these percentage shares were approximately 60-65%. IMAX format Chinese language films as a percentage of our PRC box office amounted to 60.1% in FY2021 and 66.3% in FY2020.

Expansion of the IMAX Theatre Network in Greater China

The continued expansion of the IMAX theatre network in Greater China is important to our success. More particularly, the rate at which we are able to expand the IMAX theatre network has been, and will continue to be, an important driver of our results of operations and growth.

Network Expansion

Under our Network Business, we generate revenue directly through box office generated from IMAX films from our studio partners and exhibitor partners in IMAX theatres. Under our IMAX Technology Sales and Maintenance, we generate revenue primarily from exhibitor partners through either sales and sales-type lease arrangement or revenue sharing arrangements, and the revenue generated by maintenance services and aftermarket sales. As a result, the bigger the IMAX theatre network, the more opportunities we have to increase our revenue and profit across our primary groups.

The larger the IMAX theatre network becomes, the greater the value proposition becomes to studios in terms of overall IMAX box office potential for their films and the resulting additional revenue they may generate from the IMAX platform. This, in turn, helps us continue to attract top Hollywood and Chinese language films from studios we believe value the IMAX economic proposition and differentiated platform for release of their films. As we continue to attract top IMAX films, the greater the value proposition also becomes to our exhibitor partners in terms of driving ticket sales and generating additional box office by providing their audiences with a premium, differentiated experience. This in turn helps us to attract new exhibitor partners, and repeat business with our existing exhibitor partners, which increases our revenue from sales and sales-type lease arrangements as well as revenue sharing arrangements and further increases the size of the IMAX theatre network, thus resulting in a self-reinforcing cycle.

We believe our Network Business is largely scalable because conversion costs for delivering IMAX films are fixed by film. As we grow the IMAX theatre network, the revenue generated from every additional IMAX theatre in our Network Business should result in increased operating profit without a proportionate increase in variable costs, enabling us to achieve greater economies of scale.

The ability to expand the network and complete installations, either in backlog or through new signings, may be impacted by global supply chain disruptions that impact IMAX Corporation, our supplier of IMAX theatre systems. Installations and delivery of IMAX theatre systems were not significantly impacted in FY2021. However, the Group expects such disruptions may occur in FY2022 and beyond, which would negatively impact our network expansion.

The number of IMAX theatres in Greater China increased from 745 IMAX theatres as at 31 December 2020 to 783 IMAX theatres as at 31 December 2021.

Backlog

Our ability to expand the IMAX theatre network is driven by our ability to sign new theatre agreements with exhibitor partners and replenish our backlog as theatres are installed. The installation of theatre systems in newly-built, and retrofitted, multiplexes depends primarily on the timing of the construction of these projects by exhibitors and/or commercial real estate developers, which is not under our control. Although revenue from our backlog is recognised following the installation of the relevant IMAX theatre systems and not at the time of signing, continuously replenishing our backlog underpins the continued growth of the IMAX theatre network. The number of IMAX theatre systems in our backlog decreased from 251 as at 31 December 2020 to 215 as at 31 December 2021 and the carrying value of our backlog decreased from US$177.4 million as at 31 December 2020 to US$166.1 million as at 31 December 2021 due to a larger proportion of hybrid revenue sharing arrangements. For the number of systems, approximately 33% of our backlog are sales and sales-type lease arrangements, 20% are full revenue sharing arrangements and 47% are hybrid revenue sharing arrangements.

The total value of the backlog represents all signed IMAX theatre system sale or lease agreements that are expected to be recognized as revenue in the future and includes initial fees along with the estimated present value of contractual ongoing fees due over the term, but it excludes amounts allocated to maintenance. Notwithstanding the legal obligation to do so, some of the Group's customers with which it has signed contracts may not accept delivery of IMAX theatre systems that are included in the Group's backlog. An economic downturn may exacerbate the risk of customers not accepting delivery of IMAX theatre systems. Any reduction in backlog could adversely affect the Group's future revenues and cash flows. In addition, customers with theatre system obligations in backlog sometimes request that the Group agree to modify or reduce such obligations, which the Group has agreed to do in the past under certain circumstances. Customer-requested delays in the installation of IMAX theatre systems in backlog remain a recurring and unpredictable part of the Group's business.

As part of our strategy to expand the IMAX theatre network, we have mapped out a number of "IMAX zones" across Greater China. Each zone represents an area in which, based on our analysis, an exhibitor could potentially open an IMAX theatre without negatively affecting the business and financial results of the nearest IMAX theatre. We estimate each IMAX zone will typically only contain one IMAX theatre, subject to certain exceptions based on the location of the zone and any carve-outs in the agreements we entered with exhibitors. The number of zones may continue to grow as the population and/or consumer demand in a geographical area increases to a level where it becomes commercially viable for us to add an IMAX theatre and create a new IMAX zone without negatively affecting the business and financial performance of the nearest IMAX theatre. As at 31 December 2021, we had identified approximately 1,400 IMAX zones across Greater China.

We believe continuous urbanization, rising purchasing power and increasing supply of quality content should continue to drive screen growth with premium formats being a major driver. According to the latest China Film Development Plans published by the China Film Administration, the total number of screens is targeted to exceed 100,000 by 2025. The five-year plan also advocated government support for local sci-fi and animation movie production as well as cinema technology upgrades to enhance movie-viewing experience, all of which are positive for IMAX.

Proportion of Revenue Sharing Arrangements

We generate revenue through charging fees to exhibitors for the IMAX theatre system. Under sales arrangements with exhibitor partners, most fees are paid around the time of installation of the IMAX theatre system, and substantially all our revenue from such sales were recognised at the same time. Under revenue sharing arrangements, we charge a smaller fee, or no upfront fee, at the time of the IMAX theatre system installation. We recognise as revenue any initial payments we receive on installation and percentage of the box office revenue when box office results are reported to us by the exhibitors.

Our revenue sharing arrangements provide us with a percentage of recurring box office generated from our exhibitor partners for IMAX films over the 10 to 12 year term of the agreement and allow us to benefit from future growth in the box office of IMAX theatres in Greater China. However, as the percentage we can share from our exhibitor partners' box office varies among exhibitors and may change from contract to contract, any increased revenue from having more revenue sharing arrangements may be affected.

We require increased working capital to continue to fund the purchase and installation of IMAX theatre systems provided to our exhibitor partners under full revenue sharing arrangements. However, as the network of IMAX theatres continues to grow, we believe increases in working capital needs will be offset by an increase in recurring revenue we receive under all revenue sharing arrangements.

Impact on Our Profitability

While an increasing number of revenue sharing arrangements will allow us to earn recurring revenue, it also makes us more sensitive to fluctuations in box office performance. As the amount of revenue we are able to generate under revenue sharing arrangements is dependent upon the box office performance of the films exhibited at the particular theatre, our revenue may be subject to higher volatility. Should any film exhibited in IMAX theatres under revenue sharing arrangements perform poorly, the amount of the box office revenue we receive will be reduced.

The proportion of IMAX theatre systems we install under hybrid revenue sharing arrangements also has an effect on our gross profit and gross profit margin. Under hybrid revenue sharing arrangements, we recognise revenue on the upfront fee received and all associated costs at the time of system installation. Such upfront fees typically cover only the costs related to the theatre system and installation. While we record minimal gross profit and gross profit margin for every hybrid revenue sharing arrangement at the time of system installation, we record all revenues in subsequent periods with virtually no corresponding theatre system cost, resulting in substantially higher gross profit and gross profit margin in these subsequent periods. As our base of hybrid theatres grows, the percentage box office revenue earned by these theatres increases with no corresponding cost related to the respective systems.

Revenue sharing arrangements increased from 482 arrangements in FY2020 to 503 arrangements in FY2021. As the level of our involvement and capital commitment is much greater with a revenue sharing arrangement, we can provide more input in the exhibitor's marketing campaigns for an IMAX film or an IMAX theatre launch. Going forward, we plan to continue to promote revenue sharing arrangements to exhibitors that can roll out their theatre network quickly and that have a portfolio of quality theatres with box office potential or a proven track record of success with IMAX theatres. Notwithstanding our interest in additional revenue sharing arrangements, our exhibitor partners may have other commercial considerations and may not choose revenue sharing arrangements over sales arrangements.

General Economic and Market Conditions and the Regulatory Environment in the PRC

The China market faces a number of risks, including changes in laws and regulations, currency fluctuations, increased competition, and changes in economic conditions, including the risk of an economic downturn or recession, trade embargoes, restrictions or other barriers. Any or all of these risks, and adverse developments in any of these areas could impact the Group's future revenues and cash flows and could cause the Group to fail to achieve anticipated growth. For example, in addition to the importation of Hollywood films discussed above, the Group also imports IMAX theatre systems from the Canada that may be impacted by tariffs or trade embargoes.

Continued growth in our business depends on urbanisation and rising standards of living in the PRC, which we believe drives demand for entertainment. Overall, we believe economic growth and disposable income levels in the PRC have been, and will continue to be, affected by a number of macroeconomic factors, including changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC government.

Economic growth and development had a significant impact on the entertainment industry in the PRC over the past few years, as individuals and households have been able to increase the amount of money they are willing to spend on movie tickets. We believe leisure consumption will be an important growth area in the coming decade for the Chinese consumer. Box office in the PRC of US$7.3 billion in 2021 grew at a compound annual growth rate (CAGR) of 14.9% from 2010 to 2021.

As most new IMAX theatres are located in large shopping malls, we are also affected by fluctuations in the PRC property market. Periods of high economic growth are typically accompanied by additional development. The opposite occurs during periods of lower economic growth or market slowdowns. We believe the cinema industry has historically been more resilient to economic downturns than other industries and lifestyle offerings, including cinema, are important to shopping mall developers. However, should the PRC property market experience a slowdown, commercial real estate developers could be negatively affected, which, in turn, could result in a decrease in the general demand for new IMAX theatres and, therefore, negatively affect our business and prospects.

Our Ability to Maintain Our Pricing and Profit Margins

A significant portion of our operating costs are relatively fixed for our IMAX Technology Network, such as DMR conversion costs per film and theatre system depreciation. As a result, our ability to maintain our pricing and our profit margin is an important factor driving our results. As we expand the IMAX theatre network and cooperate with more exhibitor partners, we may be expected to offer volume discounts to existing exhibitors who increase their commitment for more IMAX theatre systems, or who contract to install many IMAX theatre systems upfront. We may strategically offer other discounts or concessions to certain exhibitors to maintain or gain market share. Given our relatively fixed cost base, any material decreases in revenue due to adjustments in pricing will have an adverse impact on our profitability.

Seasonality Effects

Our business is seasonal which skews the profitability of our IMAX Technology Sales and Maintenance towards the second half of the year. Most of our exhibitors choose to install IMAX theatre systems towards year-end in preparation for the Chinese New Year holiday period when major Chinese language films are due to be released. As a result, we typically record higher levels of revenue and profit under our IMAX Technology Sales and Maintenance during the second half of the year.

Currency Fluctuations

We generate the majority of our revenues in RMB. However, we purchase IMAX theatre equipment and films from IMAX Corporation in U.S. dollars or in RMB based on the U.S. dollar exchange rate. Any significant increase in the value of the U.S. dollar against the RMB will increase our costs and negatively affect our profitability. We have not entered, and currently do not intend to enter, into any forward contracts to hedge our exposure to exchange rate fluctuations.

In addition, fluctuations in the exchange rates between the U.S. dollar and other currencies, primarily the RMB, affect the translation into U.S. dollars when we prepare our financial statements. Foreign currency transactions are translated into the U.S. dollar using the exchange rates prevailing at the annual average rate for our statement of comprehensive income and closing rate for our statement of financial position. Foreign currency gains and losses are recorded in our consolidated statement of comprehensive income.

DESCRIPTION OF SELECTED LINE ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME ITEMS

Revenue

We derive a majority of our revenue from our three primary groups — IMAX Technology Network, IMAX Technology Sales and Maintenance and New Business Initiatives and Other.

IMAX Technology Network

Our IMAX Technology Network represents all variable revenue generated by box office results and includes three segments:

- IMAX DMR films, pursuant to which the Group generates revenue from a certain percentage of IMAX box office received by our studio partners for the conversion and release of Hollywood and Chinese language films to the IMAX theatre network. IMAX DMR films revenue is recognized when reported by our exhibitor partners;

- Revenue sharing arrangements, of which the Group has two types — full revenue sharing arrangements and hybrid revenue sharing arrangements. Under its full revenue sharing arrangements, the Group leases IMAX theatre systems to its exhibitor partners, and provides related services, in return for ongoing fees of contingent rent based on a percentage of the IMAX box office from the relevant IMAX theatre. Under full revenue sharing arrangements, the customer pays no upfront fee. Under hybrid revenue sharing arrangements, the Group receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theatre. The Group also receives a fixed upfront fee, which is less than a straight sale transaction, and which is recorded in IMAX Technology Sales and Maintenance segment. Contingent rent revenue from revenue sharing arrangements is recognized when reported by our exhibitor partners; and

- Sales-type lease arrangements, consist of contingent rent in excess of certain fixed minimum ongoing payments. The contingent rent is recognized after the fixed minimum amount per annum is exceeded as driven by box office performance. Contingent rent on sales-type lease arrangements is recognized when IMAX box office is reported by our exhibitor partners. Contingent rent on sales arrangements is estimated and recognized with the revenue under IMAX Technology Sales and Maintenance.

IMAX Technology Sales and Maintenance

The IMAX Technology Sales and Maintenance represents all fixed revenues that are primarily derived from exhibitor partners through either sales and sales-type lease or revenue sharing arrangements, and the revenue generated by maintenance services and aftermarket sales. IMAX Technology Sales and Maintenance revenue is revenue not directly tied to box office results and includes the following four segments:

- IMAX Systems, consist of the design, manufacture and installation of IMAX theatre projection system equipment under sales or sales-type lease arrangements for upfront and ongoing fees, which can include a fixed minimum amount per annum and contingent rent in excess of the minimum payments. The upfront fees vary depending on the system configuration and location of the theatre. Any upfront fees are paid to the Group in installments between the time of system signing and the time of system installation, which is when the total of these fees, in addition to the present value of future annual minimum payments and estimated contingent rent on sales arrangement as discussed under IMAX Technology Network above, are recognized as revenue at the time of installation and exhibitor acceptance of the respective IMAX theatre system;

- Revenue sharing arrangements, pursuant to which the Group receives a reduced, fixed upfront fee under its hybrid revenue sharing arrangement. In addition, the Group receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theatre which is recorded in IMAX Technology Network revenue segment described above. Revenue sharing arrangements upfront fees revenue is recognized at the time of installation and exhibitor acceptance of the IMAX theatre system;

- IMAX Maintenance, pursuant to which the Group generates revenue from the provision of ongoing maintenance services. The revenue recognized is primarily comprised of an annual maintenance fee payable by exhibitor partners under all sales and sales-type lease arrangement and revenue sharing arrangements; and,

- Other theatre, pursuant to which the Group generates revenue from the aftermarket sales of 3D glasses, screen sheets, parts and other items.

Management Discussion and Analysis (Continued)

New Business Initiatives and Other

New Business Initiatives and Other includes all revenue in connection with any other non-core business initiatives that are in the development and/or start-up phase.

The following table sets out the revenue for our respective business segments for the years indicated, as well as the percentage of total revenue they each represent:

	FY2021		FY2020	
	US$'000	%	US$'000	%
IMAX Technology Network				
IMAX DMR films	**21,750**	**19.3%**	7,721	14.7%
Revenue sharing arrangements — contingent rent	**17,623**	**15.6%**	7,461	14.3%
Sub-total	**39,373**	**34.9%**	15,182	29.0%
IMAX Technology Sales and Maintenance				
IMAX Systems	**41,413**	**36.6%**	23,953	45.8%
Revenue sharing arrangements — upfront fees	**5,150**	**4.6%**	1,285	2.5%
IMAX Maintenance	**25,581**	**22.7%**	11,156	21.3%
Other Theatre Business	**858**	**0.8%**	543	1.0%
Sub-total	**73,002**	**64.7%**	36,937	70.6%
New Business Initiatives and Other	**426**	**0.4%**	212	0.4%
Total	**112,801**	**100.0%**	52,331	100.0%

Cost of Sales

Our cost of sales are primarily comprised of the costs for the rights of all digital re-mastered films purchased under our intercompany agreement with IMAX Corporation (excluding Hollywood films which are recorded as a reduction of film revenue received from IMAX Corporation according to *IFRS 15* starting from 2018), the costs of IMAX theatre systems and related services under sales, sales-type lease and hybrid revenue sharing arrangements, depreciation of IMAX theatre systems capitalized under full revenue sharing arrangements and certain one-time costs at the time of system installation and exhibitor acceptance of the respective IMAX theatre system such as marketing costs for IMAX theatre launches, commissions and the cost for providing any maintenance service during a warranty period.

The following table sets out the cost of sales for our respective business segments for the years indicated, as well as the percentage of respective revenue they each represent:

	FY2021		FY2020	
	US$'000	%	US$'000	%
IMAX Technology Network				
IMAX DMR films	**4,314**	**19.8%**	1,667	21.6%
Revenue sharing arrangements — contingent rent	**12,763**	**72.4%**	13,429	180.0%
Sub-total	**17,077**	**43.4%**	15,096	99.4%
IMAX Technology Sales and Maintenance				
IMAX Systems	**14,199**	**34.3%**	10,086	42.1%
Revenue sharing arrangements — upfront fees	**3,925**	**76.2%**	1,426	111.0%
IMAX Maintenance	**8,585**	**33.6%**	5,578	50.0%
Other Theatre Business	**624**	**72.7%**	475	87.5%
Sub-total	**27,333**	**37.4%**	17,565	47.6%
New Business Initiatives and Other	**203**	**47.7%**	323	152.4%
Total	**44,613**	**39.6%**	32,984	63.0%

Gross Profit and Gross Profit Margin

The following table sets out the gross profit and gross profit margin for our respective business segments for the years indicated:

	FY2021		FY2020	
	US$'000	%	US$'000	%
IMAX Technology Network				
IMAX DMR films	**17,436**	**80.2%**	6,054	78.4%
Revenue sharing arrangements — contingent rent	**4,860**	**27.6%**	(5,968)	(80.0)%
Sub-total	**22,296**	**56.6%**	86	0.6%
IMAX Technology Sales and Maintenance				
IMAX Systems	**27,214**	**65.7%**	13,867	57.9%
Revenue sharing arrangements — upfront fees	**1,225**	**23.8%**	(141)	(11.0)%
IMAX Maintenance	**16,996**	**66.4%**	5,578	50.0%
Other Theatre Business	**234**	**27.3%**	68	12.5%
Sub-total	**45,669**	**62.6%**	19,372	52.4%
New Business Initiatives and Other	**223**	**52.3%**	(111)	(52.4)%
Total	**68,188**	**60.4%**	19,347	37.0%

Management Discussion and Analysis (Continued)

Selling, General and Administrative Expenses

The following table sets out the selling, general and administration expenses we incurred as well as the percentage of total revenue they represented for the years indicated:

	FY2021		FY2020	
	US$'000	%	US$'000	%
Employee salaries and benefits	**8,729**	**7.4%**	6,569	12.6%
Share-based compensation expenses	**3,773**	**3.3%**	3,386	6.5%
Travel and transportation	**571**	**0.5%**	447	0.9%
Advertising and marketing	**1,444**	**1.3%**	674	1.3%
Professional fees	**1,710**	**1.5%**	1,435	2.7%
Other employee expense	**413**	**0.4%**	294	0.6%
Facilities	**320**	**0.3%**	214	0.4%
Depreciation	**1,166**	**1.0%**	1,441	2.8%
Foreign exchange and other expenses	**(1,306)**	**(1.2)%**	(79)	(0.4)%
Total	**16,820**	**14.6%**	14,381	27.5%

Reversals (provision) of impairment losses on financial assets

Net impairment reversal on financial assets in FY2021 is due to better than expected collection on trade receivables, financing receivables and variable consideration receivables. Net impairment impact on financial assets for FY2021 and FY2020 was a reversal of US$4.0 million and a loss of US$10.9 million, respectively.

Other Operating Expenses

Other operating expenses primarily include the annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements, charged at an aggregate of 5% of our revenue. Our other operating expenses for FY2021 and FY2020 were US$6.1 million and US$3.9 million, respectively.

Interest Income

Interest income represents interest earned on various term deposits. None of the deposits had a term of more than 90 days. Our interest income for FY2021 and FY2020 was US$1.6 million and US$1.3 million, respectively.

Income Tax Expenses

We are subject to PRC and Hong Kong income tax. We are also subject to withholding taxes in Taiwan. The enterprise income tax ("**EIT**") rate generally levied in the PRC is 25%. The entity incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2 million and 16.5% on any part of assessable profits over HKD2 million for the years presented. Our effective tax rate differs from the statutory tax rate and varies from year to year primarily as a result of numerous permanent differences, subsidies, and the provision for income taxes at different rates in different jurisdictions, the application of Hong Kong's territorial tax system and changes due to our recoverability assessments of deferred tax assets.

Our income tax expense for FY2021 and FY2020 was US$12.3 million and US$18.1 million, respectively.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Consolidated Statement of Comprehensive Income

The following table sets out items in our consolidated statement of comprehensive income and as a percentage of revenue for the years indicated:

	FY2021		FY2020	
	US$'000	**%**	US$'000	%
Revenues	**112,801**	**100.0%**	52,331	100.0%
Cost of sales	**(44,613)**	**(39.6)%**	(32,984)	(63.0)%
Gross profit	**68,188**	**60.4%**	19,347	37.0%
Selling, general and administrative expenses	**(16,820)**	**(14.9)%**	(14,381)	(27.5)%
Reversals (provision) of impairment losses on financial assets	**3,997**	**3.5%**	(10,892)	(20.8)%
Other operating expenses	**(6,062)**	**(5.4)%**	(3,900)	(7.5)%
Operating profit (loss)	**49,303**	**43.7%**	(9,826)	(18.8)%
Interest income	**1,643**	**1.5%**	1,330	2.5%
Interest expense	**(458)**	**(0.4)%**	(108)	(0.2)%
Profit (Loss) before income tax	**50,488**	**44.8%**	(8,604)	(16.4)%
Income tax expense	**(12,271)**	**(10.9)%**	(18,135)	(34.7)%
Profit (Loss) for the year, attributable to owners of the Company	**38,217**	**33.9%**	(26,739)	(51.1)%
Other comprehensive income (loss):				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	**3,538**	**3.1%**	14,139	27.0%
Items that may not be subsequently reclassified to profit or loss:				
Change in fair value of financial assets at fair value through other comprehensive income ("**FVOCI**")	**5,219**	**4.6%**	(2,084)	(4.0)%
Other comprehensive income:	**8,757**	**7.8%**	12,055	23.0%
Total comprehensive income (loss) for the year, attributable to owners of the Company	**46,974**	**41.6%**	(14,684)	(28.1)%

Management Discussion and Analysis (Continued)

Adjusted Profit

Adjusted profit is not a measure of performance under IFRS. This measure does not represent and should not be used as a substitute for, gross profit or profit for the year as determined in accordance with IFRS. This measure is not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements or whether our business will be profitable. In addition, our definition of adjusted profit may not be comparable to other similarly titled measures used by other companies.

The following table sets out our adjusted profits for the years indicated:

	FY2021 US$'000	FY2020 US'000
Profit (Loss) for the year	**38,217**	(26,739)
Adjustments:		
Share-based compensation	**3,773**	3,386
Tax impact on item listed above	**(876)**	(393)
Provisional tax	**547**	19,134
Adjusted profit (loss)	**41,661**	(4,612)

FY2021 COMPARED WITH FY2020

Revenue

Our revenue increased 115.7% from US$52.3 million in FY2020 to US$112.8 million in FY2021 driven by an increase of US$24.2 million in our IMAX Technology Network revenue and an increase of US$36.1 million in IMAX Technology Sales and Maintenance revenue, as explained further below.

IMAX Technology Network

Revenue from our IMAX Technology Network increased 159.3% from US$15.2 million in FY2020 to US$39.4 million in FY2021, primarily due to a US$140.2 million, or 141.3% increase in box office revenue in FY2021 compared to the prior year.

IMAX DMR Films

IMAX DMR film revenue increased 181.7% from US$7.7 million in FY2020 to US$21.8 million in FY2021 as a result of an increase in box office revenue. The box office revenue generated by IMAX films increased 141.2% from US$99.2 million in FY2020 to US$239.5 million in FY2021 due to the COVID-19 theatre re-openings ("**Theatre Reopenings**") starting from 2HFY2020.

Box office revenue per screen increased 135.7% from US$0.14 million in FY2020 to US$0.33 million in FY2021 as a result of Theatre Reopenings.

The following table sets out the number of films we released in the IMAX format in FY2021 and FY2020 in Greater China:

	FY2021	FY2020
Hollywood films	13	16
Hollywood films (Hong Kong and Taiwan only)	16	8
Chinese language films	21	9
Total IMAX films released	**50**	33

Revenue Sharing Arrangements — Contingent Rent

Contingent rent from revenue sharing arrangements increased 136.2% from US$7.5 million in FY2020 to US$17.6 million in FY2021 primarily due to Theatre Reopenings with higher box office revenue per screen, and also a greater number of IMAX theatres operating under revenue sharing arrangements in FY2021 compared to FY2020. This included (i) contingent rent from full revenue sharing arrangements increased 134.4% from US$6.4 million in FY2020 to US$15.0 million in FY2021; (ii) contingent rent from hybrid revenue sharing arrangements increased 136.4% from US$1.1 million in FY2020 to US$2.6 million in FY2021.

IMAX Technology Sales and Maintenance

Revenue from our IMAX Technology Sales and Maintenance increased 97.6% from US$36.9 million in FY2020 to US$73.0 million in FY2021.

The following table provides a breakdown of IMAX theatres in operation in Greater China by type and geographic location as at the dates indicated:

Commercial	As at 31 December		
	2021	2020	Growth (%)
The PRC(1)	752	715	5.2%
Hong Kong	5	5	—
Taiwan	10	9	11.1%
Macau	1	—	100.0%
	768	729	5.3%
Institutional(2)	15	16	(6.3)%
Total	**783**	745	5.1%

Note:

(1) Thirteen theatres in the PRC were closed in FY2021, five of which were relocated to other sites in FY2021.

(2) Institutional IMAX theatres include museums, zoos, aquaria and other destination entertainment sites that do not exhibit commercial films. One institutional IMAX theatre in Taiwan was closed in FY2021 due to complex closure.

The following table sets out the number of IMAX theatre systems installed by business arrangements in FY2021 and FY2020:

	FY2021	FY2020
Sales and sales-type lease arrangements	**26**	15
Revenue sharing arrangements	**26**	24
IMAX Laser upgrades	**5**	3
Total theatre systems installed	**57**[(1)]	42

Note:

(1) Includes 8 relocations (6 sales and sales-type lease and 2 revenue sharing) and 5 IMAX Laser upgrades (4 sales and sales-type lease and 1 revenue sharing) in FY2021. Full revenue is not received on relocation from a sales and sales type lease arrangement, however in certain of these situations, the original location was upgraded to IMAX Laser.

IMAX Systems

Revenue from sales and sales-type lease arrangements increased 72.5% from US$24.0 million in FY2020 to US$41.4 million in FY2021, primarily due to 13 more sales and sales-type lease arrangements (including 4 re-deployed system installations and 2 IMAX Laser upgrades) in FY2021 over FY2020 due to further normalization of business activities previously impacted by the COVID-19 pandemic in FY2020. We recognised sales revenue on 17 new theatre systems, (including 2 IMAX Laser upgrades) with a value of US$20.5 million in FY2020, compared to 24 new theatre systems, (including 4 IMAX Laser upgrades) in FY2021 with a total value of US$37.6 million.

Average revenue per new system under sales and sales-type lease arrangements excluding GT Laser and re-deployed system increased from US$1.4 million in FY2020 to US$1.5 million in FY2021 due to 6 additional IMAX Laser systems.

Revenue Sharing Arrangements — Upfront Fees

Upfront revenue from hybrid revenue sharing arrangements increased from US$1.3 million in FY2020 to US$5.2 million in FY2021, primarily due to 9 new hybrid revenue sharing installations in FY2021 compared to 3 new in FY2020.

IMAX Maintenance

IMAX maintenance revenue increased 128.6% from US$11.2 million in FY2020 to US$25.6 million in FY2021. Maintenance revenue increased in FY2021 as a result of: (i) a 5.1% increase in the size of the IMAX network, which increased to 783 theatres as at 31 December 2021 from 745 theatres as at 31 December 2020; and, (ii) regular maintenance services resumed in FY2021 as a result of Theatre Reopenings.

New Business Initiatives and Other

Revenue from New Business Initiatives and Other increased from US$0.2 million in FY2020 to US$0.4 million in FY2021.

Cost of Sales

Our cost of sales increased 35.2% from US$33.0 million in FY2020 to US$44.6 million in FY2021. This increase was primarily due to an increase of US$2.0 million in our IMAX Technology Network, and an increase of US$9.7 million in our IMAX Technology Sales and Maintenance, explained below.

IMAX Technology Network

The cost of sales for our IMAX Technology Network increased 13.2% from US$15.1 million in FY2020 to US$17.1 million in FY2021 due to increased costs associated with more films exhibited in FY2021. This was partially offset by the decreased depreciation costs mainly associated with additional relief period extension on depreciation starting in 2HFY2020.

IMAX DMR Films

The cost of sales for film increased 152.9% from US$1.7 million in FY2020 to US$4.3 million in FY2021 driven by the increased DMR and film marketing costs resulting from 34 films exhibited in the PRC in FY2021 compared to 25 films in FY2020.

Revenue Sharing Arrangements — Contingent Rent

The cost of sales for contingent rent from revenue sharing arrangements decreased 4.5% from US$13.4 million in FY2020 to US$12.8 million in FY2021, primarily due to decreased depreciation costs associated with additional relief period extension on depreciation starting in 2HFY2020, partially offset by a larger full revenue sharing network, currently 392 theatres as at FY2021 versus 376 theatres as at FY2020.

IMAX Technology Sales and Maintenance

The cost of sales for our IMAX Technology Sales and Maintenance increased 55.6% from US$17.6 million in FY2020 to US$27.3 million in FY2021, primarily due to 13 more IMAX theatre systems installations under sales and sales-type lease arrangements (including 4 re-deployed system installations and 2 IMAX Laser upgrades) and 6 more new hybrid revenue sharing arrangements in FY2021 as compared to FY2020, and increased theatre maintenance cost.

IMAX Systems

Cost of sales under sales and sales-type lease arrangements increased 40.6% from US$10.1 million in FY2020 to US$14.2 million in FY2021, primarily related to the costs recognised on 24 new theatre system installations (including 4 IMAX Laser upgrade and 6 re-deployed systems) in FY2021 compared to 17 new theatre system installations under sales and sales-type lease arrangement (including 2 IMAX Laser upgrades) in FY2020.

Revenue Sharing Arrangements — Upfront Fees

Cost of sales from installation of hybrid revenue sharing arrangements increased 175.2% from US$1.4 million in FY2020 to US$3.9 million in FY2021, primarily due to the costs recognised on 9 new theatre systems installations under hybrid revenue sharing arrangements in FY2021 as compared to 3 new theatre systems in FY2020.

Management Discussion and Analysis (Continued)

IMAX Maintenance

Cost of sales with respect to theatre system maintenance increased 53.6% from US$5.6 million in FY2020 to US$8.6 million in FY2021 as a result of: (i) a 5.1% increase in the size of the IMAX network, which increased to 783 theatres as at 31 December 2021 from 745 theatres as at 31 December 2020; and, (ii) the resumption of regular maintenance services that were generally suspended due to the COVID-19 pandemic in FY2020.

New Business Initiatives and Other

Cost from New Business Initiatives and Other decreased from US$0.3 million in FY2020 to US$0.2 million in FY2021, respectively.

Gross Profit and Gross Profit Margin

Our gross profit was US$68.2 million in FY2021, or 60.4% of total revenue compared to US$19.3 million in FY2020, or 37.0% of total revenue. The increase in gross profit was largely attributable to an increase of US$22.2 million of our IMAX Technology Network, and an increase of US$26.3 million in our IMAX Technology Sales and Maintenance further explained below.

IMAX Technology Network

The gross profit from our IMAX Technology Network increased from US$0.1 million in FY2020 to US$22.3 million in FY2021, and the gross profit margin increased from 0.6% in FY2020 to 56.6% in FY2021. The increase was primarily due to the increase in our overall box office revenue in FY2021 due to Theatre Reopenings, and the decreased depreciation costs mainly associated with additional relief period extension on depreciation starting in 2HFY2020.

IMAX DMR Films

The gross profit for IMAX DMR films increased 188% from US$6.1 million in FY2020 to US$17.4 million in FY2021, and the gross profit margin increased from 78.4% in FY2020 to 80.2% in FY2021. The increase of gross profit was primarily due to an increase 141.3% in our overall box office revenue from US$99.2 million in FY2020 to US$239.5 million in FY2021.

Revenue Sharing Arrangements — Contingent Rent

The gross profit for contingent rent from revenue sharing arrangements increased from a loss of US$6.0 million in FY2020 to a profit of US$4.9 million in FY2021.

The gross profit for contingent rent from full revenue sharing arrangements increased 131.0% from a loss of US$7.1 million in FY2020 to a profit of US$2.3 million in FY2021. Gross profit margin increased primarily due to much higher overall box office revenue as a result of Theatre Reopenings and a decrease in depreciation costs associated with additional relief period extension on depreciation starting in 2HFY2020.

The gross profit for contingent rent from hybrid revenue sharing arrangements increased 136.4% from US$1.1 million in FY2020 to US$2.6 million in FY2021, mainly driven by higher box office revenue per screen as a result of Theatre Reopenings.

IMAX Technology Sales and Maintenance

The gross profit increased 135.6% from US$19.4 million in FY2020 to US$45.7 million in FY2021. During the same period, our gross profit margin increased from 52.4% to 62.6%. The increase in gross profit and gross profit margin were primarily driven by the installations of 13 more systems under sales and sales-type lease arrangements (including 4 re-deployed system installations and 2 IMAX Laser upgrades), 6 more new system under hybrid revenue sharing arrangements, and higher maintenance service revenue due primarily to Theatre Reopenings.

IMAX Systems

The gross profit from sales of new IMAX theatre systems increased 96.3% from US$13.9 million in FY2020 to US$27.2 million in FY2021 primarily due to the installation of 13 more systems (including 4 re-deployed system installations and 2 IMAX Laser upgrades). Our gross profit margin increased from 57.9% in FY2020 to 65.7% in FY2021, primarily due to a larger portion of IMAX Laser installations in FY2020 and 4 more re-deployed system installations with higher margin in FY2021.

Revenue Sharing Arrangements — Upfront Fees

The gross profit from upfront fees derived from hybrid revenue sharing arrangements increased from a loss of US$0.1 million in FY2020 to a profit of US$1.2 million in FY2021, primarily due to 6 more new installations under hybrid revenue sharing arrangements and higher gross profit margin of 23.8% in FY2021 compared to a negative gross margin of 11.0% in FY2020 due to 3 more installations in FY2020 coming from a larger scale client with a higher ongoing percentage of box office fee.

IMAX Maintenance

The gross profit for our theatre system maintenance increased 203.6% from US$5.6 million in FY2020 to US$17.0 million in FY2021 and our gross profit margin increased from 50.0% in FY2020 to 66.4% in FY2021 as a result of: (i) a 5.1% increase in the size of the IMAX network, which increased to 783 theatres as at 31 December 2021 from 745 theatres as at 31 December 2020; and, (ii) a resumption of regular maintenance services that were generally suspended due to the COVID-19 pandemic in FY2020.

New Business Initiatives and Other

The gross profit for New Business Initiatives and Other increased from a loss of US$0.1 million in FY2020 to a profit of US$0.2 million in FY2021.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 16.7% from US$14.4 million in FY2020 to US$16.8 million in FY2021, primarily due to: (i) a US$2.5 million increase related to employee salaries and benefits and share-based compensation expenses as a result of increased salary and bonus compared to FY2020; (ii) a US$0.8 million increase in advertising and marketing expenses due to the resumption of more normalized marketing operations in FY2021; (iii) a US$0.3 million increase in professional fees; and, (iv) a US$0.1 million increase in travel and transportation, partially offset by a US$1.2 million higher foreign exchange gain related to cash collected in FY2021 for old aged receivables.

Reversals (Provision) of Impairment Losses on Financial Assets

Net impairment impact on financial assets for FY2021 and FY2020 were a reversal of US$4.0 million and a loss of US$10.9 million, respectively. Net impairment reversal on financial assets in FY2021 is due to better than expected collection on trade receivables, financing receivables and variable consideration receivables.

Other Operating Expenses

Other operating expenses increased 55.4% from US$3.9 million in FY2020 to US$6.1 million in FY2021, primarily due to an increase in annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements as a result of increased revenue in FY2021 versus FY2020.

Interest Income

Interest income increased 23.1% from US$1.3 million in FY2020 to US$1.6 million in FY2021 due to more interest income earned on higher bank balance in cash during the year.

Income Tax Expense

Our income tax expense decreased 32.0% from US$18.1 million in FY2020 to US$12.3 million in FY2021. The decrease in income tax expense was primarily due to a decrease in provisional tax from US$18.5 million in FY2020 to US$0.5 million in FY2021 for applicable withholding taxes associated with historical earnings of one subsidiary in the PRC. This was offset by the increase of our operating profit before income tax of US$59.1 million from a loss of US$8.6 million in FY2020 to a profit of US$50.5 million in FY2021.

Profit (Loss) for the Year

We reported a profit for the year of US$38.2 million in FY2021 as compared to a loss of US$26.7 million in FY2020 due to an increase in box office, more installations, and maintenance related revenue — all driven by further normalization of business activities previously impacted by the COVID-19 pandemic in FY2020.

Other Comprehensive Income (Loss) for the Year

We reported a comprehensive income for the year of US$47.0 million in FY2021 as compared to a comprehensive loss of US$14.7 million in FY2020.

The increase was primarily due to a increase in our profit for the year of US$64.9 million from a loss of US$26.7 million in FY2020 to a profit of US$38.2 million in FY2021, partially offset by a decrease in other comprehensive income of US$3.3 million from a profit of US$12.1 million in FY2020 to a profit of US$8.8 million in FY2021.

The decrease in other comprehensive income of US$3.3 million was mainly related to a decrease in foreign currency translation profit of US$10.6 million from a profit of US$14.1 million (6.5% depreciation of the RMB relative to USD) in FY2020 to a profit of US$3.5million in FY2021 (2.3% depreciation of RMB relative to USD), partially offset by an increase in fair value of financial assets at FVOCI of $7.3 million from a loss of US$2.1 million in FY2020 to a profit of $5.2 million in FY2021, which were both due to fair value change of investment in Maoyan.

Comprehensive profit for the year in FY2021 included a US$3.8 million charge (US$3.4 million in FY2020) for share-based compensation.

Adjusted Profit (Loss)

Adjusted profit (loss), which consists of profit for the year adjusted for the impact of share-based compensation and the related tax impact, and provisional tax, was an income of US$41.7 million in FY2021 as compared to a loss of US$4.6 million in FY2020.

LIQUIDITY AND CAPITAL RESOURCES

	As at 31 December	
	2021	2020
	US$'000	US$'000
Current assets		
Other assets	**633**	150
Contract acquisition costs	**518**	1,374
Film assets	**76**	180
Inventories	**5,857**	5,968
Prepayments	**3,566**	2,902
Variable consideration receivable from contracts	**516**	434
Financing receivables	**18,278**	16,755
Trade and other receivables	**51,496**	42,223
Cash and cash equivalents	**97,737**	88,472
Total Current Assets	**178,677**	158,458
Current liabilities		
Trade and other payables	**21,394**	21,296
Accruals and other liabilities	**9,382**	10,735
Income tax liabilities	**5,585**	4,293
Borrowings	**3,612**	7,643
Deferred revenue	**18,875**	15,514
Total Current Liabilities	**58,848**	59,481
Net Current Assets	**119,829**	98,977

As at 31 December 2021, we had net current assets of US$119.8 million compared to net current assets of US$99.0 million as at 31 December 2020. The increase in net current assets in FY2021 was mainly attributable to a US$9.3 million increase in trade and other receivables, a US$9.3 million increase in cash and cash equivalents, a US$4.0 million decrease in borrowings, a US$1.4 million decrease in accruals and other liabilities and a US$1.5 million increase in financing receivables, partially offset by a US$3.4 million increase in deferred revenue, and a US$1.3 million increase in income tax liabilities.

Management Discussion and Analysis (Continued)

We have cash and cash equivalent balances denominated in various currencies. The following is a breakdown of our cash and cash equivalent balances by currency as at the end of each year:

	As at 31 December	
	2021	2020
Cash and cash equivalents denominated in US$	**$4,423**	$9,803
Cash and cash equivalents denominated in RMB (in thousands)	**¥591,844**	¥507,999
Cash denominated in Hong Kong dollars HK$ (in thousands)	**$3,881**	$5,838

CAPITAL MANAGEMENT

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

We consider our capital structure as the aggregate of total equity and long-term debt less cash and short-term deposits. We manage our capital structure and make adjustments to it in order to have funds available to support the business activities which the Board intends to pursue in addition to maximising the return to Shareholders. The Board does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Group's management to sustain future development of the business.

In order to carry out current operations and pay for administrative costs, we will spend our existing working capital and raise additional amounts as needed. Management reviews our capital management approach on an on-going basis and believes that this approach, given the relative size of the Group, is reasonable.

CASH FLOW ANALYSIS

The following table shows our net cash generated from operating activities, net cash provided by (used in) investing activities and net cash used in financing activities for the years indicated:

	FY2021 US$'000	FY2020 US$'000
Net cash provided by operating activities	**30,136**	9,228
Net cash provided by (used in) investing activities	**10,187**	(4,720)
Net cash used in financing activities	**(33,374)**	(9,415)
Effects of exchange rate changes on cash	**2,316**	4,071
Increase (decrease) in cash and cash equivalents during year	**9,265**	(836)
Cash and cash equivalents, beginning of year	**88,472**	89,308
Cash and cash equivalents, end of year	**97,737**	88,472

Cash Provided by Operating Activities

FY2021

Our net cash provided by operations was approximately US$30.1 million in FY2021. We had profit before income tax for the year of US$50.5 million in FY2021 and positive adjustments for depreciation of property, plant and equipment of US$13.7 million, amortisation of film assets of US$4.0 million, equity settled and other non-cash compensation of US$3.8 million, reduced by changes in working capital of US$25.3 million, taxes paid of US$12.7 million, and reversals of expected credit loss of US$4.0 million. Changes in working capital primarily consisted of: (i) an increase in financing receivables of US$11.1 million primarily the result of the total 24 sales and sales-type lease installations in FY2021; (ii) an increase in trade and other receivables of US$6.1 million; (iii) a increase in film assets of US$3.9 million, (iv) a decrease in deferred revenue of US$2.9 million; and, (v) a decrease in accruals and other liabilities of US$0.7 million.

FY2020

Our net cash provided by operations was approximately US$9.2 million in FY2020. We had loss before income tax for the year of US$8.6 million in FY2020 and positive adjustments for depreciation of property, plant and equipment of US$14.2 million, allowance for expected credit loss of US$10.9 million, settlement of equity, other non-cash compensation of US$3.4 million, amortisation of film assets of US$3.0 million, and write-downs of US$1.1 million, reduced by changes in working capital of US$7.3 million, taxes paid of US$4.6 million and our net investment in film assets of US$3.0 million. Changes in working capital primarily consisted of: (i) an increase in financing receivables of US$7.9 million primarily the result of the total 15 sales and sales-type lease installations in FY2020 and the temporary relief provided to exhibitor partners by waiving minimum payment during periods when theatres are closed and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding extension of the term of the underlying sales and sales-type lease arrangement; (ii) a decrease in deferred revenue of US$2.8 million; (iii) a decrease in accruals and other liabilities of US$1.5 million; and, (iv) an increase in prepayments of US$1.0 million; partially offset by (i) an increase in trade and other payables of US$4.4 million; and, (ii) a decrease in trade and other receivables of US$1.7 million.

Management Discussion and Analysis (Continued)

Cash Provided by (Used in) Investing Activities

FY2021

Our net cash provided by investing activities was approximately US$10.2 million for FY2021, primarily related to the proceeds on disposal of investment in Maoyan of US$17.8 million, partially offset by investments in IMAX theatre equipment amounting to US$7.3 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

FY2020

Our net cash used in investing activities was approximately US$4.7 million for FY2020, primarily related to investments in IMAX theatre equipment amounting to US$4.6 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

Cash Used in Financing Activities

FY2021

Our net cash used in financing activities was approximately US$33.4 million for FY2021 primarily due to: (i) dividend paid to owners of the Group amounting to US$16.6 million; (ii) payments for shares bought back of US$10.1 million; (iii) repayment of borrowings of US$7.6 million; (iv) settlement of restricted share units and options of US$1.8 million; and, (v) principal element of lease payments of US$0.9 million, partially offset by proceeds from borrowings of US$3.6 million.

FY2020

Our net cash used in financing activities was approximately US$9.4 million for FY2020 primarily due to: (i) dividend paid to owners of the Group amounting to US$13.9 million; (ii) payments for shares bought back of US$1.5 million; (iii) principal element of lease payments of US$0.9 million; and, (iv) settlement of restricted share units and options of US$0.6 million, partially offset by proceeds from borrowings of US$7.6 million.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Lease Commitments

We have lease commitments within one year amounting to US$0.1 million related primarily to leased office in Shanghai.

Capital Commitments

As at 31 December 2021, we had capital expenditures contracted but not provided for of US$25.6 million (2020: US$25.1 million), and capital expenditures authorised but not contracted for of US$ nil (2020: US$nil million).

CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

Capital Expenditures

Our capital expenditures primarily relate to the acquisition of IMAX theatre systems. During FY2021 and FY2020, our capital expenditures were US$7.6 million and US$4.7 million, respectively.

Going forward, we plan to allocate a significant portion of our capital expenditures to the continued expansion of the IMAX technology network under revenue sharing arrangements to execute on our existing contractual backlog and future signings.

Contingent Liabilities

Lawsuits, claims and proceedings arise in the ordinary course of business. In accordance with our internal policies, in connection with any such lawsuits, claims or proceedings, we will make a provision for a liability when it is both probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

As at 31 December 2021, we had drawn down RMB23 million (approximately US$3.6 million) on our bank borrowing facility with interest rate of 4.15%–4.35% per annum, and RMB2.8 million (approximately US$0.4 million) on our letter of guarantee facility. Except as disclosed above or as otherwise disclosed herein, as at 31 December 2021, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. The Directors confirm that there has been no material change in our commitments and contingent liabilities since 31 December 2021.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operating activities and a working capital loan. Cash flow generated from operating activities was US$30.1 million in FY2021 versus the cash flow generated from operating activities of US$9.2 million in FY2020 significantly impacted from the COVID-19 theatre closures. As the IMAX technology network recovers from the COVID-19 pandemic and continues to grow, we believe our cash flow from operating activities will continue to increase and fund existing business operations and any initial capital expenditures required under revenue sharing arrangements.

In July 2021, we renewed an unsecured revolving facility for up to RMB200 million (approximately US$31.4 million) to fund ongoing working capital requirements. The total amounts drawn and available under the working capital loan at 31 December 2021 were RMB23 million and RMB167 million for bank borrowing facility, and RMB2.8 million and RMB7.2 million for letter of guarantee facility, respectively.

STATEMENT OF INDEBTEDNESS

As at 31 December 2021:

- Except for the drawdown of RMB23 million on the bank borrowing facility for up to RMB190 million, and the drawdown of RMB2.8 million on the letter of guarantee facility for up to RMB10 million, we did not have any bank borrowings or committed bank facilities;
- we did not have any borrowing from IMAX Corporation or any related parties; and
- we did not have any hire purchase commitments or bank overdrafts.

Since 31 December 2021, being the latest date of our audited financial statements, there has been no material adverse change to our indebtedness.

RECENT DEVELOPMENTS

In January 2022, IMAX (Shanghai) Culture & Technology Co., Ltd. a wholly-owned subsidiary of the Company signed a joint film investment agreement with Wanda Film (Horgos) Co. Ltd. to invest RMB30 million (approximately US$4.7 million, representing approximately 6% of the total film investment) in the movie "Mozart from Space" which is expected to be released in 2022. IMAX (Shanghai) Culture & Technology Co., Ltd. will share the profits or losses of the film based on the investment percentage according to the agreement and has no further investment obligation if the actual movie production cost exceeds the original budget. The Group made the investment based on certain investment criteria, including the box office potential of the film, how tailored big production science fiction films are for IMAX, how the director and producers have embraced using IMAX certified cameras for the production and the IMAX platform to differentiate the film. The Group intends to make future local language film investments based on similar investment criteria.

OFF BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements as at 31 December 2021.

KEY FINANCIAL RATIOS

The following table lays out certain financial ratios as at the dates and for the years indicated. We presented gearing ratio and adjusted profit margin because we believe they present a more meaningful picture of our financial performance than unadjusted numbers as they exclude the impact from share-based compensation, restructuring expenses and associated impairments, and the related tax impact.

	2021	2020
Gearing ratio(1)	**37.8%**	44.6%
Adjusted profit (loss) margin(2)	**36.9%**	(8.8)%

Notes:

(1) Gearing ratio is calculated by dividing total liabilities by total equity and multiplying the result by 100.

(2) Adjusted profit (loss) margin is calculated by dividing adjusted profit for the year by revenue and multiplying the result by 100.

Gearing Ratio

Our gearing ratio decreased from 44.6% as at 31 December 2020 to 37.8% as at 31 December 2021, primarily due to an increase in equity of US$22.3 million, a decrease in borrowings of US$4.0 million, a decrease in accruals and other liabilities of US$1.8 million, a decrease in deferred income tax liabilities of US$1.5 million and a decrease in deferred revenue of US$1.3 million, partially offset by an increase in income tax liabilities of US$1.3 million.

Adjusted Profit (Loss) Margin

Our adjusted profit (loss) margin increased from negative 8.8% as at 31 December 2020 to a profit of 36.9% as at 31 December 2021, primarily due to increase in gross profit margin from 37.0% in 2020 to 60.4% in 2021, which was largely attributable to growth of the IMAX theatre network and higher box office revenue as of result of Theatre Reopenings.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Pursuant to the Company's dividend policy in effect, in recommending or declaring dividends, the Company should maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder's value. The proposal of payment and the amount of our dividends will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, statutory and regulatory restrictions and other factors that our Board considers relevant. On 4 March 2021, the Board approved and updated the dividend policy. Under the updated dividend policy, dividends to be distributed by the Company each year will be approximately 50% of the net profit attributable to owners of the Company for the previous financial year, subject to the relevant laws and regulations of the Cayman Islands and the Company's articles of association (the "**Articles of Association**"). Our Board recommended the payment of a final dividend, for the 2021 fiscal year, of US$0.027 per share (equivalent to approximately HK$0.210 per share). Distribution of any final dividend shall also be subject to the approval of our Shareholders in a Shareholders' meeting.

In addition, as our Company is a holding company registered in the Cayman Islands and our operations are conducted through our subsidiaries, four of which are incorporated in the PRC, the availability of funds to pay distributions to Shareholders and to service our debts depends on dividends received from these subsidiaries. Our PRC subsidiaries are restricted from distributing profits before the losses from previous years have been remedied and amounts for mandated reserves have been deducted.

As at 31 December 2021, the Company had a total equity of US$3.7 million. Under the Companies Law of the Cayman Islands, subject to the provisions of memorandum of association of the Company or the Articles of Association, the Company's share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

DIVIDEND

During the year ended 31 December 2021, the Company declared and paid a final dividend for financial year 2020 of US$0.02 per share (equivalent to approximately HK$0.155 per share) and an interim dividend for the first half of financial year 2021 of US$0.028 per share (equivalent to approximately HK$0.217 per share).

During the board meeting held on 23 February 2022, the Board recommended a final dividend of US$0.027 per share (equivalent to approximately HK$0.210 per share) to the shareholders. Subject to the approval of the shareholders at the forthcoming Annual General Meeting and subject to further announcement(s) in respect to the book closure date, record date and payment date, the proposed 2021 final dividend is expected to be distributed to shareholders on or around 10 June 2022. There will be no scrip dividend option for the 2021 final dividend.

MATERIAL ACQUISITIONS OR DISPOSALS

We have not undertaken any material acquisition or disposal for the year ended 31 December 2021.

SIGNIFICANT INVESTMENTS

We are entitled to IMAX Hong Kong Holding's share of any distributions and dividends paid by TCL-IMAX Entertainment in respect of profit from Greater China as a result of a preferred share we hold in IMAX Hong Kong Holding, which holds 50% of TCL-IMAX Entertainment, a 50:50 joint venture between IMAX Hong Kong Holding (which is indirectly wholly owned by IMAX Corporation) and Sino Leader (Hong Kong) Limited (which is wholly owned by TCL Multimedia Technology Holdings Limited).

The purpose of the investment was to enable the Group to share in any profit earned in Greater China by TCL-IMAX Entertainment. We do not have any management or operational role, responsibilities or rights in TCL-IMAX Entertainment, nor are we subject to any funding obligations (either in respect of capital funding or bearing of losses) in relation to TCL-IMAX Entertainment. As at 31 December 2021, the fair value of TCL-IMAX Entertainment was nil (31 December 2020: nil).

In February 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of the Company, purchased 7,949,000 shares (representing approximately 0.706% equity at the time) in Maoyan Entertainment ("**Maoyan**") with the amount of US$15.1 million at the final offer price pursuant to the global offering of the share capital of Maoyan. We did not receive any distributions or dividends from Maoyan during the period ended 31 December 2021.

We do not have any management or operational role, responsibilities or rights in Maoyan, nor are we subject to any further funding obligations (either in respect of capital funding or bearing of losses) in relation to Maoyan.

In February 2021, IMAX China (Hong Kong), Limited sold out all of its 7,949,000 shares of Maoyan for gross proceeds of US$17.8 million. No shares of Maoyan are currently held by IMAX China (Hong Kong), Limited as of the date of these financial statements.

There was no plan authorised by the Board for any material investments or divestments at the date of this report.

Directors and Senior Management

OUR DIRECTORS

The following table presents certain information in respect of the members of our Board.

Members of our Board

Name	Age(1)	Position	Date of Appointment
Richard Lewis Gelfond	66	Non-executive Director and Chairman	27 May 2015
Edwin Tan	53	Executive Director	29 January 2021
Jim Athanasopoulos	51	Executive Director	27 May 2015
Mei-Hui (Jessie) Chou	52	Executive Director	27 May 2015
Megan Colligan	49	Non-executive Director	26 February 2019
Jiande Chen	66	Non-executive Director	27 May 2015
Yue-Sai Kan	74	Independent Non-executive Director	27 May 2015
John Marshal Davison	63	Independent Non-executive Director	21 September 2015
Dawn Taubin	63	Independent Non-executive Director	21 September 2015
Peter Loehr	54	Independent Non-executive Director	9 October 2019

Note:
(1) Ages are provided as of 31 December 2021.

The biography of each Director is set out below:

Chairman and Non-executive Director

Mr. Richard Gelfond, aged 66, has been the Chairman and Non-executive Director of the Company since 27 May 2015. He has been a Director of the Company since 30 August 2010[1] and he was appointed as the Chairman of the Board on 4 August 2014. As Chief Executive Officer of IMAX Corporation, the Company's majority shareholder, Mr. Gelfond provides strategic advice and guidance on the business and operations of the Group. Mr. Gelfond has been the sole Chief Executive Officer and an Executive Director of IMAX Corporation since 2009 and 1994, respectively. He also served as Co-Chairman of IMAX Corporation from 1999 to 2009 and Co-Chief Executive Officer from 1996 to 2009. From 1994 to 1999, Mr. Gelfond also served as the Vice Chairman of IMAX Corporation. Between 1979 and 1994, Mr. Gelfond worked at a law firm and at an investment bank. Mr. Gelfond graduated from the State University of New York at Stony Brook, the United States, with a Bachelor of Arts in May 1976 and from the Northwestern University School of Law, the United States, with a juris doctor degree in June 1979. Mr. Gelfond serves as Chairman of the Board of Trustees of the Stony Brook Foundation, Inc., which is affiliated with the State University of New York at Stony Brook. He is also a member of the Academy of Motion Picture Arts and Science, and serves on the International Advisory Board of the Turkana Basin Institute, a non-profit initiative focusing on field research in the Lake Turkana Basin of Kenya.

[1] Mr. Gelfond joined the Company as a Director on 30 August 2010. He resigned from the Board on 2 April 2012 but was re-appointed as a Director on 8 April 2014.

Directors and Senior Management (Continued)

Executive Directors

Mr. Edwin Tan, aged 53, has been an Executive Director of the Company since 29 January 2021 and the Chief Executive Officer of the Group since 9 December 2019 and is responsible for the day-to-day management of the business and operations of the Group and the development and execution of strategies to enable the Company to extend its leadership position and involvement in the continuing development in Greater China. Mr. Tan was the Chief Executive Officer of Messe Muenchen China and South East Asia from March 2017 to July 2019 and President at Wanda Studios Qingdao from 2016 to 2017. Prior to that, he was in various roles with Reed Exhibitions for approximately seven years, Managing Director at Sirivatana International for approximately two years, and various roles in SNP Corporation for approximately nine years. Mr. Tan graduated from Murdoch University with a Bachelor of Economics in 1992 and graduated from The University of Hull, majoring in Business Administration and Management, in 1997.

Mr. Jim Athanasopoulos, aged 51, has been an Executive Director of the Company since 27 May 2015. He is responsible for the overall strategic direction and business operations of the Group. Mr. Athanasopoulos assumed the role of Chief Financial Officer and Chief Operating Officer of the Company effective May 2015, and served as the Chief Financial Officer and Senior Vice President, Corporate Operations of the Group since 1 August 2011. Mr. Athanasopoulos joined IMAX Corporation in 2000. Prior to his current role, Mr. Athanasopoulos served as the Senior Vice President of Joint Venture Theatre Development of IMAX Corporation from 2010 to 2011, where he helped oversee the execution of IMAX Corporation's joint venture theatre rollout worldwide. He was also the Vice President of Theatre Development of IMAX Corporation from 2008 to 2010. From 2004 to 2008, Mr. Athanasopoulos was an integral part of a worldwide theatre development team that expanded the IMAX Corporation commercial network, signing over 460 new theatres during a time when IMAX Corporation's business model transitioned from institutional clients to multiplexes and from film to digital. Prior to joining IMAX Corporation, Mr. Athanasopoulos worked at KPMG in Toronto for seven years in both their assurance and insolvency practices. Mr. Athanasopoulos graduated from the University of Toronto, Canada, with a bachelor's degree in Commerce in June 1993. He is also a Chartered Accountant, qualified in February 1997, and a member of the Institute of Chartered Accountants of Ontario.

Ms. Mei-Hui (Jessie) Chou, aged 52, has been an Executive Director of the Company since 27 May 2015. She is responsible for the overall marketing direction and business operations of the Group. Ms. Chou assumed the role of Chief Marketing Officer effective May 2015, and served as the Senior Vice President, Theatre Marketing & Operations of the Group since 2012. Ms. Chou served as Head of Human Resources from May 2015 to February 2019. Ms. Chou joined IMAX Corporation in 2006. Prior to her current role, Ms. Chou served as Vice President, Theatre Marketing & Operations. Over the past twelve years, Ms. Chou has planned and implemented more than 600 new IMAX theatres in Greater China, Japan, South Korea, Thailand, Malaysia, Singapore, India and the Philippines. Prior to joining the Company, Ms. Chou served as the General Manager of Cinema Operations for Warner Village Cinemas Co., Ltd (a joint-venture between Warner Bros. & Village Roadshow Cinemas, currently Vieshow Cinemas), Taiwan, from 1997 to 2005, where she oversaw the building and operations of the first international cineplexes in nine sites across the island. Prior to the cinema industry, Ms. Chou worked with various international branded hotels, including the InterContinental Hotels Group in 1997 and Shangri-La Hotels and Resorts from 1995 to 1997. Ms. Chou was awarded an EMBA with an Honors Thesis from the National Taiwan University in June 2006. Between 1991 and 1994, she studied hotel management and received a Diploma with Merit from Les Roches Hotel Management School, Switzerland in June 1994. She obtained a bachelor's degree in Foreign Language and Literature from the National Tsing Hua University, Taiwan in June 1991.

Non-executive Directors

Ms. Megan Colligan, aged 49, was appointed as a Non-executive Director of the Company on 26 February 2019. She is responsible for giving strategic advice and guidance on the business and operations of the Group. Ms. Colligan joined IMAX Corporation in February 2019 as Executive Vice President, IMAX Corporation, and President, IMAX Entertainment, a business division of IMAX Corporation. Prior to that, Ms. Colligan served in executive roles at Paramount Pictures from 2006 to 2017, most recently as Worldwide President of Marketing and Distribution. Prior to that, Ms. Colligan served as Vice President at Fox Searchlight from 2002 to 2006, a media strategist at Fenton Communication, Publicity Director for Brill Media Holdings and Media Central, and also a publicist at Miramax Films. Before her career in the film industry, Ms. Colligan was an investment banking analyst at PaineWebber in municipal finance. Ms. Colligan graduated from Harvard University with a Bachelor of Arts in American history and African American studies. She is a member of the US Academy of Motion Picture Arts and Sciences and currently serves on the public relations executive committee and the “Future of Film” sub-committee. Ms. Colligan was the winner of the 2013 Sherry Lansing Award from Big Brothers and Big Sisters of Greater Los Angeles. She has served on this organization’s Board since receiving the honor. She also chairs the marketing committee, co-chairs the sub-committee for Women in Entertainment and the scholarship committee, and serves on the executive committee and fund development committee, of Big Brothers and Big Sisters of Greater Los Angeles.

Mr. Jiande Chen, aged 66, was an Executive Director of the Company from 27 May 2015 to 28 January 2021, and has been a Non-executive Director since 29 January 2021. He was responsible for the overall strategic direction and business operations of the Group. Mr. Chen was the Chief Executive Officer of the Group between 1 August 2011 and 9 December 2019 and has been the Vice Chairman of the Group since 9 December 2019. Mr. Chen is a member of the board of directors of TCL-IMAX Entertainment Co., Limited, a joint venture of TCL Corporation and IMAX Corporation. Mr. Chen has also been an independent director of Beijing Cultural Investment Holdings Co., Ltd. (Shanghai Stock Exchange: 600715) since June 2017. Mr. Chen was previously the Senior Vice President, Chief Representative and General Manager of Sony Pictures Entertainment, China from 2000 to 2011. Prior to that, Mr. Chen was a Vice President of Allied Signal (China) Holding Corp., an aerospace, automotive and engineering company from 1998 to 1999, a Vice President of Boeing China Inc. from 1995 to 1998 and a Vice President of DDB Advertising/PR Corp. in Seattle from 1990 to 1995. Mr. Chen received a doctorate in Communications from the University of Washington, the United States, in December 1991 and a bachelor’s degree from Fudan University, the PRC, majoring in English in 1982. Mr. Chen serves as the Vice Chairman of the Alumni Association of Fudan University and Chairman of the Alumni of China Association of University of Washington.

Directors and Senior Management (Continued)

Independent Non-executive Directors

Ms. Yue-Sai Kan, aged 74, has been an Independent Director of the Company since 25 August 2014 and was appointed as an Independent Non-executive Director on 27 May 2015. She is responsible for giving independent strategic advice and guidance on the business and operations of the Group. Ms. Kan is an Emmy-winning television host and producer with extensive experience in the entertainment industry. In 1972, she established Yue-Sai Kan Productions and created her first major U.S. television production, a weekly series called "Looking East." In 1986, she produced and hosted the television series "One World" on China's national television network, CCTV. Ms. Kan has produced a number of documentaries, including "China Walls and Bridges", which earned her an Emmy, as well as "Journey through a Changing China" and the series "Mini Dragons" "Doing Business in Asia," and "Seeking Miss China," among others. Ms. Kan created the cosmetics company and brand "Yue-Sai" in 1992, which was acquired by L'Oréal in 2004. She is now the Honorary Vice Chairman of L'Oréal China. She launched the House of Yue-Sai lifestyle stores in 2007 to cater to China's growing middle class. She is also an author of nine best-selling books. She is also the National Director of Miss Universe China and produces its annual pageant as a major charity event in China. Ms. Kan graduated from the Brigham Young University in Hawaii with a Bachelor of Arts in May 1969. Ms. Kan has served as the International Ambassador of the Shanghai International Film Festival since 2006.

Mr. John Davison, aged 63, has been an Independent Non-executive Director of the Company since 21 September 2015. He is responsible for giving independent strategic advice and guidance to the Group. Mr. Davison is the President and Chief Executive Officer of Four Seasons Holdings Inc., the luxury hotel and resort management company, where he has held that position since May 2019 and oversees all aspects of the company's global portfolio of hotels, resorts and branded residences and is responsible for advancing Four Seasons position as the world's leading luxury hospitality company. Prior to his current role, Mr. Davison served as the Chief Financial Officer, Executive Vice President and also Senior Vice President, Project Financing, of Four Seasons Holdings Inc. Prior to joining Four Seasons Holdings Inc., Mr. Davison spent four years as a member of the Audit and Business Investigations Practice at KPMG in Toronto from 1983 to 1987, followed by 14 years at IMAX Corporation from 1987 to 2001, ultimately holding the position of President, Chief Operating Officer and Chief Financial Officer. Mr. Davison has been a member of the board of directors of Canada Goose Holdings Inc. (NYSE and TSX: GOOS) since May 2017. Mr. Davison has been a Chartered Accountant since September 1986 and is a member of the Institute of Chartered Accountants of Ontario. Mr. Davison has also been a Chartered Business Valuator since August 1988 and is a member of the Canadian Institute of Chartered Business Valuators. He graduated from the University of Toronto, Canada, Victoria College, with a bachelor's degree in Commerce in November 1983.

Ms. Dawn Taubin, aged 63, has been an Independent Non-executive Director of the Company since 21 September 2015. She is responsible for giving independent strategic advice and guidance to the Group. Ms. Taubin served as the Chief Marketing Officer of DreamWorks Animation, an animation studio engaging in the development, production and exploitation of animated films and their associated characters, from August 2013 to January 2015, where she managed the global marketing and distribution operations for the studio's theatrical and television properties. Prior to joining DreamWorks Animation, Ms. Taubin spent 19 years at Warner Bros Pictures, a film production and distribution company, where she was President of Marketing for six years. Prior to joining Warner Bros Pictures, Ms. Taubin was Vice President of Publicity at MGM Studios, an entertainment company providing production and distribution of film and television content. Ms. Taubin graduated from the University of California, Santa Barbara, the United States, with a bachelor's degree in Communications Studies in June 1980. Ms. Taubin was also a Professor of Public Relations and Advertising at the Dodge College of Film and Media Arts at Chapman University in Orange, California, the United States, from 2011 to 2013.

Mr. Peter Loehr, aged 54, was appointed as an Independent Non-executive Director and a member of the Nomination Committee of the Company on 9 October 2019. He is responsible for giving strategic advice and guidance on the business and operations of the Group. Mr. Loehr is a producer with extensive experience in the entertainment industry and was selected as one of Variety's "10 Producers to Watch" in 1999. In 1995, after seven years of entertainment industry experience in Japan and Taiwan, Mr. Loehr established Imar Film Co., Ltd., China's first independent film company which produced, distributed and marketed all of its films entirely in-house. In early 2002, Mr. Loehr established Ming Productions which focused on larger scale Asian-themed pictures for audiences worldwide. In January 2005, Mr. Loehr became Managing Director of the Creative Artists Agency (CAA) in China, China's largest and most successful literary and talent agency. During Loehr's seven-year tenure leading CAA in Asia, the agency grew from the ground up to represent over seventy artists in Mainland China, Hong Kong, Japan and Korea. In April 2012, Mr. Loehr joined Legendary Pictures and became CEO of its China joint venture — Legendary East, a film company focusing on big budget Chinese-US co-productions with subjects based on Chinese history, mythology, or culture. Mr. Loehr has also served as an advisor at Genies, Inc. and a producer at Davis Films. Mr. Loehr has produced eleven feature films and many of them won multiple awards at various film festivals across the globe. Mr. Loehr was also involved in the production of various largest co-productions in Asian history and some of them won countless awards and/or among the top films at the Chinese box office. Mr. Loehr graduated from the Georgetown University School of Foreign Service with a Bachelor of Science in 1989. Mr. Loehr speaks fluent Mandarin and Japanese.

OUR SENIOR MANAGEMENT

The members of the senior management of the Group are the following:

Name	Age	Position
Edwin Tan	53	Chief Executive Officer
Jim Athanasopoulos	51	Chief Financial Officer and Chief Operating Officer
Mei-Hui (Jessie) Chou	52	Chief Marketing Officer
Yifan (Yvonne) He	37	General Counsel and Joint Company Secretary
Honggen Yuan (Karl)	58	Senior Vice President, Theatre Development

Directors and Senior Management (Continued)

Senior Management

Mr. Edwin Tan, aged 53, has been the Chief Executive Officer of the Group since 9 December 2019 and is responsible for the day-to-day management of the business and operations of the Group and the development and execution of strategies to enable the Company to extend its leadership position and involvement in the continuing development in Greater China. He was appointed as an Executive Director of the Company with effect from 29 January 2021. Please refer to "Directors and Senior Management — Our Directors" for details of his biography.

Mr. Jim Athanasopoulos, aged 51, assumed the role of Chief Financial Officer and Chief Operating Officer of the Company effective May 2015, and served as the Chief Financial Officer and Senior Vice President, Corporate Operations of the Group since 1 August 2011. Mr. Athanasopoulos is responsible for the overall management of all aspects of the Group's finance and treasury matters. He was appointed as an Executive Director on 27 May 2015. Please refer to "Directors and Senior Management — Our Directors" for details of his biography.

Ms. Mei-Hui (Jessie) Chou, aged 52, assumed the role of Chief Marketing Officer effective May 2015, and served as the Senior Vice President, Theatre Marketing & Operations of the Group since 2012. Ms. Chou is responsible for interfacing with theatre operators to ensure successful theatre openings and film launches. She was appointed as an Executive Director on 27 May 2015. Please refer to "Directors and Senior Management — Our Directors" for details of her biography.

Ms. Yifan (Yvonne) He, aged 37, has been the General Counsel of the Company since 1 December 2020 and Joint Company Secretary since 4 March 2021. She is responsible for overseeing the legal and administrative matters of the Group. Ms. He previously worked as the Head of Legal Department, Asia Pacific, at Kennametal Inc., a company listed in the New York Stock Exchange and with its India business listed in the BSE (Bombay Stock Exchange). Prior to that, she also took the regional legal counsel and compliance officer roles at Guardian Industries, Otis Elevator and Momentive Group. In her early career, Ms. He worked as an attorney at White & Case LLP in its Shanghai and Hong Kong offices, with a focus on corporate matters including mergers and acquisitions and foreign direct investment. Ms. He obtained her Bachelor of Laws degree from Fudan University in 2006 and her Master of Laws degree from University of Virginia, School of Law in 2009. Ms. He obtained the PRC Legal Professional Qualification Certificate in 2007 and was admitted to the New York State Bar in 2013.

Directors and Senior Management (Continued)

Mr. Honggen Yuan (Karl), aged 58, has been Senior Vice President, Theatre Development of the Group since September 2011. Mr. Yuan joined IMAX Corporation in August 2001, where he held the title of Sales Director. He was promoted to Vice President, Theatre Development in 2005. During his more than 20 years with IMAX, Mr. Yuan has been instrumental in helping to grow the IMAX theatre network from two theatres in 2001 to well over 700 theatres in 2021. Mr. Yuan has played a vital role in building and expanding the Company's relationship with its key strategic partners, including Wanda Cinema Line Co., Ltd, CGI Holdings Limited and Shanghai Film Corporation. Prior to joining IMAX Corporation, Mr. Yuan served as the Chief Representative of Bayshore Pacific Group Shanghai Representative Office from 1998 to 2001. Mr. Yuan graduated from the Shanghai University of Technology (currently known as Shanghai University), the PRC, with a bachelor's degree in Environmental Chemistry in July 1985 and received an MBA degree from the University of Sunshine Coast, Queensland, Australia in June 2002.

OUR JOINT COMPANY SECRETARIES

Ms. Yifan (Yvonne) He, our General Counsel, was appointed as the joint company secretary on 4 March 2021. Please refer to "Directors and Senior Management — Our Senior Management" for details of her biography.

Ms. Chan Wai Ling FCIS, FCS (PE), was appointed as the joint company secretary on 27 May 2015. She is a director of Corporate Services of Tricor Services Limited. Ms. Chan is a Chartered Secretary and Fellow of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators (ICSA) in the United Kingdom. Ms. Chan is a holder of the Practitioner's Endorsement from HKICS. She has more than 20 years of experience in the corporate secretarial field. Ms. Chan is currently the joint company secretary of Razer Inc. (Stock code: 1337), Budweiser Brewing Co. APAC Ltd.(Stock code: 1876) and China Feihe Limited (Stock code: 6186) as well as the company secretary of Greenway Mining Group Limited (Stock Code: 2133).

Report of the Directors

The Directors present this report together with the audited Financial Statements of the Company and the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is a leading entertainment technology company, the exclusive licensee of the IMAX brand in the network, sales and maintenance business, and the sole commercial platform for the release of IMAX films in Greater China. The Company is an investment holding company and its subsidiaries are principally engaged in the entertainment industry specialising in digital and film-based motion picture technologies.

A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/paid up capital, is set out in note 35 to the Consolidated Financial Statements.

APPLICATION OF GLOBAL OFFERING PROCEEDS

The Company was listed on the Stock Exchange on 8 October 2015. The net proceeds from the Company's Listing were approximately HK$443 million after deduction of related expenses. For the year ended 31 December 2021, the Company applied proceeds from the Listing as follows:

	IPO Proceeds (HK$'000)		
Planned use of IPO Proceeds as disclosed in the Prospectus	**Available amount**	**Actual utilised amount as at 31 December 2021**	**Unused amount as at 31 December 2021**
Procurement of IMAX theatre systems and the one time launch costs used for expanding revenue sharing arrangement in the Company's backlog	177,200	177,200	—
Building up inventory of IMAX theatre systems	88,600	—	88,600
Investments in complementary business	66,450	—	66,450
Establishment of the Company's DMR capabilities and investments in new areas leveraging the IMAX brand	66,450	4,758	61,692
Working Capital	44,300	44,300	—
Total	443,000	226,258	216,742

Notes:

1. The expected timeline for utilising the remaining IPO Proceeds has been and is expected to be continuously impacted by the effects of the rapid technology development, market conditions, changing regulatory climate, as well as potential or actual extraordinary factors including the COVID-19 pandemic.
2. The Company has been and will continuously be evaluating and determining the utilization of its IPO Proceeds with an aim to both maximize its cash flow efficiency and minimize any long-term exposure to technology change and other changing factors.

The Company has deployed in 2021, and intends to continue to deploy in 2022, proceeds from the Listing consistent with the manner described in the Prospectus.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on page 146 of this Annual Report. The financial summary for the Group for the most recent five years, as set out on page 230 of this Annual Report, are extracted from this Annual Report and the previous Annual Reports.

RESERVES

Details of the movements in the reserves of the Company and reserves available for distribution to Shareholders as at 31 December 2021 are set out in note 34 to the Consolidated Financial Statements. Under the Companies Law of the Cayman Islands, subject to the provisions of memorandum of association or the articles of association of the Company (the "**Articles of Association**"), the Company's share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. Movements in the reserves of the Group are reflected on the consolidated statement of changes in equity of the Consolidated Financial Statements.

DIVIDENDS

During the year ended 31 December 2021, the Company declared and paid a final dividend for financial year 2020 of US$0.02 per share (equivalent to approximately HK$0.155 per share) and an interim dividend for the first half of financial year 2021 of US$0.028 per share (equivalent to approximately HK$0.217 per share).

During the board meeting held on 23 February 2022, the Board recommended a final dividend of US$0.027 per share (equivalent to approximately HK$0.210 per share) to the shareholders. Subject to the approval of the shareholders at the forthcoming Annual General Meeting and subject to further announcement(s) in respect to the book closure date, record date and payment date, the proposed 2021 final dividend is expected to be distributed to shareholders on or around 10 June 2022. There will be no scrip dividend option for the 2021 final dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property and equipment during the year are set out in note 12 to the Consolidated Financial Statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 is set out in the section headed "Management Discussion and Analysis" of this Annual Report which forms part of this Report of the Directors.

ESG REPORT AND CORPORATE GOVERNANCE REPORT

Considering the nature of the Group's business, the Group's business operation has little impact on the environment. Nevertheless, the Group is committed to improving enviromental protection practices and enhancing green office measures. The ESG Report and Corporate Governance Report for the year ended 31 December 2021 are set out in the sections headed "ESG Report" and "Corporate Governance Report" of this Annual Report, respectively, which form part of this Report of the Directors.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 25 to the Consolidated Financial Statements.

DIRECTORS

Directors during the year ended 31 December 2021 and up to the date of this report

Executive Directors:
Edwin Tan
Jim Athanasopoulos
Mei-Hui (Jessie) Chou

Non-executive Directors:
Richard Gelfond (Chairman)
Megan Colligan
Jiande Chen (Vice Chairman)

Independent Non-executive Directors:
Yue-Sai Kan
John Davison
Dawn Taubin
Peter Loehr

Directors Retiring by Rotation

In accordance with Article 16.18 of the Company's Articles of Association, Mr. Richard Gelfond, Ms. Dawn Taubin, Mr. Jiande Chen and Mr. Peter Loehr will retire from office as Directors by rotation at the forthcoming annual general meeting. All retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment other than statutory compensation.

Directors' Emoluments

Details of the remuneration of the Directors are set out in note 27 of the Consolidated Financial Statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in the section headed "Connected Transactions" of this Annual Report and contracts amongst group companies, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company and the Director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2021, interests of the Directors in Shares, underlying Shares and debentures of the Company and its associated corporations which were recorded in the register to be kept by the Company under Section 352 of the SFO are set out on pages 86 and 87.

Directors' Rights to Acquire Shares or Debentures

Save for a long term incentive plan adopted by the Company ("**LTIP**"), the Share Option Scheme (as defined below), the RSU Scheme (as defined below), and the PSU Scheme (as defined below) of the Group as set out in this section, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or chief executives or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Permitted Indemnity Provision

The Company's Articles of Association provides that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses as a result of any act or failure to act in carrying out his/her functions.

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2021. The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the Directors and directors of the subsidiaries of the Company.

Directors' Interests in Contracts and Competing Business

Save for the directorship and senior management roles in IMAX Corporation held by Mr. Richard Gelfond and Ms. Megan Colligan, and the interests of certain of our Directors in IMAX Corporation as set out in "Directors' and Chief Executives' Interest and Short Positions in the Shares, Underlying Shares and Debentures of the Company and any Associated Corporation" below, none of the Directors is interested in any businesses apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business.

Name	Company	IMAX Corporation
Richard Gelfond	Non-executive Director and Chairman	Chief Executive Officer and Executive Director
Megan Colligan	Non-executive Director	Executive Vice President, and President, IMAX Entertainment, a business division of IMAX Corporation

There is no contract of significance in relation to the Group's business existing at the end of the year or during the year ended 31 December 2021 in which the Group was a party and in which a Director was materially interested.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

WAIVERS

Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements

The Company has applied for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with the announcement and, if applicable, the approval of independent shareholders requirements under Rule 14A.105 of the Listing Rules in respect of each of the below non-exempt continuing connected transactions for the entire duration of each of those agreements, as more particularly set out in the description of each of those transactions below.

Waiver from Requirement to Set a Monetary Cap

The Company has also applied for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with the requirements under Rule 14A.53(1) of the Listing Rules to set a monetary cap for fees payable under each of the non-exempt continuing connected transactions stated above (apart from the Personnel Secondment Agreement (as defined below)) for the duration of those agreements, as more particularly set out in the description of each of those transactions below.

Waiver from Requirement to be of a Duration Not Exceeding Three Years

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 14A.52 of the Listing Rules for each of the non-exempt continuing connected transactions stated below to be of a duration not exceeding three years for the duration of those agreements, as more particularly set out in the description of each of those transactions below.

Waiver conditions

These waivers have been granted subject to the following conditions:

(a) the Company will disclose in its subsequent annual and interim reports: (i) a clear description of the bases for calculating the fees payable and receivable under each of the non-exempt continuing connected transactions with non-monetary caps, the amount of fees payable to and receivable from IMAX Corporation under each of the non-exempt continuing connected transactions with non-monetary caps in the same form as note 28(a) of "Appendix I — Accountant's Report" in the Prospectus, together with a breakdown of the conversion fees and distribution fees payable under the Master Distribution Agreements (as defined below) where material; (ii) the number of IMAX theatre systems supplied by IMAX Corporation to the Group under the Equipment Supply Agreements (as defined below); (iii) the number of IMAX films converted by IMAX Corporation pursuant to the DMR Services Agreements (as defined below); and (iv) the number of IMAX format Hollywood films and IMAX format Chinese language films released in Greater China and outside Greater China for which the Company will receive from or pay to IMAX Corporation a conversion fee or distribution fee under the DMR Services Agreements (as defined below) and the Master Distribution Agreements (as defined below);

(b) the Independent Non-executive Directors will review the non-exempt continuing connected transactions with non-monetary caps and confirm in the Group's annual report that the transactions for the financial year under review and at the time of the annual review have been entered into in the manner set out in Rule 14A.55 of the Listing Rules. If the Independent Non-executive Directors are unable to confirm the matters under Rule 14A.55 of the Listing Rules, the Group will have to re-comply with the announcement and/or independent shareholders' approval requirements under the Listing Rules; and

(c) the Company will comply with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the bases of calculations of either the fees payable or the fees receivable under any of the non-exempt continuing connected transactions with non-monetary caps.

CONNECTED TRANSACTIONS

Continuing Connected Transactions Subject to Reporting and Announcement Requirements

During the year ended 31 December 2021, the Group has continued to be engaged in certain transactions with IMAX Corporation (its controlling shareholder) which constitute connected transactions under the Listing Rules.

IMAX Corporation is considered a "connected person" under the Listing Rules by virtue of it being the holding company (an "associate" as defined in the Listing Rules) of IMAX Barbados (which, holding more than 10% of the Company's share capital, is a substantial shareholder and "connected person" of the Group). Pursuant to the Listing Rules, any member of IMAX Corporation is considered an "associate" of IMAX Barbados and a "connected person" of the Group. Any transaction between the Group and IMAX Corporation or IMAX Barbados is, accordingly, a connected transaction.

During the year ended 31 December 2021, the following non-exempt connected transactions continued to occur between the Group and IMAX Corporation. Such transactions are subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements, under Chapter 14A of the Listing Rules:

1. Personnel Secondment Agreement

(a) Description of the Personnel Secondment Agreement

(i) Subject matter

On 11 August 2011, IMAX Shanghai Multimedia entered into the Personnel Secondment Agreement with IMAX Corporation (the "**Personnel Secondment Agreement**") commencing on 11 August 2011 and expiring on 28 October 2036. Under the Personnel Secondment Agreement, IMAX Corporation agreed to successively make several employees available to IMAX Shanghai Multimedia.

The Personnel Secondment Agreement was amended on 21 September 2015, 25 May 2016 and 26 May 2016.

Please also refer to the Company's announcement dated 28 February 2018 for further details.

(ii) *Term and Termination*

The Personnel Secondment Agreement has a term of 25 years and can be terminated by either party by providing a written notice to the other party.

Under the requirements of the Listing Rules, the Personnel Secondment Agreement should have a fixed term and should be for a duration of no longer than three years except in special circumstances where the nature of the transaction requires it to be of a longer duration.

The Directors believe that it is appropriate for the Personnel Secondment Agreement to have a 25-year term as the secondment of these employees from IMAX Corporation to IMAX Shanghai Multimedia will be beneficial for the development of the business of the Group given their relevant industry experience and knowledge.

(iii) *Fees*

IMAX Shanghai Multimedia shall reimburse IMAX Corporation for the cost of all wages and benefits with respect to the seconded employee in proportion to the time actually spent by such employee on matters related to IMAX Shanghai Multimedia. The fees payable under the Personnel Secondment Agreement also include the share-based compensation awarded to the seconded employee.

(b) *Annual Caps and Transaction Amount*

Given the situation of COVID-19 pandemic, the Company did not expect any personnel secondment arrangement for the year of 2021. Therefore, the Company did not set an annual cap for 2021 under the Personnel Secondment Agreement. The Company will re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, where and if applicable, including the requirements for the setting of new monetary annual caps for the maximum aggregate fees payable under the Personnel Secondment Agreement for an additional three-year period before any personnel secondment arrangement takes place in the future.

$Nil was charged to the Group by IMAX Corporation under the Personnel Secondment Agreement during the year ended 31 December 2021.

2. *Trademark License Agreements*

(a) Description of the Trademark License Agreements

(i) Subject matter

On 28 October 2011, each of IMAX Shanghai Multimedia and IMAX Hong Kong entered into the separate trademark license agreements with IMAX Corporation (the "**Trademark License Agreements**") for a renewable term of 25 years each commencing on 28 October 2011, pursuant to which IMAX Corporation agreed to grant the exclusive right in the PRC to IMAX Shanghai Multimedia and the exclusive right in Hong Kong, Macau and Taiwan to IMAX Hong Kong to use the "IMAX", "IMAX 3D" and "THE IMAX EXPERIENCE" marks, related logos and such other marks as IMAX Corporation may approve from time to time in connection with their theatre and films businesses (the "**Trademarks**") in the respective territories.

Under the Trademark License Agreements, each of IMAX Shanghai Multimedia and IMAX Hong Kong shall have the right to sublicense the rights granted to them solely: (i) to third parties that lease, own or operate IMAX theatres pursuant to an agreement approved by IMAX Corporation; and (ii) to other third parties and affiliates of each of IMAX Shanghai Multimedia and IMAX Hong Kong approved in each case by IMAX Corporation.

If the Escrow Documents are released under the terms of the Contingency Agreements, each of IMAX Shanghai Multimedia and IMAX Hong Kong shall be granted a right to use the marks and logos in connection with the manufacture and assembly of IMAX digital xenon projection systems, IMAX laser-based digital projection systems and nXos2 audio systems, in addition to their existing right to use the trademarks pursuant to the Trademark License Agreements.

The Trademark License Agreements were amended on 21 September 2015.

(ii) Term

Subject to the following paragraph, each of the Trademark License Agreements has a term of 25 years commencing on 28 October 2011, and shall be renewable at the election of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, for an additional term of 25 years on the basis of a fair market royalty rate determined by a qualified, neutral third party consultant, which shall not exceed 6% of all applicable gross revenues.

If the Escrow Documents are released under the terms of the Contingency Agreements, the term of the Trademark License Agreements shall be 12 years from the date of release.

Under the requirements of the Listing Rules, the Trademark License Agreements should be for a duration of no longer than three years except in special circumstances where the nature of the transaction requires them to be of a longer duration.

The Directors believe that it is appropriate for the Trademark License Agreements to have a 25-year renewable term for the following reasons:

(1) the 25-year term of the Trademark License Agreements is inherently beneficial to the Company as it is only under the trademark licences that we can use the "IMAX" brand to carry on the IMAX theatre business in Greater China;

(2) the 25-year term of the Trademark License Agreements provides comfort and protection to us, enabling us to plan and invest over the longer term;

(3) the 25-year term of the Trademark License Agreements also provides comfort and protection to our exhibitor partners as it is sufficiently long to cover existing arrangements with our exhibitor partners that span upwards of 12 years from installation plus a potential renewal; and

(4) it is in accordance with normal business practice for trademark license agreements to be of such duration.

(iii) Termination

Each of the Trademark License Agreements is subject to limited termination provisions. Each Trademark License Agreement will automatically and immediately terminate if: (1) the Technology License Agreement (as defined below) entered into between the same persons as are parties to the Trademark License Agreement and effective from the same date, terminates or expires; (2) IMAX Shanghai Multimedia or IMAX Hong Kong (as applicable) is ordered or adjudged bankrupt; or (3) the assets of any of such parties are appropriated by any government.

In addition, IMAX Corporation shall have the right to terminate a Trademark License Agreement in the event that: (A) IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, is in material breach of the relevant Trademark License Agreement or any of the other inter-company agreements entered into between the respective parties, or (B) if IMAX Shanghai Multimedia or IMAX Hong Kong challenges the validity of IMAX Corporation's ownership of any of the licensed trademarks, in either case, after serving a notice of its intention to terminate the relevant Trademark License Agreement and subject to IMAX Shanghai Multimedia or IMAX Hong Kong not having cured such breach within 30 days from the receipt of such notice.

IMAX Shanghai Multimedia and IMAX Hong Kong may also serve a notice on IMAX Corporation to terminate the Trademark License Agreement if IMAX Corporation breaches any of the material terms of the relevant Trademark License Agreement and is unable to cure the breach within 30 days from the receipt of such notice.

The rights granted by IMAX Shanghai Multimedia and IMAX Hong Kong: (i) to third parties that lease, own or operate IMAX theatres pursuant to an agreement approved by IMAX Corporation; and (ii) to other third parties and affiliates of each of IMAX Shanghai Multimedia and IMAX Hong Kong approved in each case by IMAX Corporation, shall survive termination and expiry of the Trademark License Agreements.

(iv) Fees

During their initial term, each of IMAX Shanghai Multimedia and IMAX Hong Kong shall pay 2% of its gross revenue generated from their respective theatre and films businesses as royalty fees to IMAX Corporation on a quarterly basis. If the Trademark License Agreements are to be renewed, the royalty rate to be applied during the renewed term shall be determined by a qualified, neutral third party consultant based on the fair market value of the rights granted to IMAX Shanghai Multimedia and IMAX Hong Kong under the Trademark License Agreements, but in any case shall not exceed 6% of each of their gross revenue.

IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have also agreed that the fees payable under the Trademark License Agreements will be adjusted, including retrospectively, to the extent an adjustment is necessary to ensure that the payments are on an arm's length basis as determined by a court of competent jurisdiction or a government or taxing authority, or as mutually agreed by IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong.

(b) Annual Caps and Transaction Amount

The cap for the royalties payable under the Trademark License Agreements will be determined by reference to the formulae for determining such royalties as described above.

It is not possible for the Directors to provide any meaningful estimates of a monetary cap as it would involve making assumptions regarding the future performance of the Group over a period of up to 21 years.

The Directors have also considered whether the absence of a monetary cap should be approved by the Shareholders after three years or a longer period, and have concluded that this would not be appropriate or in the interests of the Shareholders since it would give rise to greater uncertainty as to whether the Trademark License Agreements will be in place for the whole of their terms. The Directors do not consider that it would be in the interests of the Shareholders for the Trademark License Agreements to have a term which is shorter than their terms, given the importance of the IMAX trademarks to the businesses of the Group. In addition, as noted above, it is market practice for trademark license agreements to have durations of extended periods.

Approximately US$2,413,000 was charged to the Group by IMAX Corporation under the Trademark License Agreements during the year ended 31 December 2021.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the Trademark License Agreements will be, on an annual basis, more than 0.1% but less than 5%, and as the Trademark License Agreements are on normal commercial terms, they will be exempt pursuant to Rule 14A.76(2)(a) of the Listing Rules from the independent shareholders' approval requirements but will be subject to the reporting and, save for the waiver set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" above, announcement requirements under Chapter 14A of the Listing Rules.

If the Trademark License Agreements are renewed upon the expiry of the initial 25-year term, the Company will be required to comply with all the applicable reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules at that time in respect of the renewal, subject to any waivers which may be granted by the Stock Exchange from strict compliance with any of the applicable requirements.

If the Escrow Documents are released under the terms of the Contingency Agreements and the 12-year term of the exclusive trademark license of the IMAX brand granted pursuant to the Trademark License Agreements falls outside of the initial 25-year term of such agreements, the Company will be required to comply with all the applicable reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the portion of the term of the Trademark License Agreements that falls outside of the initial 25-year term of such agreements, subject to any waivers which may be granted by the Stock Exchange from strict compliance with any of the applicable requirements.

3. Technology License Agreements

(a) Description of the Technology License Agreements

(i) Subject matter

On 28 October 2011, each of IMAX Shanghai Multimedia and IMAX Hong Kong entered into separate technology license agreements with IMAX Corporation (the "**Technology License Agreements**") for a renewable term of 25 years commencing on 28 October 2011, pursuant to which IMAX Corporation agreed to grant the exclusive right in the PRC to IMAX Shanghai Multimedia and the exclusive right in Hong Kong, Macau and Taiwan to IMAX Hong Kong to use the technology relating to the equipment and services provided by IMAX Corporation to each of IMAX Shanghai Multimedia and IMAX Hong Kong pursuant to the Equipment Supply Agreements (defined below) and Services Agreements (as defined below), solely in connection with the marketing, sale, rental, lease, operation and maintenance of such equipment and services (the "**Technology**").

Under the Technology License Agreements, each of IMAX Shanghai Multimedia and IMAX Hong Kong shall have the right to sublicense the rights granted to them solely (i) to third parties that lease, own or operate IMAX theatres pursuant to an agreement approved by IMAX Corporation; and (ii) to other third parties and affiliates of each of IMAX Shanghai Multimedia and IMAX Hong Kong approved in each case by IMAX Corporation.

If the Escrow Documents are released under the terms of the Contingency Agreements, each of IMAX Shanghai Multimedia and IMAX Hong Kong shall be granted a right to use the technology in connection with the manufacture and assembly of IMAX digital xenon projection systems, IMAX laser-based digital projection systems and nXos2 audio systems in the United States, Canada or European Union, in addition to their existing right to use the Technology pursuant to the Technology License Agreements.

The Technology License Agreements were amended on 21 September 2015.

(ii) Term

Subject to the next following paragraph, each of the Technology License Agreements has a term of 25 years commencing on 28 October 2011, and shall be renewable at the election of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, for an additional term of 25 years on the basis of a fair market royalty rate determined by a qualified, neutral third party consultant, which shall not exceed 9% of all applicable gross revenues.

If the Escrow Documents are released under the terms of the Contingency Agreements, the term of the Technology License Agreements shall be 12 years from the date of release.

Under the requirements of the Listing Rules, the Technology License Agreements should be for a duration of no longer than three years except in special circumstances where the nature of the transaction requires them to be of a longer duration.

The Directors believe that it is appropriate for the Technology License Agreements to have a 25-year renewable term for the same reasons set out in the section headed "Connected Transactions — Continuing Connected Transactions Subject to Reporting and Announcement Requirements — 2. Trademark License Agreements" above.

(iii) Termination

Each of the Technology License Agreements is subject to limited termination provisions. Each Technology License Agreement will automatically and immediately terminate if: (1) the Trademark License Agreement entered into between the same persons as are parties to the Technology License Agreement and effective from the same date, terminates or expires; (2) IMAX Shanghai Multimedia and IMAX Hong Kong (as applicable) is ordered or adjudged bankrupt; or (3) if the assets of any of such parties are appropriated by any government.

IMAX Corporation shall have the right to terminate a Technology License Agreement in the event that (A) IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, is in material breach of the relevant Technology License Agreement or any of the other inter-company agreements entered into between the respective parties; or (B) if IMAX Shanghai Multimedia or IMAX Hong Kong challenges the validity or IMAX Corporation's ownership of any of the licensed technology, in each case, after serving a notice of its intention to terminate the relevant Technology License Agreement and subject to IMAX Shanghai Multimedia or IMAX Hong Kong not having cured such breach within 30 days from the receipt of such notice.

IMAX Shanghai Multimedia and IMAX Hong Kong may also serve a notice on IMAX Corporation to terminate the Technology License Agreement if IMAX Corporation breaches any of the material terms of the relevant Technology License Agreement and is unable to cure the breach within 30 days from the receipt of such notice.

The rights granted by IMAX Shanghai Multimedia and IMAX Hong Kong: (I) to third parties that lease, own or operate IMAX theatres pursuant to an agreement approved by IMAX Corporation; and (II) to other third parties and affiliates of each of IMAX Shanghai Multimedia and IMAX Hong Kong approved in each case by IMAX Corporation, shall survive termination and expiry of the Technology License Agreements.

(iv) Fees

During their initial 25-year term, each of IMAX Shanghai Multimedia and IMAX Hong Kong shall pay 3% of its gross revenue generated from their respective theatre and films businesses as royalty fees to IMAX Corporation on a quarterly basis. If the Technology License Agreements are to be renewed, the royalty rate to be applied during the renewed term shall be determined by a qualified, neutral third party consultant based on the fair market value of the rights granted to IMAX Shanghai Multimedia and IMAX Hong Kong under the Technology License Agreements, but in any case shall not exceed 9% of each of their gross revenue.

IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have also agreed that the fees payable under the Technology License Agreements will be adjusted, including retrospectively, to the extent an adjustment is necessary to ensure that the payments are on an arm's length basis as determined by a court of competent jurisdiction or a government or taxing authority, or as mutually agreed by IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong.

(b) Annual Caps and Transaction Amount

The cap for the royalties payable under the Technology License Agreements will be determined by reference to the formulae for determining such royalties as described above. For the same reasons as set out under the section headed "Connected Transactions — Continuing Connected Transactions Subject to Reporting and Announcement Requirements — 2. Trademark License Agreements" above, the Directors believe that it is not appropriate to set a fixed monetary cap and that it would be fair and reasonable and in the interests of the Shareholders as a whole for the royalties payable under the Technology License Agreements to be calculated by reference to a formulae.

Approximately US$3,619,000 was charged to the Group by IMAX Corporation under the Technology License Agreements during the year ended 31 December 2021.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the Technology License Agreements will be, on an annual basis, more than 0.1% but less than 5% and as the Technology License Agreements are on normal commercial terms, they will be exempt pursuant to Rule 14A.76(2)(a) of the Listing Rules from the independent shareholders' approval requirements but will be subject to the reporting and, save for the waiver set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" above, announcement requirements under Chapter 14A of the Listing Rules.

If the Technology License Agreements are renewed upon the expiry of the initial 25-year term, the Company will be required to comply with all the applicable reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules at that time in respect of the renewal, subject to any waivers which may be granted by the Stock Exchange from strict compliance with any of the applicable requirements.

If the Escrow Documents are released under the terms of the Contingency Agreements and the 12-year term of the exclusive technology licence of the IMAX technology granted pursuant to the Technology License Agreements falls outside of the initial 25-year term of such agreements, the Company will be required to comply with all the applicable reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the portion of the term of the Technology License Agreements that falls outside of the initial 25-year term of such agreements, subject to any waivers which may be granted by the Stock Exchange from strict compliance with any of the applicable requirements.

4. DMR Services Agreements

(a) Description of the DMR Services Agreements

(i) Subject matter

On 28 October 2011, each of IMAX Shanghai Multimedia and IMAX Hong Kong entered into separate DMR services agreements with IMAX Corporation (the "**DMR Services Agreements**"). The DMR Services Agreements provide us with Chinese films for release across the IMAX theatre network in Greater China. Pursuant to the DMR Services Agreements, IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have agreed that:

(1) if IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, intends to enter into a DMR production services agreement with a distributor in their respective territories for the conversion of Greater China DMR Films and the release of such films to IMAX theatres in their respective territories, IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, shall seek prior approval from IMAX Corporation to enter into such agreement in order for IMAX Corporation to ensure that the nature and content of such films would not potentially damage the IMAX brand, and IMAX Corporation shall perform the DMR conversion services in consideration for a conversion fee;

(2) if IMAX Corporation directly enters into an arrangement to distribute the Greater China DMR Film in regions outside of Greater China, IMAX Corporation shall pay to IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, 50% of the portion of box office in respect of the Greater China DMR Films received by IMAX Corporation attributable to the exploitation of such films in regions outside of Greater China; and

(3) at the request of IMAX Corporation, IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, shall grant the distribution rights to the Greater China Original Films in regions outside of Greater China to IMAX Corporation and also assign the right to retain any distribution fees attributable to the exploitation of such films in regions outside of Greater China to IMAX Corporation.

The DMR Services Agreements were subsequently amended on 7 April 2014 and on 21 September 2015.

(ii) Term and termination

Each of the DMR Services Agreements has a term of 25 years commencing on 28 October 2011, and shall be renewable at the election of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, for an additional term of 25 years. Each of the DMR Services Agreements may be terminated upon any of the following:

(1) mutual agreement of the parties;

(2) bankruptcy or insolvency of IMAX Corporation, or the bankruptcy or insolvency of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, or the appropriation of the assets of either party by any government, where termination shall be automatic and immediate;

(3) at the election of IMAX Hong Kong or IMAX Shanghai Multimedia, as applicable, if there is a material breach of the DMR Services Agreement by IMAX Corporation;

(4) at the election of IMAX Corporation if there is a material breach of the DMR Services Agreement by IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, or any other inter-company agreements entered into between IMAX Corporation and IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable;

(5) expiration or termination of either Trademark License Agreement (which, for the avoidance of doubt, shall bring about the termination of both DMR Services Agreements); or

(6) on release of the Escrow Documents.

Under the requirements of the Listing Rules, the DMR Services Agreements should have a fixed term and should be for a duration of no longer than three years except in special circumstances where the nature of the transaction requires them to be of a longer period.

The Directors believe that it is in the interests of the Group for the DMR Services Agreements to have 25-year renewable terms as it will ensure that the Group is able to continue to obtain DMR conversion services from IMAX Corporation that enable it to release Chinese language films, which will provide the Group with an ongoing source of revenue with long term certainty of cost.

(iii) Fees

The fees payable under the DMR Services Agreements are as follows:

(1) IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, shall pay to IMAX Corporation a conversion fee in respect of the conversion of the Greater China DMR Films which equals the actual costs of the DMR conversion services plus 10% of all such actual costs;

(2) IMAX Corporation shall pay to IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, 50% of the portion of box office in respect of the Greater China DMR Films received by IMAX Corporation attributable to the exploitation of such films in regions outside of Greater China; and

(3) IMAX Corporation shall pay to IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, 50% of the distribution fees attributable to the exploitation of the Greater China Original Films in regions outside of Greater China, if IMAX Corporation elects to obtain the distribution rights to such films in regions outside of Greater China.

The Company and IMAX Corporation have conducted a detailed comparable analysis to ensure that the fees payable under the DMR Services Agreements are on arm's length and reflect normal commercial terms. See "Connected Transactions — Confirmation From The Directors" in the Prospectus for further details. The cost plus 10% fee payable for DMR conversion services was agreed between the parties to the DMR Services Agreements in April 2014, which amended certain terms of the DMR Services Agreements. The fee originally payable under the DMR Services Agreements was cost plus 15%, which was agreed on an arm's length basis between the parties at the time of their entry into the DMR Services Agreements. Accordingly, the Directors consider that the percentage used in the formulae for determining the conversion fees payable is on commercial terms or better, fair and reasonable and in the interests of the Shareholders as a whole.

IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have also agreed that the fees payable under the DMR Services Agreements will be adjusted, including retrospectively, to the extent an adjustment is necessary to ensure that the payments are on an arm's length basis as determined by a court of competent jurisdiction or a government or taxing authority, or as mutually agreed by IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong.

(b) Annual Caps and Transaction Amount

The cap for the fees payable under the DMR Services Agreements will be determined by reference to the formulae for determining the fees payable pursuant to the DMR Services Agreements as described above.

The conversion fees payable under the DMR Services Agreements are dependent on the actual costs of the conversion services and the amount of Chinese language films which will have to be converted into IMAX format for exhibition in IMAX theatres in Greater China. It will not be possible for the Directors to provide any meaningful estimates of a monetary cap as it would involve making assumptions regarding the demand for IMAX format Chinese language films in Greater China and conversion costs over a period of up to 21 years.

For the year ended 31 December 2021, the DMR conversion fees charged to the Group by IMAX Corporation were approximately US$1,332,000. The number of Greater China DMR Films converted was 21.

For the year ended 31 December 2021, 4 Greater China DMR Films were released in regions outside of Greater China and the distribution fees received/receivable by the Group from IMAX Corporation were US$3,000. No Greater China Original Films were released outside Greater China, and the distribution fees received/receivable by the Group from IMAX Corporation were US$nil.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the DMR Services Agreements is expected to be, on an annual basis, more than 0.1% but less than 5% and as the DMR Services Agreements are on normal commercial terms, they will be exempt pursuant to Rule 14A.76(2)(a) of the Listing Rules from the independent shareholders' approval requirements but will be subject to the reporting and, save for the waiver set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" above, announcement requirements under Chapter 14A of the Listing Rules.

If the DMR Services Agreements are renewed upon the expiry of the initial 25-year term, the Company will be required to comply with all the applicable reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules at that time in respect of the renewal, subject to any waivers which may be granted by the Stock Exchange from strict compliance with any of the applicable requirements.

5. Services Agreements

(a) Description of the Services Agreements

(i) Subject matter

On 1 January 2014, each of IMAX Shanghai Multimedia and IMAX Hong Kong entered into the services agreements with IMAX Corporation for an indefinite term commencing on 1 January 2014 (the "**Services Agreements**"), pursuant to which IMAX Corporation agreed to provide certain services to each of IMAX Shanghai Multimedia and IMAX Hong Kong at our election, including (1) finance and accounting services, (2) legal services, (3) human resources services, (4) IT services, (5) marketing services, (6) theatre design services, and (7) theatre project management services.

The Services Agreements were subsequently amended on 7 April 2014, 21 September 2015 and 23 February 2017, pursuant to which each of them shall have a term of three years expiring on 31 December 2019. On 19 December 2019, the Services Agreements were renewed for a further term of three years commencing from 1 January 2020 and ending on 31 December 2022.

Please also refer to the Company's announcement dated 19 December 2019 for further details.

(ii) Term and Termination

Each of the Services Agreements has a three year term commencing on 1 January 2020 unless terminated upon any of the following:

(1) mutual agreement of the parties;

(2) bankruptcy or insolvency of IMAX Corporation or IMAX Shanghai Multimedia (in the case of the Services Agreement entered into between IMAX Corporation and IMAX Shanghai Multimedia) or IMAX Hong Kong (in the case of the Services Agreement entered into between IMAX Corporation and IMAX Hong Kong) or the appropriation of the assets of either party to the Services Agreement by any government, where termination shall be automatic and immediate;

(3) at the non-breaching party's election, material breach of the Services Agreement by either party;

(4) expiration or termination of the Trademark License Agreement entered into between the same persons as are parties to the Services Agreement; or

(5) on release of the Escrow Documents.

(iii) Fees

The total service fees payable under the Services Agreements by IMAX Shanghai Multimedia and IMAX Hong Kong are calculated on the following basis:

(1) **Variable service fees:** with respect to the IT services, marketing services, theatre design services, and theatre project management services and theatre support services, IMAX Shanghai Multimedia and IMAX Hong Kong shall pay to IMAX Corporation on a monthly basis an amount equal to 110% of the actual costs plus general overhead for the provision of such services; and

(2) **Fixed service fees:** IMAX Shanghai Multimedia and IMAX Hong Kong shall pay to IMAX Corporation on a monthly basis with respect to the finance and accounting services, legal services and human resources services, a total amount of US$17,500.

The fixed service fees shall be adjusted annually by IMAX Corporation in accordance with the U.S. consumer price index.

The fixed service fees stated above are based on the level of services currently being provided by IMAX Corporation to IMAX Shanghai Multimedia and IMAX Hong Kong. If the level of services increases or decreases materially, the parties have agreed to negotiate in good faith a new fixed services fee.

IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have also agreed that the fees payable under the Services Agreements will be adjusted, including retrospectively, to the extent an adjustment is necessary to ensure that the payments are on an arm's length basis as determined by a court of competent jurisdiction or a government or taxing authority, or as mutually agreed by IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong.

(b) Annual Caps and Transaction Amounts

In accordance with Rule 14A.53 of the Listing Rules, we have set the annual cap for the maximum aggregate fees payable under the Services Agreements at HK$6,000,000 for each of the year ending 31 December 2020, 2021 and 2022. This annual cap has been calculated on the basis of: (i) the historic transaction amount under the Services Agreements; (ii) the business development plans of the Group; (iii) the expected increase in the cost of theatre system maintenance payable by IMAX Shanghai Multimedia and IMAX Hong Kong; and (iv) the flexibility of having a buffer for the Company to cater for any unexpected increase in the service fees payable under the Services Agreements.

Approximately US$623,000 was charged to the Group by IMAX Corporation under the Services Agreements during the year ended 31 December 2021.

(c) *Listing Rules Requirements*

As the highest relevant percentage ratio in respect of the Services Agreements, as expected for FY2020, FY2021 and FY2022, was, on an annual basis, less than 25% and the total consideration was less than HK$10,000,000 and they are on normal commercial terms, the Services Agreements were exempt pursuant to Rule 14A.76(2)(b) of the Listing Rules from the independent shareholders' approval requirement. It however remains subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

At the end of FY2022, the Company will re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, where and if applicable, including the requirements for the setting of new monetary annual caps for the maximum aggregate fees payable under the Services Agreements for an additional three-year period.

6. IMAX Shanghai Services Agreement

(a) *Description of the IMAX Shanghai Services Agreement*

(i) *Subject matter*

On 12 May 2015, IMAX (Shanghai) Theatre Technology Services Co., Ltd. ("**IMAX Shanghai Services**") entered into the services agreement ("**IMAX Shanghai Services Agreement**") with IMAX Corporation for a renewable term of two years commencing on 1 January 2014, pursuant to which IMAX Shanghai Services agreed to provide certain services to IMAX Corporation for its theatre operations in regions outside of Greater China including (1) provision of regular scheduled preventative maintenance services to IMAX theatres, (2) provision of emergency technical services to IMAX theatres, (3) provision of a 24-hour telephone help-line and remote technical support to IMAX theatre exhibitors, (4) provision of quality audit and presentation quality services, and (5) provision of special screening support.

The IMAX Shanghai Services Agreement was subsequently amended on 23 February 2017.

(ii) *Term and termination*

The term for the IMAX Shanghai Services Agreement shall be for two years commencing on 1 January 2014 and shall be automatically renewed for successive one-year periods unless one of the parties provides a written notice not to renew at least 30 days prior to the expiration of the then-effective term.

The IMAX Shanghai Services Agreement may be terminated, without cause, by either party upon written notice.

(iii) Fees

The service fees payable by IMAX Corporation under the IMAX Shanghai Services Agreement shall be 110% of the monthly actual cost incurred by IMAX Shanghai Services for the provision of the relevant services and replacement parts. The service fees shall be paid by IMAX Corporation to IMAX Shanghai Services on a monthly basis. IMAX Corporation also agreed to make an advance payment of no more than the total service fees for the previous six months in accordance with the request of IMAX Shanghai Services.

IMAX Corporation and IMAX Shanghai Services have agreed that, if necessary, the service fees payable under the IMAX Shanghai Services Agreement will be reviewed and may be adjusted by the parties in writing to ensure that the service fees payable remain on an arm's length basis.

(b) Annual Caps and Transaction Amount

In accordance with Rule 14A.53 of the Listing Rules, we have set the annual cap for the maximum aggregate fees payable under the IMAX Shanghai Services Agreement at HK$4,000,000 for each of the years ending 31 December 2020, 2021 and 2022. This annual cap has been calculated on the basis of: (i) the historic transaction amounts under the IMAX Shanghai Services Agreement; (ii) the business development plans of the Group; (iii) the expected increase in the cost of theatre system maintenance payable by IMAX Corporation; and (iv) the flexibility of having a buffer for the Company to cater for any unexpected increase in the service fees payable under the IMAX Shanghai Services Agreement.

Approximately US$91,000 was charged to IMAX Corporation by the Group under the IMAX Shanghai Services Agreement during the year ended 31 December 2021.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the IMAX Shanghai Services Agreement, as expected for FY2020, FY2021 and FY2022, was, on an annual basis, less than 25% and the total consideration was less than HK$10,000,000 and it is on normal commercial terms, the IMAX Shanghai Services Agreement was exempt pursuant to Rule 14A.76(2)(b) of the Listing Rules from the independent shareholders' approval requirement but will be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

At the end of FY2022, the Company will re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, where and if applicable, including the requirements for the setting of new monetary annual caps for the maximum aggregate fees payable under the IMAX Shanghai Services Agreement for an additional three-year period.

Continuing Connected Transactions Subject to Reporting, Announcement and Independent Shareholders' Approval Requirements Subject to Waivers Granted

The Group has entered into the following continuing connected transactions which will be subject to the reporting and, save for the waiver granted by the Stock Exchange as set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" above, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

1. Equipment Supply Agreements

(a) Description of the Equipment Supply Agreements

(i) Subject matter

On 28 October 2011, each of IMAX Shanghai Multimedia and IMAX Hong Kong entered into separate equipment supply agreements with IMAX Corporation (the "**Equipment Supply Agreements**"), pursuant to which IMAX Corporation agreed to provide each of IMAX Shanghai Multimedia and IMAX Hong Kong with certain equipment produced by IMAX Corporation in relation to the theatre systems, including projection systems, sound systems, screens, 3D polarised viewing glasses, glasses cleaning machines and other IMAX products or equipment, for sale or lease in the PRC by IMAX Shanghai Multimedia and in Hong Kong, Macau and Taiwan by IMAX Hong Kong.

The Equipment Supply Agreements were subsequently amended on 7 April 2014 and on 21 September 2015.

(ii) Term

The Equipment Supply Agreements have a term of 25 years commencing from 28 October 2011, and shall be renewable at the election of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, for an additional term of 25 years, commencing immediately upon the expiration of the initial term.

Under the requirements of the Listing Rules, the Equipment Supply Agreements should be for a duration of no longer than three years except in special circumstances where the nature of the transaction requires them to be of a longer period.

The Directors believe that it is appropriate for the Equipment Supply Agreements to have a 25-year renewable term so that the term of such agreements will be in line with those of the Trademark License Agreements and the Technology License Agreements. Given the importance of the Equipment Supply Agreements to the businesses of the Group, a 25-year renewable term will be able to provide the Group with long term certainty of supply and cost, which is in the interests of the Company and the Shareholders as a whole.

(iii) *Termination*

The Equipment Supply Agreements are subject to limited termination provisions. Either IMAX Corporation, or IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, may serve a notice on the other party to terminate the respective Equipment Supply Agreement if: (a) the other party is ordered or adjudged bankrupt or the assets of the other party are appropriated by any government; (b) the other party is in default of its material obligations under the Equipment Supply Agreement or (save for IMAX Corporation) the other inter-company agreements and continues to be in default 30 days after a written notice of such default has been served onto it; or (c) the Escrow Documents are released.

(iv) *Fees*

The purchase price payable under the Equipment Supply Agreements shall be an amount equal to the actual cost for the production of the relevant equipment and the general overhead associated with the production process plus an extra 10%.

The Company and IMAX Corporation have conducted detailed comparable analysis to ensure that the fees payable under the Equipment Supply Agreements are on arm's length and reflect normal commercial terms. See "Connected Transactions — Confirmation From The Directors" in the Prospectus for further details. The purchase price payable under the Equipment Supply Agreements of cost plus 10% was agreed between the parties to the Equipment Supply Agreements in April 2014, which amended certain terms of the Equipment Supply Agreements. The purchase price originally payable under the Equipment Supply Agreements was cost plus 15%, which was agreed on an arm's length basis between the parties at the time of their entry into the Equipment Supply Agreements. Accordingly, the Directors consider that the percentage used in the formulae for determining the purchase price payable is on commercial terms or better, fair and reasonable and in the interests of the Shareholders as a whole.

IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have also agreed that the fees payable under the Equipment Supply Agreements will be adjusted, including retrospectively, to the extent an adjustment is necessary to ensure that the payments are on an arm's length basis as determined by a court of competent jurisdiction or a government or taxing authority, or as mutually agreed by IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong.

(b) *Annual Caps and Transaction Amount*

The cap for the fees payable under the Equipment Supply Agreements will be determined by reference to the formulae for determining the purchase price payable pursuant to the Equipment Supply Agreements as described above.

The fees payable under the Equipment Supply Agreements are dependent on the costs of the relevant equipment to be supplied by IMAX Corporation to the Group. It will not be possible for the Directors to provide any meaningful estimates of a monetary cap as it would involve making assumptions regarding the level of demand for the IMAX equipment for our businesses in Greater China over a period of up to 21 years. The Directors therefore believe that it is not appropriate to set a fixed monetary cap and that it would be fair and reasonable and in the interests of the Shareholders as a whole for the fees payable under the Equipment Supply Agreements to be calculated by reference to a formulae.

The number of IMAX theatre systems installed pursuant to the Equipment Supply Agreements for the year ended 31 December 2021 was 57, and the purchase price paid/payable to IMAX Corporation by the Group was approximately US$18,660,000.

(c) *Listing Rules Requirements*

As the highest relevant percentage ratio in respect of the Equipment Supply Agreements will be, on an annual basis, more than 5% and the total consideration is expected to exceed HK$10,000,000, the Equipment Supply Agreements would be, in the absence of the grant of a waiver by the Stock Exchange set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" above, subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

If the Equipment Supply Agreements are renewed upon the expiry of the initial 25-year term, the Company will be required to comply with all the applicable reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules at that time in respect of the renewal, subject to any waivers which may be granted by the Stock Exchange from strict compliance with any of the applicable requirements.

2. Master Distribution Agreements

(a) *Description of the Master Distribution Agreements*

(i) *Subject matter*

On 28 October 2011, each of IMAX Shanghai Multimedia and IMAX Hong Kong entered into the master distribution agreements with IMAX Corporation (the "**Master Distribution Agreements**"). The Master Distribution Agreements provide us with Hollywood films for release across the IMAX theatre network in Greater China. Pursuant to the Master Distribution Agreements, IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have agreed that:

(1) if IMAX Corporation intends to distribute an IMAX format Hollywood film in the PRC and/or in Hong Kong, Macau and Taiwan, each of IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, shall pay to IMAX Corporation certain fees related to the conversion of such IMAX format Hollywood film in consideration for the receipt of the portion of the box office attributable to the release of such IMAX format Hollywood films in their respective territories; and

(2) if IMAX Corporation intends to distribute an IMAX Original Film in the PRC and/or in Hong Kong, Macau and Taiwan, IMAX Corporation shall grant to each of IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, the distribution rights of such IMAX Original Films in their respective territories and shall assign to each of IMAX Shanghai Multimedia and IMAX Hong Kong the right to retain any distribution fees attributable to the exploitation of such IMAX Original Films in their respective territories, in consideration for the payment of 50% of such distribution fees by IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable. IMAX Corporation also retains all other revenue attributable to the exploitation of any IMAX Original Film in Greater China.

The Master Distribution Agreements were subsequently amended on 7 April 2014 and on 21 September 2015.

(ii) *Term and Termination*

Each of the Master Distribution Agreements has a term of 25 years commencing on 28 October 2011, and shall be renewable at the election of IMAX Shanghai Multimedia or IMAX Hong Kong for an additional term of 25 years. Each of the Master Distribution Agreements may be terminated upon any of the following:

(1) mutual agreement of the parties;

(2) bankruptcy or insolvency of IMAX Corporation, or IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, or the appropriation of the assets of either party by any government, where termination shall be automatic and immediate;

(3) at the election of IMAX Hong Kong or IMAX Shanghai Multimedia, as applicable, in the event of a material breach of the Master Distribution Agreement by IMAX Corporation;

(4) at IMAX Corporation's election, in the event of a material breach by IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, of the Master Distribution Agreement or any of the other inter-company agreements entered into between IMAX Corporation and either of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable;

(5) the expiration or termination of either Trademark License Agreement (which, for the avoidance of doubt, shall bring about the termination of both Master Distribution Agreements); or

(6) upon release of the Escrow Documents.

Under the requirements of the Listing Rules, the Master Distribution Agreements should have a fixed term and should be for a duration of no longer than three years except in special circumstances where the nature of the transaction requires them to be of a longer period.

The Directors believe that it is in the interests of the Group for the Master Distribution Agreements to have 25-year renewable terms as it will ensure that the Group is able to continue to obtain IMAX format Hollywood films and IMAX Original Films for release in Greater China, which will provide the Group with an ongoing source of revenue with long term certainty of cost.

(iii) *Fees*

The fees payable to IMAX Corporation for the conversion of IMAX format Hollywood films in the PRC and in Hong Kong, Macau and Taiwan, as applicable, are as follows:

(1) for each IMAX format Hollywood film in 2D format and 2.5 hours or less in length, an amount equal to the product of US$150,000 and the IMAX China Theatre Percentage (in the case of the Master Distribution Agreement entered into between IMAX Corporation and IMAX Shanghai Multimedia) or the IMAX Hong Kong Theatre Percentage (in the case of the Master Distribution Agreement entered into between IMAX Corporation and IMAX Hong Kong) as determined at the time such payment is incurred;

(2) for each IMAX format Hollywood film in 3D format and 2.5 hours or less in length, an amount equal to the product of US$200,000 and the IMAX China Theatre Percentage or the IMAX Hong Kong Theatre Percentage (as the case may be) as determined at the time such payment is incurred;

(3) for each IMAX format Hollywood film greater than 2.5 hours in length, whether in 2D or 3D format, a sum to be specified by IMAX Corporation in its sole and reasonable discretion provided that such amount shall not exceed the amounts specified above in paragraphs (a) and (b) calculated on a pro rata basis for the excess of 2.5 hours in length of the film;

(4) in addition, in connection with any 3D conversions, IMAX Shanghai Multimedia and IMAX Hong Kong shall pay to IMAX Corporation an additional amount equal to the product of the actual costs plus general overhead for 3D conversions, the IMAX China Theatre Percentage or the IMAX Hong Kong Theatre Percentage (as the case may be) and the percentage that all IMAX theatres using IMAX theatre systems in Greater China represents of all IMAX theatres worldwide, both as determined at the time such payment is incurred; and

(5) notwithstanding (1), (2) and (3) above, if all or substantially all of the IMAX theatres to which the IMAX format Hollywood film is distributed are in the PRC, Hong Kong, Macau and/or Taiwan, then each of IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, shall pay IMAX Corporation the product of (A) 110% of the actual costs of the DMR conversion services in respect of such IMAX format film, and (B) the IMAX China Theatre Percentage or the IMAX Hong Kong Theatre Percentage (as the case may be).

In relation to the additional amount payable for 3D conversions pursuant to paragraph (4) above, the IMAX DMR process includes digital re-mastering of the image and audio of conventional films, but it does not include the conversion of a 2D film to a 3D film. All 2D and 3D IMAX films converted under the Master Distribution Agreements during the years were converted from underlying 2D films and 3D films respectively; no 2D films were converted into 3D films. The process of converting a 2D film into a 3D film is time consuming and costly and IMAX Corporation has not carried out a 2D film to 3D film conversion since 2010, nor is it currently anticipated that IMAX Corporation will provide this service in the near future. However, given the long-term nature of the Master Distribution Agreements, this provision was included to address the possibility that IMAX Corporation develops technology in the future to undertake 2D film to 3D film conversions in a fast and cost-effective manner such that IMAX Corporation may actively pursue the provision of such a service.

The 110% of actual costs fee basis described in paragraph (5) above is intended to address a situation where an IMAX format Hollywood film is distributed into Greater China and none, or only a handful of, IMAX theatres outside Greater China (the Master Distribution Agreements do not quantify the number of IMAX theatres that would need to release the film outside Greater China to preserve practical flexibility). In this event, the fees are calculated on the basis that IMAX Corporation does not expect to receive a significant amount of revenue in respect of that film outside Greater China to offset the cost of the DMR conversion, therefore it is appropriate for the Group to pay the full conversion fee required under the DMR Services Agreement. During the years ended 31 December 2021, there were no films to which this fee basis applied, and the Group does not expect this fee basis to apply to a significant number of films in the future.

In consideration of the conversion fees paid to IMAX Corporation by IMAX Shanghai Multimedia and IMAX Hong Kong, IMAX Corporation shall pay the portion of the box office attributable to the exploitation of such IMAX films in the PRC received by IMAX Corporation pursuant to any relevant DMR production services agreements to IMAX Shanghai Multimedia and those attributable to their exploitation in Hong Kong, Macau and Taiwan to IMAX Hong Kong.

In relation to the distribution of IMAX Original Films, IMAX Shanghai Multimedia and IMAX Hong Kong shall each pay to IMAX Corporation 50% of the distribution fees attributable to the exploitation of such IMAX Original Films in their respective territories. IMAX Shanghai Multimedia and IMAX Hong Kong, as the case may be, shall each remit to IMAX Corporation all revenue (including but not limited to film rentals) associated with the exploitation of any IMAX Original Films in the PRC or Hong Kong, Macau and Taiwan, as the case may be.

The Company and IMAX Corporation have conducted detailed comparable analysis to ensure that the fees payable under the Master Distribution Agreements are on arm’s length and reflect normal commercial terms.

See “Connected Transactions — Confirmation From The Directors” in the Prospectus for further details. The fees payable to and by the Company to IMAX Corporation under the Master Distribution Agreements were determined on an arm’s length basis between the parties at the time of their entry into the Master Distributions Agreements with the following considerations in mind:

- in relation to the fixed fees payable by the Company for the conversion of IMAX films under the Master Distribution Agreements, since these are fixed, they are expected to become increasingly less significant to the Group over time compared to the revenue generated from Hollywood films as the IMAX theatre network continues to expand and as a result of increases in ticket prices, both of which would increase the aggregate Greater China IMAX box office for those films, in turn increasing the Group’s revenue; and

- in relation to the percentage of Greater China box office payable to the Group for the release of IMAX films (i.e. the 9.5% of box office fee typically paid on Hollywood films and 12.5% of box office fee typically paid on Chinese language films), this is a fee effectively negotiated with the relevant studios rather than IMAX Corporation, which does not receive any part of that fee itself and merely passes through to the Group the portion of box office it receives which is attributable to the exploitation of IMAX films in Greater China. The higher box office percentage paid by studios producing Chinese language films is generally consistent with that earned by IMAX Corporation outside of Greater China and the lower percentage for Hollywood films reflects the reduced overall amount that Hollywood studios generally earn for their films in Greater China as compared to the U.S. and other parts of the world.

Accordingly, the Directors consider that the monetary amount of fees per film used in the formulae for determining the fees payable is on commercial terms or better, fair and reasonable and in the interests of the Shareholders as a whole.

IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have also agreed that the fees payable under the Master Distribution Agreements will be adjusted, including retrospectively, to the extent an adjustment is necessary to ensure that the payments are on an arm's length basis as determined by a court of competent jurisdiction or a government or taxing authority, or as mutually agreed by IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable.

(b) Annual Caps and Transaction Amount

The cap for the fees payable under the Master Distribution Agreements will be determined by reference to the formulae for determining such fees as described above.

The fees payable under the Master Distribution Agreements are dependent on the number of IMAX films distributed in Greater China. It will not be possible for the Directors to provide any meaningful estimates of a monetary cap as it would involve making assumptions regarding the number of IMAX films distributed in Greater China over a period of up to 21 years.

For the year ended 31 December 2021, the number of IMAX format Hollywood films distributed in Greater China for which the Company paid/payable conversion fees under the Master Distribution Agreements was 13. The conversion fees paid/payable by the Group to IMAX Corporation was approximately US$2,505,000 and the revenue received/receivable by the Group from IMAX Corporation pursuant to the Master Distribution Agreements amounted to US$9,278,000.

For the year ended 31 December 2021, the number of IMAX Original Films distributed by IMAX Corporation into Greater China for which the Company paid/payable distribution fees under the Master Distribution Agreements was nil and the distribution fee paid/payable by the Group to IMAX Corporation was US$nil.

(c) *Listing Rules Requirements*

As the highest relevant percentage ratio in respect of the Master Distribution Agreements will be, on an annual basis, more than 5% and the total consideration is expected to exceed HK$10,000,000, the Master Distribution Agreements would, in the absence of the grant of a waiver by the Stock Exchange set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" above, be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

If the Master Distribution Agreements are renewed upon the expiry of the initial 25-year term, the Company will be required to comply with all the applicable reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules at that time in respect of the renewal subject to any waivers which may be granted by the Stock Exchange from strict compliance with any of the applicable requirements.

Exempt Connected Transactions

In addition to the above-mentioned continuing connected transactions, our continuing connected transactions for the year ended 31 December 2021 include the DMR Software License Agreement and the Tool and Equipment Supply Contract (each as described in "Connected Transactions — Exempt Connected Transactions" in the Prospectus), which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Annual Caps Table paid/payable and Transaction Amounts

The aggregate amount paid by and to the Group during the year ended 31 December 2021, the annual caps for the financial year ended 31 December 2021, and the annual caps for the year ending 31 December 2022 in respect of the continuing connected transactions are set out in detail below.

Transactions	Aggregate amount paid/payable by or to counter party for the year ended 31 December 2021 (USD)	Annual monetary cap for the year ended 31 December 2021 (USD unless otherwise specified)	Annual monetary cap for the year ending 31 December 2022 (USD unless otherwise specified)
Personnel Secondment Agreement	nil	nil	nil
Trademark License Agreements(1)	2,413,000	N/A	N/A
Technology License Agreements(1)	3,619,000	N/A	N/A
DMR Services Agreements(1)			
— Fees paid/payable to IMAX Corporation for conversion of the Greater China DMR Films	1,332,000	N/A	N/A
DMR Services Agreements(1)			
— Revenue received/receivable from IMAX Corporation for exploitation of the Greater China DMR Films	3,000	N/A	N/A
— Distribution fees from IMAX Corporation for exploitation of the Greater China Original Films	nil	N/A	N/A
Services Agreements	623,000	HK$6 million	HK$6 million
IMAX Shanghai Services Agreement	91,000	HK$4 million	HK$4 million
Equipment Supply Agreements(1)	18,660,000	N/A	N/A
Master Distribution Agreements(1)			
— Revenue	9,281,000	N/A	N/A
Master Distribution Agreements(1)			
— Conversion and Distribution Fees	2,505,000	N/A	N/A

Note:

(1) The Stock Exchange has granted a waiver from requirement to set a monetary cap, see "— Waivers — Waiver from Requirement to Set a Monetary Cap" above.

Review of Continuing Connected Transactions

The Company's auditor was engaged to report on the Group's non-exempt continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules:

a. nothing has come to our auditor's attention that causes our auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

b. for transactions involving the provision of goods or services by the Group, nothing has come to our auditor's attention that causes our auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to our auditor's attention that causes our auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the non-exempt continuing connected transactions, nothing has come to our auditor's attention that causes our auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange. In addition, all of the non-exempted continuing connected transactions of the Company disclosed herein constitute related party transactions set out in note 31 to the Consolidated Financial Statements. All other related party transactions as described in note 31 of the Consolidated Financial Statements do not fall under the definition of "continuing connected transaction" or "connected transaction" under the Listing Rules.

The Independent Non-executive Directors of the Company have reviewed these transactions and confirmed that the non-exempt continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Independent Non-executive Directors of the Company further confirm that the non-exempt continuing connected transactions with non-monetary caps have been entered into in the manner set out in Rule 14A.55 of the Listing Rules.

For the continuing connected transactions set out above for the year ended 31 December 2021, the Group has followed the pricing policies of the Group.

The Directors confirm that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of all of its connected transactions.

MAJOR CUSTOMERS AND SUPPLIERS

The Group depends on its suppliers to provide it with products and services such as cinematic technology, screen frame, logistics and system installation services. For the year ended 31 December 2021, the Group's five largest suppliers combined and the largest supplier, IMAX Corporation (the Company's controlling Shareholder), accounted for, respectively, approximately 96.9% and approximately 60.6% of Group's total purchases. The five largest suppliers have been suppliers of the Group for an average of 6.71 years.

The Group's customers are primarily exhibitors. For the year ended 31 December 2021, the five largest customers combined and the largest customer accounted for, respectively, approximately 61.8% and approximately 26.9% of Group's total revenue. The five largest customers have been customers of the Group for an average of 8.74 years.

None of the Directors of the Company, their respective associates or any of the Shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in any of the Group's top five customers and top five suppliers save for IMAX Corporation.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 31 December 2021, the interests of the Directors and the chief executive of the Company in the Shares and debentures of the Company and any interests in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which: (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO); (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(a) Interests in the Shares

Name of Director or Chief Executive	Number of Shares	Nature of Interest	Approximate Percentage
John Davison	233,969(L)	Beneficial Owner	0.07%
Yue-Sai Kan	214,551(L)	Beneficial Owner	0.06%
Dawn Taubin	233,969(L)	Beneficial Owner	0.07%
Peter Loehr	108,303(L)	Beneficial Owner	0.03%
Edwin Tan	948,716(L)[1]	Beneficial Owner	0.28%
Jiande Chen	2,074,876(L)[2]	Beneficial Owner	0.61%
Jim Athanasopoulos	4,538,805(L)[3]	Beneficial Owner	1.33%
Mei-Hui (Jessie) Chou	1,546,397(L)[4]	Beneficial Owner	0.45%

(L) Long position

Notes:
(1) Of which 851,492 are restricted stock units and/or performance-based restricted share units.
(2) Of which 2,003,695 are options, restricted stock units and/or performance-based restricted share units.
(3) Of which 4,239,678 are options, restricted stock units and/or performance-based restricted share units.
(4) Of which 1,426,621 are options and/or restricted stock units and/or performance-based restricted share units.

(b) Long Position in Shares of Associated Corporations

Name of Director or Chief Executive	Name of associated corporation	Common Shares	Nature of Interest	Approximate Percentage
Richard Gelfond	IMAX Corporation	3,688,995(L)[(1)]	Beneficial Owner	6.21%
Megan Colligan	IMAX Corporation	392,583(L)[(2)]	Beneficial Owner	0.66%
Jim Athanasopoulos	IMAX Corporation	4,068(L)	Beneficial Owner	0.01%

(L) Long position

Notes:
(1) Of which 3,374,905 are options, restricted stock units and/or performance share units.
(2) Of which 364,403 are options, restricted share units and/or performance-based restricted share units.

Save as disclosed above, as at 31 December 2021, none of the Directors or the chief executive of the Company have an interest in the Shares or debentures of the Company or any interests in the shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which: (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO); (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

As at 31 December 2021, neither the Directors nor chief executive of the Company have any short position in either the Shares or in the debentures of the Company, or in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, the Company had been notified of the following substantial shareholders' interests and short positions in the Shares and underlying Shares of the Company, which have been recorded in the register of substantial shareholders required to be kept by the Company pursuant to section 336 of Part XV of the SFO. These interests are in addition to those disclosed above in respect of the Directors and chief executives of the Company.

Interests and Long Positions in Shares

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate Percentage of interest (%)
IMAX Corporation	Interest in controlled corporation(1)	243,262,600(L)	71.11
IMAX Barbados	Beneficial interest	243,262,600(L)	71.11

Note:

(1) 243,262,600 Shares are directly held by IMAX Barbados, which is a wholly-owned subsidiary of IMAX Corporation. Under the SFO, IMAX Corporation is deemed to be interested in the Shares held by IMAX Barbados.

Save as disclosed above, according to the register kept by the Company under Section 336 of the SFO, there was no other person who had a substantial interest or short positions in the Shares or underlying Shares of the Company as at 31 December 2021.

REMUNERATION POLICY

As at 31 December 2021, the Group had approximately 104 employees and all of them were based in Greater China.

The Company generally formulates the employees' remuneration based on one or more elements such as salaries, bonuses, long-term incentives and benefits, subject to applicable rules and regulations. Through its remuneration policies, the Company aims to attract and retain talent, to motivate performance and achievement and to reward superior performance. To achieve this, the Company has established an incentive system that links remuneration with the annual performance of the Group, taking into account the Company's performance, as well as the objectives of individual departments.

Remuneration of Directors and senior management of the Group is reviewed by the Company's remuneration committee against the Company's goals and objectives.

The Company has previously provided long-term incentive awards to senior management through the grants of stock options to senior management under its LTIP, further details of which are set out below. The Company expects to continue to make grants of stock options and/or restricted stock units under its LTIP in the future to Directors, senior management and other employees.

LONG TERM INCENTIVE PLAN

The Company adopted the LTIP in October 2012 to aid the Group in recruiting and retaining selected employees, directors and consultants and to motivate them to exert their best efforts on behalf of the Company and its subsidiaries through the granting of equity awards. The LTIP is an omnibus plan that permits the establishment of further sub-plans (the "**Sub-Plans**"). Any Sub-Plans are separate and independent from the LTIP, but the limit on the total number of Shares authorised to be issued under the LTIP applies in the aggregate to the LTIP and any Sub-Plans (without prejudice to any limits applicable to those Sub-Plans). No further incentives that would involve the issue of Shares will be offered or granted pursuant to the LTIP with effect from the Listing.

The Board has determined that the total number of Shares that may be issued, or with respect to which awards may be granted under the LTIP is 35,532,500 Shares.

During the year ended 31 December 2021, the Company did not grant any options pursuant to the LTIP to directors, senior management and employees of the Group. Details regarding the exercise of previously granted options during the year ended 31 December 2021 are set out below:

				Number of share options				
Name of Grantee	Date of Grant	Exercise Price	Option Period	Outstanding at January 1, 2021	Granted during the year	Exercised during the year	Expired/ lapsed/ cancelled during the year	Outstanding at December 31, 2021
Directors								
Jiande Chen	29 October 2012	US$1.8111	Five years from date of grant[1]	1,350,000	–	–	–	1,350,000
Jim Athanasopoulos	29 October 2012	US$1.3583	Five years from date of grant[1]	1,215,000	–	–	–	1,215,000
	25 October 2014	US$1.1852	Three years from date of grant[1]	1,518,800	–	–	–	1,518,800
Mei-Hui (Jessie) Chou	29 October 2012	US$1.3583	Five years from date of grant[1]	810,000	–	–	–	810,000
	21 February 2014	US$1.8093	3.7 years from date of grant[1]	270,000	–	–	270,000	–
Total				**5,163,800**	–	–	270,000	**4,893,800**

Notes:

(1) The vesting schedule is as follows: 25%, 20%, 25% and 30% on 8 October 2015, 29 October 2015, 29 October 2016 and 29 October 2017, respectively.

During FY2021, 270,000 options under the LTIP expired, and no options under the LTIP were cancelled or exercised.

SUB-PLAN: SHARE OPTION SCHEME

Pursuant to the LTIP, on 21 September 2015, the Company adopted the Post-IPO Share Option Scheme (the "**Share Option Scheme**"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in our Company.

Participants of the Share Option Scheme

The Board may, at its discretion, grant options pursuant to the Share Option Scheme to directors, employees and consultants of the Group (the "**Participants**").

Total number of Shares available for issue under the Share Option Scheme

At any time during the period within which the Share Option Scheme is valid and effective, the maximum aggregate number of Shares in respect of which options may be granted pursuant to the Share Option Scheme shall be calculated in accordance with the following formula:

$$\mathbf{X = A - B - C}$$

where:

X = the maximum aggregate number of Shares in respect of which options may be granted pursuant to the Share Option Scheme;

A = the total number of Shares in respect of which options may be granted pursuant to this Share Option Scheme and any other share option schemes of the Company, being (a) 10% of the Shares in issue on the Listing Date, or (b) 10% of the Shares in issue as at the New Option Approval Date (as defined below) (as the case may be) (the "**Option Scheme Mandate Limit**");

B = the maximum aggregate number of Shares underlying the options already granted pursuant to the Share Option Scheme, which in the event that there has been a New Option Approval Date, shall only include those Shares underlying Options that have been granted since that most recent New Approval Date; and

C = the maximum aggregate number of Shares underlying the options already granted pursuant to any other share option schemes and/or any other equity-based incentive plans (including the RSU Scheme and the PSU Scheme) of the Company.

"**New Option Approval Date**" means the date when the Shareholders approve the renewed Option Scheme Mandate Limit.

For the purposes of determining the Option Scheme Mandate Limit the following will not be counted:

(a) Shares in respect of options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share incentive schemes of the Company) or which have been satisfied by the making of a cash payment; and

(b) Shares underlying the RSUs cancelled in accordance with the terms of the RSU Scheme (or any other share incentive schemes of the Company) or which have been satisfied by the making of a cash payment.

In addition, pursuant to the listing approval issued by the Stock Exchange on 7 October 2015, the total number of Shares which may be issued under the Share Option Scheme and any other share option schemes must not exceed 35,532,500 Shares, representing 10% of the Company's issued share capital upon Listing.

As of 1 January 2021, there were outstanding 1,343,039 Shares (representing approximately 0.386% of the then issued share capital of the Company) underlying options granted pursuant to the Share Option Scheme. During the year ended 31 December 2021, the Company did not grant any options pursuant to the Share Option Scheme to any directors, member of the senior management or employees of the Group. As of 31 December 2021, there were outstanding 1,343,039 Shares (representing approximately 0.393% of the then issued share capital of the Company) underlying options granted pursuant to the Share Option Scheme. Details of the options granted pursuant to the Share Option Scheme to the grantees are set at below:

				Number of Shares under the options				
Name of Grantee	**Date of Grant**	**Exercise Price**	**Vesting Period**	**Outstanding at 1 January 2021**	**Granted during the year**	**Exercised during the year**	**Expired/ lapsed/ cancelled during the year**	**Outstanding at 31 December 2021**
Directors								
Jiande Chen	7 March 2017	HK$36.94	Four years from date of grant(1)	100,992	–	–	–	100,992
	7 March 2018	HK$24.45	Four years from date of grant(2)	97,083	–	–	–	97,083
	7 March 2019	HK$20.71	Four years from date of grant(7)	149,966	–	–	–	149,966
Jim Athanasopoulos	7 March 2017	HK$36.94	Three years from date of grant(3)	84,671	–	–	–	84,671
	1 August 2017	HK$21.43	Three years from date of grant(4)	136,518	–	–	–	136,518
	1 August 2018	HK$23.10	Three years from date of grant(5)	122,460	–	–	–	122,460
	1 August 2019	HK$18.24	Three years from date of grant(8)	210,883	–	–	–	210,883
Mei-Hui (Jessie) Chou	25 April 2016	HK$45.31	Four years from date of grant(6)	19,382	–	–	–	19,382
	7 March 2017	HK$36.94	Four years from date of grant(1)	50,496	–	–	–	50,496
	7 March 2018	HK$24.45	Four years from date of grant(2)	69,345	–	–	–	69,345
	7 March 2019	HK$20.71	Four years from date of grant(7)	107,119	–	–	–	107,119
Employees	25 April 2016	HK$45.31	Four years from date of grant(6)	28,265	–	–	–	28,265
Employees	7 March 2017	HK$36.94	Four years from date of grant(1)	28,278	–	–	–	28,278
Employees	7 March 2018	HK$24.45	Four years from date of grant(2)	41,608	–	–	–	41,608
Employees	7 March 2019	HK$20.71	Four years from date of grant(7)	64,272	–	–	–	64,272
Employee	1 August 2019	HK$18.24	Four years from date of grant(9)	31,701	–	–	–	31,701
Total				**1,343,039**	**–**	**–**	**–**	**1,343,039**

Notes:

(1) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2018, 7 March 2019, 7 March 2020 and 7 March 2021, respectively.

(2) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2019, 7 March 2020, 7 March 2021 and 7 March 2022, respectively.

(3) The vesting schedule is as follows: 25%, 35% and 40% on each of 7 March 2018, 7 March 2019 and 7 March 2020, respectively.
(4) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2018, 1 August 2019 and 1 August 2020, respectively.
(5) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2019, 1 August 2020 and 1 August 2021, respectively.
(6) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2017, 7 March 2018, 7 March 2019 and 7 March 2020, respectively.
(7) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2020, 7 March 2021, 7 March 2022 and 7 March 2023, respectively.
(8) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2020, 1 August 2021 and 1 August 2022, respectively.
(9) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 1 August 2020, 1 August 2021, 1 August 2022 and 1 August 2023, respectively.

The closing price of the shares on 22 April 2016, 6 March 2017, 31 July 2017, 6 March 2018, 2 May 2018, 31 July 2018, 6 March 2019 and 31 July 2019, being the trading date immediately before the relevant date of the grant, was HK$45.10, HK$36.10, HK$20.65, HK$24.45, HK$27.55, HK$22.90, HK$20.80 and HK$18.02, respectively.

As of 31 December 2021, the total number of Shares available for grant under the Share Option Scheme was 18,674,277 representing approximately 5.459% of the issued share capital of the Company as of 31 December 2021 and approximately 5.459% as of the date of this Annual Report.

During the Reporting Period, no options under the Share Option Scheme were expired, cancelled or exercised.

Maximum entitlement of each participant

No participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to such person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in general meeting with the proposed participant and his associates abstaining from voting) would exceed 1% of the Shares in issue from time to time.

Period within which the Shares must be taken up under an option

The period during which an option may be exercised by a Grantee (the "**Exercise Period**") shall be the period to be determined and notified by the Board to the Grantee at the time of making an offer, which shall not expire later than 10 years from the date of grant.

Subject to any restrictions applicable under the Listing Rules, an option may be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) by the Grantee at any time during the Exercise Period in accordance with the terms of the Share Option Scheme and the terms on which the option was granted. If the vesting of Shares underlying an option is subject to the satisfaction of performance or other conditions and such conditions are not satisfied, the option shall lapse automatically on the date on which such conditions are not satisfied in respect of the relevant Shares underlying the option.

Acceptance of an Offer

An offer of the grant of an option is accepted by the Participant (the "**Grantee**") when the Company receives from the Grantee the duplicate notice of grant duly executed by the Grantee and a remittance of the sum of HK$1.00 (or such other amount in any other currency as the Board determines) as consideration for the grant of the option. Such remittance is not refundable in any circumstances. An offer may be accepted in full or in part, provided that if it is accepted in part, the acceptance must in respect of a board lot of Shares or an integral multiple thereof.

The offer shall remain open for acceptance for such time to be determined by the Board, provided that no such offer shall be open for acceptance after the expiry of the Term or after the Participant to whom the offer is made has ceased to be a Participant. To the extent that the offer is not accepted within the time period and in the manner specified in the offer, the offer will be deemed to have been irrevocably declined and will lapse.

Determination of the Exercise Price

The price per Share at which a Grantee may subscribe for Shares upon the exercise of an option (the "**Exercise Price**") shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, which must be a business day;

(b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of the Shares.

Life of the Share Option Scheme

Subject to the early termination of the Share Option Scheme pursuant to the terms thereof, the Share Option Scheme is effective for a period of 10 years commencing on the date of adoption on 21 September 2015.

SUB-PLAN: THE RESTRICTED SHARE UNIT SCHEME

Pursuant to the LTIP, on 21 September 2015, the Company adopted the RSU Scheme pursuant to which it may grant restricted share units ("**RSUs**"). The terms of the RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

Report of the Directors (Continued)

As of 1 January 2021, there were outstanding 2,102,349 Shares (representing approximately 0.604% of the then issued share capital of the Company) underlying options granted pursuant to the RSU Scheme. During the year ended 31 December 2021, the Company had granted RSUs pursuant to the RSU Scheme to directors, senior management and employees of the Group for an aggregate of 1,297,798 RSUs representing 0.379% of the issued share capital of the Company as of 31 December 2021. As of 31 December 2021, there were outstanding 2,397,235 Shares (representing approximately 0.701% of the then issued share capital of the Company) underlying options granted pursuant to the RSU Scheme. Details of the RSUs outstanding are set out below:

			Number of Shares under RSUs				
Name of Grantee	Date of Grant	Vesting Period	Outstanding at 1 January 2021	Granted during the year	Exercised during the year	Expired/ lapsed/ cancelled during the year	Outstanding at 31 December 2021
Directors							
Edwin Tan	9 December 2019	Three years from date of grant[1]	47,695		23,491		24,204
	12 March 2020	Three years from date of grant[2]	304,412		100,456		203,956
	9 March 2021	Three years from date of grant[3]	–	221,499			221,499
	9 March 2021	Two years from date of grant[4]	–	95,051			95,051
Jiande Chen	7 March 2017	Four years from date of grant[5]	24,032		24,032		–
	7 March 2018	Four years from date of grant[6]	46,256		21,024		25,232
	7 March 2019	Four years from date of grant[7]	82,587		25,808		56,779
	12 March 2020	Three years from date of grant[2]	142,059		46,879		95,180
	6 May 2021	Three years from date of grant[8]	–	45,596			45,596
Jim Athanasopoulos	1 August 2018	Three years from date of grant[9]	43,323	–	43,323		–
	1 August 2019	Three years from date of grant[10]	120,702	–	56,328		64,374
	8 December 2020	32 months from date of grant [11]	253,845	–	83,768		170,077
	9 March 2021	Two years from date of grant[4]	–	38,393			38,393
	1 August 2021	Three years from date of grant[15]	–	335,006			335,006
Mei-Hui (Jessie) Chou	7 March 2017	Four years from date of grant[5]	12,016	–	12,016		–
	7 March 2018	Four years from date of grant[6]	33,040	–	15,017		18,023
	7 March 2019	Four years from date of grant[7]	58,991	–	18,434		40,557
	12 March 2020	Three years from date of grant[2]	101,471	–	33,485		67,986
	9 March 2021	Three years from date of grant[3]	–	92,291			92,291
	9 March 2021	Two years from date of grant[4]	–	38,393			38,393
Senior Management							
Karl Yuan	7 March 2017	Four years from date of grant[5]	6,008		6,008		–
	7 March 2018	Four years from date of grant[6]	19,824		9,010		10,814
	7 March 2019	Four years from date of grant[7]	35,395		11,060		24,335
	12 March 2020	Three years from date of grant[2]	60,882		20,293		40,589
	9 March 2021	Three years from date of grant[3]	–	55,375			55,375
Yifan (Yvonne) He	9 March 2021	Three years from date of grant[3]	–	55,375			55,375
Employees	7 March 2017	Four years from date of grant[5]	17,308		17,308		–
Employees	7 March 2018	Four years from date of grant[6]	58,596		26,626		31,970
Employees	7 March 2019	Four years from date of grant[7]	129,785		40,553		89,232
Employees	7 March 2019	Two years from date of grant[12]	45,226		44,636	590	–
Employees	1 August 2019	Four years from date of grant[13]	19,313		6,035		13,278
Employees	12 March 2020	Two years from date of grant[14]	80,379			14,614	65,765
Employees	12 March 2020	Three years from date of grant[2]	359,204		119,734		239,470
Employees	9 March 2021	Three years from date of grant[3]	–	138,435			138,435
Total			**2,102,349**	**1,115,414**	**805,324**	**15,204**	**2,397,235**

Notes:
(1) The vesting schedule is as follows: 33%, 33% and 34% on each of 9 December 2020, 9 December 2021 and 9 December 2022, respectively.
(2) The vesting schedule is as follows: 33%, 33% and 34% on each of 12 March 2021, 12 March 2022 and 12 March 2023, respectively.
(3) The vesting schedule is as follows: 33%, 33% and 34% on each of 7 March 2022, 7 March 2023 and 7 March 2024, respectively.
(4) The vesting schedule is as follows: 50% and 50% on each of 7 March 2022 and 7 March 2023, respectively.
(5) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2018, 7 March 2019, 7 March 2020 and 7 March 2021, respectively.
(6) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2019, 7 March 2020, 7 March 2021 and 7 March 2022, respectively.
(7) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2020, 7 March 2021, 7 March 2022 and 7 March 2023, respectively.
(8) The vesting schedule is as follows: 33%, 33% and 34% on each of 6 May 2022, 6 May 2023, and 6 May 2024, respectively.
(9) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2019, 1 August 2020 and 1 August 2021, respectively.
(10) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2020, 1 August 2021 and 1 August 2022, respectively.
(11) The vesting schedule is as follows: 33%, 33% and 34% on each of 1 August 2021, 1 August 2022, and 1 August 2023, respectively.
(12) The vesting schedule is as follows: 100% on 7 March 2021.
(13) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 1 August 2020, 1 August 2021, 1 August 2022 and 1 August 2023, respectively.
(14) The vesting schedule is as follows: 100% on 12 March 2022.
(15) The vesting schedule is as follows: 33%, 33% and 34% on each of 1 August 2022, 1 August 2023, and 1 August 2024, respectively.

The RSUs do not carry any right to vote at general meetings of the Company, or any dividend, transfer or other rights (including those arising on the liquidation of the Company).

No grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of a RSU pursuant to the RSU Schemes, unless and until the Share underlying the RSU is actually allotted and issued or transferred (as the case may be) to the grantee upon the vesting of such RSU.

SUB-PLAN: THE PERFORMANCE-BASED RESTRICTED SHARE UNIT SCHEME

Pursuant to the LTIP, on 12 March 2020, the Company adopted the PSU Scheme pursuant to which it may grant performance-based restricted share units. The terms of the PSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the PSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

As of 31 December 2021, there were outstanding 598,867 performance-based restricted stock units ("**PSUs**") (representing approximately 0.175% of the then issued share capital of the Company) granted pursuant to the PSU Scheme to directors, senior management and employees of the Group. Details of the PSUs outstanding are set out below:

			Number of Shares under PSUs				
Name of Grantee	**Date of Grant**	**Vesting Period**	**Outstanding at 1 January 2021**	**Granted during the year**	**Exercised during the year**	**Expired/ lapsed/ cancelled during the year**	**Outstanding at 31 December 2021**
Directors							
Edwin Tan	12 March 2020	Three years from date of grant[1]	101,471	–	–	–	101,471
	9 March 2021	Three years from date of grant[2]		73,833			73,833
Jiande Chen	12 March 2020	Three years from date of grant[1]	47,353	–	–	–	47,353
Jim Athanasopoulos	8 December 2020	27 months from date of grant[1]	84,615	–	–	–	84,615
	1 August 2021	27 months from date of grant[2]	–	111,669	–	–	111,669
Mei-Hui (Jessie) Chou	12 March 2020	Three years from date of grant[1]	33,824		–	–	33,824
	9 March 2021	Three years from date of grant[2]	–	30,764	–	–	30,764
Senior Management							
Yifan (Yvonne) He	9 March 2021	Three years from date of grant[2]	–	18,458	–	–	18,458
Employees	12 March 2020	Three years from date of grant[1]	50,735	–	–	–	50,735
Employees	9 March 2021	Three years from date of grant[2]	–	46,145	–	–	46,145
Total			**317,998**	**280,869**	**–**	**–**	**598,867**

Notes:

(1) The PSUs granted will vest in whole or in part promptly following the public disclosure of the Company's financial statements for the year of 2022 based on fulfillment of relevant performance conditions over a three-year performance period commencing on 1 January 2020 and ending on 31 December 2022.

(2) The PSUs granted will vest in whole or in part promptly following the public disclosure of the Company's financial statements for the year of 2023 based on fulfillment of relevant performance conditions over a three-year performance period commencing on 1 January 2021 and ending on 31 December 2023.

(3) Where the average annual EBITDA growth of the Company over a performance period is greater than 12.5%, the grantees will be entitled to up to a maximum of 75% additional PSUs relevant to such performance period which will vest upon grant.

The PSUs do not carry any right to vote at general meetings of the Company, or any dividend, transfer or other rights (including those arising on the liquidation of the Company).

No grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of a PSU pursuant to the PSU Schemes, unless and until the Share underlying the PSU is actually transferred to the grantee upon the vesting of such PSU.

Please refer to the Company's announcement dated 12 March 2020 in relation to the adoption of the PSU Scheme for further details.

SHARES ISSUED

Save for Shares issued upon the exercise of options granted pursuant to the LTIP, the Share Option Scheme and the RSU Scheme, no Shares were issued during the year ended 31 December 2021.

EQUITY-LINKED AGREEMENTS

Save for the LTIP, Share Option Scheme, RSU Scheme, and the PSU Scheme of the Group as set out in this section, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the year ended 31 December 2021, the Company conducted share repurchases of 6,664,700 listed Shares on the Stock Exchange pursuant to a general mandate granted by the Shareholders to the Directors during the annual general meeting held on 6 May 2021 and resolutions of the Board adopted on 27 July 2021. The following table outlines details of the shares repurchased on a monthly basis.

Month	Number of shares repurchased	Highest price per share HK$	Lowest price paid per share HK$	Average price paid per share HK$	Aggregate price paid HK$
July 2021	254,500	11.00	10.38	10.77	2,741,458.35
August 2021	2,239,000	11.34	9.92	10.58	23,692,210.50
September 2021	1,075,500	11.84	11.22	11.59	12,466,345.59
November 2021	2,251,500	13.02	11.70	12.53	28,219,725.16
December 2021	844,200	12.90	12.48	12.71	10,733,147.88
	6,664,700				77,852,887.48

The Board believed that the Shares had been trading at a level which did not reflect the underlying value of the Company prior to the share repurchases and that the share repurchases would enhance the earnings per Share and overall shareholder return.

In addition, 149,481 listed Shares, 149,482 listed Shares, 182,384 listed Shares, 206,910 listed Shares, 155,300 listed Shares, 46,600 listed Shares, 90,900 listed Shares and 44,900 listed Shares were purchased through Computershare Hong Kong Trustees Limited, the trustee engaged by the Company for administering its restricted share unit scheme, on 11 March 2021 at an average price per share of HK$16.4006, on 15 March 2021 at an average price per share of HK$17.4695, on 14 May 2021 at an average price per share of HK$14.4385, on 15 June 2021 at an average price per share of HK$12.2711, on 16 December 2021 at an average price per share of HK$12.0761, on 17 December 2021 at an average price per share of HK$11.9997, on 20 December 2021 at an average price per share of HK$12.0923, and on 21 December 2021 at an average price per share of HK$12.2231, respectively, for satisfying, or preparing for the satisfaction of, the vesting of the relevant restricted share units.

Save for the above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

CHARGES ON GROUP ASSETS

At 31 December 2021, there were no finance charges on the Group's assets.

DEBENTURE ISSUED

The Group has not issued any debenture during the year ended 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules since the Listing Date.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Company's Articles of Association that require the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the Shares.

AUDITOR

Our external auditor, PricewaterhouseCoopers, will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

COMPLIANCE WITH LAWS AND LITIGATION

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects during 2021. The Group did not have any material litigation outstanding as at 31 December 2021.

On behalf of the Board

Richard Gelfond
Chairman

Corporate Governance Report

The Board of Directors is pleased to present this Corporate Governance Report for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Company and its Shareholders. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the CG Code. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

Mr. Richard Gelfond, the Chairman of the Company, was unable to attend the annual general meeting of the Company convened on 6 May 2021 due to other important business commitments. Mr. Gelfond appointed Mr. Jim Athanasopoulos, an Executive Director and the Chief Financial Officer and Chief Operating Officer of the Company, to be his delegate as the Chair of the Board and as the Chair of the Nomination Committee to attend, chair and answer questions at the annual general meeting. Saved as disclosed above, during the Reporting Period, the Company has complied with all the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted the Directors' dealing policy on 21 September 2015 in order to ensure compliance with the Model Code. The terms of the Directors' dealing policy are no less exacting than those set out in the Model Code. Having made specific enquiry of the Directors, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code and the Company's own Directors' dealing policy during the Reporting Period.

QUARTERLY REPORTING BY IMAX CORPORATION

The Company's ultimate controlling shareholder, IMAX Corporation, is listed on the New York Stock Exchange and, as a reporting company under the United States Securities Exchange Act of 1934, as amended. Each quarter, IMAX Corporation issues press releases in the United States announcing its quarterly (or year-end) earnings results and files reports with the Securities Exchange Commission (the "**SEC**") relating to its quarterly (or year-end) financial information. Information in the earnings press release and SEC filings is presented in accordance with U.S. GAAP.

At the same time as IMAX Corporation releases its earnings releases and makes its SEC filings, the Company makes an announcement on the Stock Exchange pursuant to Rule 13.09 of the Listing Rules and Part XIVA of SFO extracting the key highlights of the earnings release and quarterly report pertaining to the Group.

Corporate Governance Report (Continued)

BOARD OF DIRECTORS

Role of the Board

The Board governs the Company and is responsible for overall leadership and control of the Group. The Board works to promote the success of the Group through oversight and direction of the Group's business dealings. The Board implements overall strategic priorities for the Company, exercising a number of reserved powers to, among other things, approve and adopt the annual budget, approve significant capital investments and the incurrence of significant debt, and oversees and monitors the overall performance of management. The Board is provided with all necessary resources including the advice of external auditor, external attorneys and other independent professional advisors as needed. Other than those matters reserved for approval by the Board, the Board has delegated day-to-day management of the Company to senior management.

Board Composition

The Company has a Board with a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors).

The Board currently comprises 10 members, consisting of three Executive Directors, three Non-executive Directors and four Independent Non-executive Directors as follows:

- Executive Directors: Mr. Edwin Tan, Mr. Jim Athanasopoulos and Ms. Mei-Hui (Jessie) Chou;
- Non-executive Directors: Mr. Richard Gelfond (Chairman), Ms. Megan Colligan and Mr. Jiande Chen; and
- Independent Non-executive Directors: Mr. John Davison, Ms. Yue-Sai Kan, Ms. Dawn Taubin and Mr. Peter Loehr.

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 49 to 55 of this Annual Report.

Save for the directorship and senior management roles in IMAX Corporation held by Mr. Richard Gelfond and Ms. Megan Colligan, there is no particular relationship (including financial, business, family or other material or relevant relationship) between or among any members of the Board.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Richard Gelfond and Mr. Edwin Tan, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the year ended 31 December 2021, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of Independent Non-executive Directors representing at least one-third of the Board.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the Independent Non-executive Directors has been appointed for a term of three years in accordance with the Company's Articles of Association.

Appointment and Re-election of Directors

All the Directors are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association and any new Director appointed to fill a casual vacancy or as an addition to the Board shall be re-elected at the next following annual general meeting after appointment.

Each of the Non-executive Directors has been appointed for a term of three years in accordance with the Company's Articles of Association.

Attendance Records of Directors

During the Reporting Period, the Company convened five board meetings. The attendance record of the Directors is set out below.

Name of Director	Number of board meeting attended in person/held during the Reporting Period	Number of board meeting attended by proxy/held during the Reporting Period
EXECUTIVE DIRECTORS		
Mr. Edwin Tan	4/5	1/5[1]
Mr. Jim Athanasopoulos	4/5	1/5[1]
Ms. Mei-Hui (Jessie) Chou	4/5	1/5[1]
NON-EXECUTIVE DIRECTORS		
Mr. Richard Gelfond	4/5	1/5[1]
Ms. Megan Colligan	4/5	1/5[1]
Mr. Jiande Chen	4/5	1/5[1]
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Ms. Yue-Sai Kan	3/5	1/5[1]
Mr. John Davison	4/5	1/5[1]
Ms. Dawn Taubin	4/5	1/5[1]
Mr. Peter Loehr	4/5	1/5[1]

Notes:

(1) The directors attended one board meeting by proxy to approve the extension of the excise period of the share options granted to Mr. Jim Athanasopoulos prior to the Company's listing under the LTIP. Given the brief agenda of such meeting, the directors received and reviewed the meeting agenda and papers in advance of the meeting and instructed the proxy to vote (or abstain from voting) and report back to the directors on the proceedings of the meeting. The directors had also reviewed and approved the meeting minutes.

All directors except for Mr. Richard Gelfond attended the annual general meeting held on 6 May 2021. Mr. Richard Gelfond, the Chairman of the Company, was unable to attend the annual general meeting of the Company convened on 6 May 2021 due to other important business commitments. Mr. Gelfond appointed Mr. Jim Athanasopoulos, an Executive Director and the Chief Financial Officer and Chief Operating Officer of the Company, to be his delegate as the Chair of the Board and as the Chair of the Nomination Committee to attend, chair and answer questions at the annual general meeting.

The Company has convened at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1. of the CG Code and expects to continue to do so in the future.

According to code provision A.2.7 of the CG Code, apart from the regular board meetings above, the Chairman of the Board also held meetings with the Independent Non-executive Directors without the presence of other Directors during the year.

Continuous Professional Development of Directors

Each Director has kept abreast of his or her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

The Company acknowledges the importance of Directors participating in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors have been arranged and reading material on relevant topics have been issued to the Directors, where appropriate.

Prior to or soon after their appointment as Directors of the Company, all Directors received comprehensive training regarding their duties and responsibilities as Directors of a Hong Kong listed company, as well as regarding Hong Kong corporate governance and the Listing Rules. All Directors are encouraged to participate in continuous professional training to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the Reporting Period, the Directors attended a training provided by a Hong Kong law firm on the regulatory updates in 2021 on 26 May 2021. The Directors have provided records of their training during the Reporting Period as follows:

Name of Director	Attending training
Executive Directors:	
Edwin Tan	1/1
Jim Athanasopoulos	1/1
Mei-Hui Chou (Jessie)	1/1
Non-executive Directors:	
Richard Gelfond	1/1
Megan Colligan	1/1
Jiande Chen	1/1
Independent Non-executive Directors:	
John Davison	1/1
Yue-Sai Kan	1/1
Dawn Taubin	1/1
Peter Loehr	1/1

BOARD COMMITTEES

The Board has received appropriate delegation of its functions and powers and has established appropriate Board committees, with specific written terms of reference in order to manage and monitor specific aspects of the Group's affairs. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange and are available to the Shareholders upon request. The Board and the Board committees are provided with all necessary resources including the advice of external auditor, external legal advisers and other independent professional advisors as needed.

In relation to the Board's corporate governance functions, the Board has determined the policy of the corporate governance of the Company and has fulfilled its duties by firstly, developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; secondly, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; thirdly, developing and monitoring the codes of conduct applicable to employees and the Directors of the Company; fourthly, reviewing the Company's compliance with the CG Code and disclosure in the CG Report, and lastly, receiving and monitoring the training and continuous professional development of Directors and senior management of the Company.

Audit Committee

The Company has set up an audit committee on 27 May 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and of the CG Code. The terms of reference was updated on 30 November 2018 to reflect changes to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group, maintain an appropriate relationship with the Company's auditor and provide advice and comments to the Board.

Summary of Work

- Reviewed the Group's half-yearly and annual financial results
- Reviewed the annual internal audit plan
- Reviewed the external auditor's statutory audit scope for 2021
- Reviewed significant findings of the internal audit department, external auditor and regulators, and management's response to their recommendations
- Reviewed the adequacy and effectiveness of the Group's risk management and internal control systems and its accounting, financial reporting and internal audit functions
- Reviewed and monitored the external auditor's independence and engagement to perform non-audit services
- Approved the 2021 external audit engagement and fees

The audit committee consists of three members: Mr. John Davison, an Independent Non-executive Director; Ms. Dawn Taubin, an Independent Non-executive Director; and Mr. Richard Gelfond, a Non-executive Director. Mr. John Davison is the Chair of the audit committee.

The audit committee held two meetings during the Reporting Period. The attendance record of these meetings is set out below:

Name of committee member	Number of meetings held/attended during the Reporting Period	Attendance rate
John Davison	2/2	100%
Dawn Taubin	2/2	100%
Richard Gelfond	2/2	100%

Remuneration Committee

The Company has set up a remuneration committee on 27 May 2015 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and of the CG Code. The primary duties of the remuneration committee are to assist the Board in determining the policy and structure for the remuneration of Directors and senior management, evaluating the performance of Directors and senior management, reviewing and approving incentive schemes and Directors' service contracts and fixing the remuneration packages for all Directors and senior management. The remuneration packages of all Directors and senior management are determined by the remuneration committee in accordance with the committee's written terms of reference, and with the delegated authority of the Board. Determination of such matters is based on the Group's performance and the Directors' and senior management members' respective contributions to the Group.

The remuneration committee consists of three members: Ms. Yue-Sai Kan, an Independent Non-executive Director; Mr. John Davison, an Independent Non-executive Director; and Ms. Megan Colligan, a Non-executive Director. Ms. Yue-Sai Kan is the Chair of the remuneration committee.

The remuneration committee did not hold meetings during the Reporting Period.

During the Reporting Period, the remuneration committee reviewed and recommended grants of RSUs and PSUs to employees and Directors.

Details of the remuneration of each Director of the Company for the year ended 31 December 2021 are set out in note 27 to the Consolidated Financial Statements contained in this Annual Report.

Details of remuneration of the members of the senior management by band for the year ended 31 December 2021 are set out in note 27 to the Consolidated Financial Statements contained in this Annual Report.

Nomination Committee

The Company has set up a nomination committee on 27 May 2015 with written terms of reference in compliance with the CG Code. The primary duties of the nomination committee are to identify, screen and recommend to the Board appropriate candidates to serve as Directors of the Company and to oversee the process for evaluating the performance of the Board. In reviewing the composition of the Board, the nomination committee considers the skills, knowledge and experience and also the desirability of maintaining a balanced composition of executive and non-executive Directors (including independent non-executive Directors).

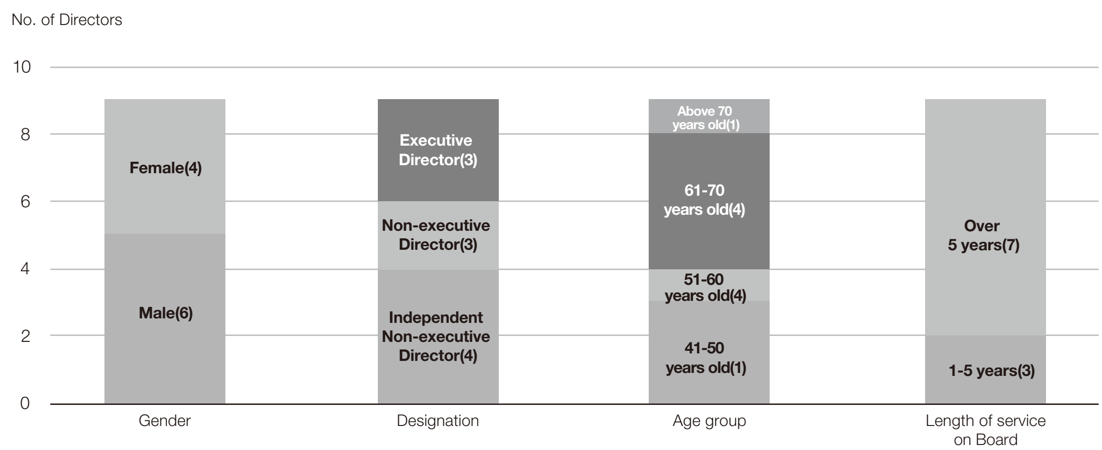
The nomination committee consists of three members: Mr. Richard Gelfond, a Non-executive Director; Ms. Yue-Sai Kan, an Independent Non-executive Director; and Mr. Peter Loehr, an Independent Non-executive Director. Mr. Richard Gelfond is the Chair of the nomination committee.

In November 2018, the Company adopted a Director Nomination Policy and a Board Diversity Policy. The Director Nomination Policy ensures that the Board has a balance of skills, experience and diversity of perspectives and ensures Board continuity and appropriate leadership at the Board Level. The Board Diversity Policy sets out factors that will be taken into account in order to achieve a diversity of perspectives among members of the Board.

Pursuant to these policies, in selecting candidates, the Board and the nomination committee should consider a large number of factors including but not limited to character and integrity, independence, diversity, gender, age, cultural and educational background, competencies, skills, experience, availability of service to the Company, tenure and the Board's anticipated needs in order to achieve a diverse Board with directors from different backgrounds with varying perspectives, professional experience, education and skills. In addition, the nomination committee reports on the composition of the Board from the perspective of diversity, and sets and reviews measurable objectives for the implementation of the Board Diversity Policy.

Upon receipt of a proposal on appointment of new Directors, the Board and the nomination committee should evaluate such candidates based on the criteria as set out above to determine whether such candidates are qualified for directorship. The nomination committee and/or the Board should rank them by order of preference and the nomination committee should then make recommendation to the Board. Where appropriate, the nomination committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Directors at a general meeting. For re-election of Directors, the nomination committee and/or the Board should review the overall contribution and service to the Company of the retiring Directors and the level of participation and performance by such Directors on the Board. The nomination committee and/or the Board should also review and determine whether the retiring Directors continue to meet the criteria as set out above. The nomination committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Directors at a general meeting.

The nomination committee considered that the composition of the Board remains sufficiently diverse considering factors including (but not limited to) gender, age, cultural and educational background and industry experience. An analysis of the Board's current composition is set out in the following chart:



The nomination committee did not hold meetings during the Reporting Period.

In accordance with Article 16.18 of the Company's Articles of Association, Mr. Richard Gelfond, Ms. Dawn Taubin, Mr. Jiande Chen and Mr. Peter Loehr will retire from office by rotation at the forthcoming annual general meeting. All retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

FINANCIAL REPORTING

Directors' Responsibility

The Directors acknowledge their responsibility for the preparation and true and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee and the disclosure requirements of the Hong Kong Companies Ordinance.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as at 31 December 2021. Accordingly, the Directors have prepared the Financial Statements for the year ended 31 December 2021 on a going concern basis. During the Reporting Period, the Directors assessed the Company's processes for financial reporting and determined them to be effective and adequate.

Auditor's Responsibility

A statement by the external auditor of the Company, PricewaterhouseCoopers, is included in the Independent Auditor's Report on pages 138 to 145 of this Annual Report.

Auditor's Remuneration

Fees for auditing and non-auditing services provided by our external auditor, PricewaterhouseCoopers, for the year ended 31 December 2021 are included in note 8 to the Consolidated Financial Statements. The major non-audit services provided by our external auditor for the year ended 31 December 2021 mainly include services in connection with tax advisory and the preparation of our ESG report.

INTERNAL CONTROLS

The Company and the Group have set up an internal audit function since the Company's formation. The internal audit function was performed fully during 2021 following an annual audit plan and routine testing. The Company's audit committee reviewed the Company's internal audit function and the risk management and internal control systems in respect of the year ended 31 December 2021 and considered that they are effective and adequate. The Board conducted a review of the internal control system of the Company and its subsidiaries for the year ended 31 December 2021, including financial, operational and compliance control, and risk management functions. The Board assessed the effectiveness of internal control by considering the reviews performed by the audit committee. The Company complies with the code provisions relating to internal control contained in the CG Code.

JOINT COMPANY SECRETARIES

During the Reporting Period, Ms. Yifan (Yvonne) He, our General Counsel, and Ms. Chan Wai Ling of Tricor Services Limited ("**Tricor**"), our external service provider of company secretarial services, were joint company secretaries of the Company.

During the Reporting Period, Tricor's primary contact person at the Company was Ms. Yifan (Yvonne) He. During the Reporting Period, both Ms. He and Ms. Chan Wai Ling took no less than 15 hours of relevant professional training to update their respective skills and knowledge.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meeting by Shareholders

Pursuant to article 12.3 of the Company's Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened by two or more Shareholders depositing a written requisition at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office, specifying the objects of the meeting and signed by the requisitionists. The requisitionists should hold as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings.

General meetings may also be convened on the written requisition of a Shareholder which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist. The requisitionist should hold as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings.

If the Board does not, within 21 days from the date of deposit of the requisition, proceed to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for Shareholders to propose a person for election as a Director of the Company

The procedures for Shareholders to propose a person for election as a Director of the Company were reviewed and recommended by the nomination committee, and approved and adopted by the Board on 21 September 2015.

INVESTOR RELATIONS

Shareholders' Enquiries and Proposals

Enquiries from Shareholders for the Board or the Company, or proposals from Shareholders for shareholders' meetings may be directed to IMAX China Investor Relations at IRchina@imax.com.

Changes to the contact details above will be communicated through our Company's website at www.imax.cn, which also posts information and updates on the Company's business developments and operations, as well as press releases and financial information.

Shareholders' Communication Policy

The Company's shareholders' communication policy was approved and adopted by the Board on 21 September 2015. The shareholders' communication policy is available for viewing on our Company's website at www.imax.cn.

Changes in Articles of Association

The Company's current Articles of Association were adopted on 21 September 2015, effective on the Company's Listing, and are available for viewing on the websites of the Company and the Stock Exchange. There have been no changes in the Company's Articles of Association during the Reporting Period.

Shareholders' Meetings

An annual general meeting of the Shareholders of the Company was held on 6 May 2021. Save as disclosed above, there was no other shareholders' meeting held during the Reporting Period.

RISK MANAGEMENT

In January 2016, the Company established a risk management program to ensure that all material risks to which the Company is exposed are properly identified, assessed, managed, monitored and reported on a common set of guidelines and, where necessary, are escalated to senior management, the Audit Committee and the Board. The fundamental objective of this program is to support shareholder value growth while ensuring commitments to stakeholders are met, and the Company's reputation and capital are protected.

In connection with its Company's risk management program, in 2016, the Company adopted a risk management policy which sets out group-wide risk management policies and processes through a common risk management methodology.

Risk Management Philosophy

Risk taking is a necessary and accepted part of the Company's business. Effectively managing risk is a competitive necessity and an integral part of creating shareholder value through good business practices designed to ensure that the Company achieves its strategic, business and governance objectives, and protects its corporate reputation, values and integrity.

Risk management applies to all aspects of the Company's business and forms a critical part of developing strategic plans, preparing operational plans and budgets, completing detailed project approval requests and designing and managing project plans.

The Company does not engage in speculative activity which is defined as a profit-seeking activity unrelated to the Company's primary business.

Risk Management Responsibility

The Board acknowledges that it is responsible for the oversight of the Company's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, through the Audit Committee, is responsible for reviewing and assessing the major risks facing the Company and reviewing, approving and monitoring the Company's approach to addressing such risks annually.

Under its terms of reference, the Audit Committee is responsible for the oversight of the Company's risk management systems. The Audit Committee oversees the risk management process and reviews the effectiveness of the risk management and internal control systems by conducting the following procedures:

- Reviewing the Company's risk management program and policy.
- Reviewing with senior management at least annually reports demonstrating compliance with the risk management policy.
- Discussing with senior management at least annually the Company's major risk exposures and the steps senior management has taken or should take to assess and treat such exposures.
- Reviewing the ongoing effectiveness of the Company's risk management practices.

Senior management is responsible for administering the Company's risk management program and is accountable for ensuring that the Company's business operations are conducted in compliance with our risk management policy, taking into consideration changes in the environment and the Company's risk tolerance.

Responsibilities of the Company's senior management include:

- Designing and implementing a Company-wide risk management policy.
- Reviewing and updating the risk management policy on a timely basis, ensuring it remains relevant and adequate, taking into account changes in the environment, industry and the Company's operations and risk profile and, where necessary, recommending changes to the risk management policy for the Audit Committee to review.
- Ensuring that the Company's risk management program is aligned and integrated with the annual strategic and business planning process and vice versa.
- Designing and establishing a risk management methodology which provides the appropriate tools to identify, evaluate, and manage business exposures.

- Establishing a Company-wide risk reporting process to ensure that the Company's senior management, the Audit Committee and the Board of Directors are apprised of all material risk issues and business exposures.

- Ensuring necessary management controls and oversight processes are in place to monitor compliance with the risk management policy and the risk management methodology.

- Approving and monitoring key risk positions and exposure trends, risk management strategies and risk management priorities.

- Reviewing and discussing the Company's overall risk profile, key and emerging risks and risk management activities through periodic risk discussions among senior management.

- Reviewing the key business strategies and initiatives to assess their impact on the Company's overall risk position.

Senior management is accountable for the risks assumed within the Company's operations, including by bearing responsibility for ensuring business strategies align with corporate risk philosophy and culture, and for adhering to the requirements of the policies and processes established under the risk management policy and the risk management methodology.

Risk Management Process

In addition to the Board's oversight responsibilities, the Company has developed a risk management process to identify, evaluate and manage significant risks and to resolve material internal control defects (if any). Senior management, through the Company's Internal Audit function, is responsible for the annual risk reporting process. Members of the Internal Audit function meet with various members of the senior management to review and assess risks and discuss solutions to address material internal control defects (if any), including any changes relevant to a given year. Risks are compiled, ratings are assigned and mitigation plans are documented. The risk assessment is reviewed by certain members of senior management and presented to the Audit Committee and the Board for their review.

Risks are evaluated by the Board and senior management based on (i) the severity of the impact of the risk on the Company's financial results; (ii) the probability that the risk will occur; and (iii) the velocity or speed at which a risk could occur.

Based on the risk evaluation, the Company will manage the risks as follows:

- ***Risk elimination*** — senior management may identify and implement certain changes or controls that in effect eliminate the risk entirely.

- ***Risk mitigation*** — senior management may implement a risk mitigation plan designed to reduce the likelihood, velocity or the severity of the risk to an acceptable level.

- ***Risk retention*** — senior management may decide that the risk rating is low enough that the risk is acceptable for the Company and that no action is required. The risk would continue to be monitored as part of the risk management program to ensure the level of risk does not increase to an unacceptable level.

Reporting, monitoring and evaluating are essential and integral parts of managing risk. Senior management has established an annual risk reporting process to gather risk issues affecting the Company. A risk template has been developed to assist in the identification, documentation, assessment and management of risk exposures.

At least annually, senior management submits a comprehensive risk management status report to the Audit Committee outlining the following items:

- Updates to the risk management policy (if any)
- Confirmation of compliance with the risk management policy
- Summary of risk assessments performed by the Company
- Emerging risk issues

The results of the annual risk assessment are considered in various areas of the business, including, but not limited to:

- The Company’s reporting related to risk disclosures;
- Assessing adequacy of the Company’s insurance coverage; and
- Assessing areas of higher risk as they relate to the Company’s internal controls.

Inside Information

During the Reporting Period, the Company’s Chief Financial Officer and General Counsel assessed the likely impact of any unexpected and significant event that may impact the price of the Shares or their trading volume and decided whether the relevant information should be considered inside information and need to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. Executive Directors and General Counsel also may have responsibility for approving certain announcements and/or circulars to be issued by the Company under powers delegated by the Board from time to time.

2021 Risk Management and Internal Control Process

During 2021, the Company has ensured that the risk management and internal control provisions under the CG Code have been complied with. The Board, during its annual review on the risk management and internal control systems, has confirmed the adequacy of the resources, staff qualifications and experiences, training programmes and budget of the Company’s accounting, internal audit and financial reporting functions.

During 2021, members of the Internal Audit function, on behalf of the Audit Committee and the Company, conducted one-on-one interviews with key executives to understand the Company's risks and mitigation strategies. The Internal Audit department documented the risks, together with their respective ratings, scoping considerations and mitigating factors in a risk assessment presentation. The risk assessment presentation was reviewed and commented on by the Company's Chief Financial Officer as well as by the Chair of the Audit Committee. After being revised to reflect those comments, the risk assessment presentation was distributed to the Audit Committee. The risk assessment presentation, together with the Company's risk management policy, were reviewed by the Audit Committee at its year-end meeting, including a discussion of the risks facing the Company as well as the appropriate risk mitigation strategies. After the completion of its review, the Audit Committee concluded that the Company had in place effective and adequate risk management and internal control systems.

Significant Risks Facing the Company

The Company's 2021 risk management process identified the following as the most significant risks facing the Company:

Risks Related to IMAX DMR Films and Expansion of IMAX Theatre Network — An important factor affecting the growth and success of the IMAX network is the availability and strategic selection of films for IMAX theaters and the box office performance of such films. The Company relies on films produced by third-party filmmakers and studios, including both Hollywood and local language features converted into the Company's format. In 2021, 34 IMAX films were released to the Company's network. There is no guarantee that filmmakers and studios will continue to release films to the IMAX network, or that the films selected for release to the IMAX network will be commercially successful. The Company is directly impacted by the commercial success and box office results of the films released to the IMAX network through its joint revenue sharing arrangements, as well as through the percentage of the box office receipts the Company receives from the studios releasing IMAX films, and the Company's continued ability to secure films, find suitable partners for joint revenue sharing arrangements and to sell IMAX Theater Systems. The commercial success of films released to IMAX theaters depends on a number of factors outside of the Company's control, including whether the film receives critical and consumer acclaim, the timing of its release, the success of the marketing efforts of the studio releasing the film, consumer preferences and trends in cinema attendance. Moreover, films can be subject to delays in production or changes in release schedule, which can negatively impact the number, timing and quality of IMAX films released to the Company's theater network.

In addition, conflicts in release schedules of Hollywood and local language films may make it difficult to release certain IMAX films in the market.

The Company depends principally on commercial movie exhibitors to purchase or lease IMAX Theater Systems, to supply box office revenue under joint revenue sharing arrangements and under its sales and sales-type lease agreements and to supply venues in which to exhibit IMAX films. The Company can make no assurances that exhibitors will continue to do any of these things.

The Company is unable to predict the pace at which exhibitors will purchase or lease IMAX Theater Systems or enter into joint revenue sharing arrangements with the Company, or whether any of the Company's existing exhibitor customers will continue to do any of the foregoing. If exhibitors choose to reduce their levels of expansion, negotiate less favorable economic terms, or decide not to enter into transactions with the Company, the Company's revenues would not increase at an anticipated rate and motion picture studios may be less willing to convert their films into the Company's format for exhibition in commercial IMAX theaters. As a result, the Company's future revenues and cash flows could be adversely affected..

Risks Related to the Company's China Operations — the Company conducts business in China, which exposes it to uncertainties and risks that could negatively affect its operations, sales, and future growth prospects. There are a number of risks associated with operating in the China market that could negatively affect the Company's operations, sales and future growth prospects. These risks include:

- new restrictions on access to the market or business scope restrictions, for foreign entities, both for IMAX Theater Systems and films;
- unusual or burdensome foreign laws or regulatory requirements or unexpected changes to those laws or requirements, including censorship of content that may restrict what films the Company's theaters can present;
- new tariffs, trade protection measures, import or export licensing requirements, trade embargoes, sanctions, and other trade barriers between China and countries the Company imports from, including but not limited to, the USA and Canada;
- reliance on local partners, including in connection with joint revenue sharing arrangements;
- inability to complete installations of IMAX Theater Systems, including as a result of material disruptions or delays in the Company's supply chains, or collect full payment on installations thereof;
- recognition of intellectual property rights;
- difficulties in enforcing contractual rights;
- inflation; and
- political, economic and social instability, which could result in adverse consequences for the Company's interests

In addition, changes in United States or Canadian foreign policy can present additional risks or uncertainties as the Company continues to expand its operations. Any significant deterioration of the diplomatic relations between the United States or Canada and China may impede the Company's ability to operate theaters and have a negative impact on the Company's financial condition and future growth prospects.

Industry and Competition Environment — The Company's primary customers are commercial multiplex exhibitors. No assurance can be given that significant customers such as Wanda will continue to purchase IMAX Theater Systems and/or enter into joint revenue sharing arrangements with the Company and if so, whether contractual terms will be affected. If the Company does business with Wanda or other large exhibitor chains less frequently or on less favorable terms than currently, the Company's business, financial condition or results of operations may be adversely affected. In addition, an adverse economic impact on a significant customer's business operations could have a corresponding material adverse effect on the Company.

Studio consolidation could result in individual studios comprising a greater percentage of the Company's film slate and overall IMAX DMR revenue, thus exposing the Company to the same risks described above in connection with exhibitor consolidation.

Downturn in the Chinese Economy — China's economic growth has been strong for decades. In 2019, although it had an approximately 6% increase, it was the slowest growth since 2009. The slowdown was further accelerated as a result of the impact of the coronavirus outbreak in China in early 2020. A significant and extended downturn in the Chinese economy could impact ticket sales and also backlog theatres installations which historically have been dependent on new builds. Economic growth are typically accompanied by additional development. The opposite occurs during periods of lower economic growth or market slowdowns. While we believe the cinema industry has historically been more resilient to economic downturns than other industries and lifestyle offerings, including cinema, are becoming more important to shopping mall developers, should the PRC property market experience a slowdown, commercial real estate developers could be negatively affected, which, in turn, could result in a decrease in the general demand for new IMAX theatres and, therefore, negatively affect our business and prospects. These could in turn impact the Company's financial results. To mitigate this risk, the Company has been, and will continue, making efforts to ensure it is financially secure, evaluating the impacts the Chinese economy could have on its operations, and investigating alternatives as the need arises. The Company has been trying to work with financially stable customers, minimize capital outlay, and roll out new commercial laser systems at higher performing locations and utilize used xenon systems in lower tiered locations.

Currency Risk — The Company's revenues are mainly generated in RMB, with a small portion also generated in Hong Kong dollars. However, some significant expenses including the Company's most significant expenses — purchases of theatre system equipment from IMAX Corporation — are settled in US dollar. Accordingly, unfavourable movement in the exchange rate of the RMB against other foreign currencies, particularly the US dollar, may lead to an increase in costs, which could adversely affect the Company's business, financial condition and results of operations. To mitigate this risk, the Company actively monitors its exposure to exchange rates and continues to review its options to further limit exposures to currency movements.

ESG Policies and Performance

Throughout 2021, IMAX China has complied with the "comply or explain" provisions set out in the ESG Reporting Guide. Information about the Company's ESG policies and performance in 2021 is set out in the Environmental, Social and Governance Report on Page 117.

2021 Environmental, Social and Governance Report

ABOUT ESG REPORT

IMAX CHINA HOLDING, INC. (hereinafter referred to as "IMAX China", "the Group" or "We", Stock code: 1970) hereby issues the Group's 2021 Environmental, Social and Governance Report (hereinafter referred to as the "ESG report") for the purposes of assisting all its stakeholders in understanding its concept and practices of sustainable development. This ESG report describes the Group's policies and activities in 2021 that were designed to fulfil the Group's obligations with respect to sustainable development and social responsibilities, as required by the "Environmental, Social and Governance Reporting Guide" (the "ESG Guide") in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Reporting Scope and Principles

This ESG report includes IMAX China and all of its subsidiaries covering the period from January 1 to December 31, 2021. There are no significant changes in the scope of this ESG report from that of the 2020 ESG report published in March 2021. This ESG report is prepared in accordance with the reporting principles of the ESG Guide that include:

- Materiality: The Group identifies key ESG issues through stakeholder engagement and materiality assessment;
- Quantitative: The ESG report discloses the environmental and social key performance indicators in quantitative terms;
- Balance: The ESG report provides an unbiased picture of the Group's performance on ESG management following the principle of balance; and
- Consistency: Methodologies used in the ESG report are consistent with those used in the prior years in terms of data statistics and calculation to ensure the comparability of information.

This ESG report has complied with all the "mandatory disclosure" and "comply or explain" provisions set out in the ESG Guide and has included explanations for any "comply or explain" provisions which are not applicable to the Group.

This ESG report is available in electronic copy which can be viewed on the Group's official website at http://www.imax.cn.

Board Statement

IMAX China attaches great importance to the sustainable development of enterprises, establishing and improving the ESG working mechanism, integrating harmoniously with the environment and society, and creating long-term stable social, environmental and enterprise value.

The Board of Directors bears ultimate responsibility for the ESG management of the Group, and supervises the ESG work of the Group. The Board of Directors has fully implemented the Group's ESG governance in accordance with the ESG Guide, reviewed the establishment and implementation of ESG objectives, and the effectiveness of the ESG risk management and internal control systems. For the specific contents of the governance structure, please refer to the section on "ESG Governance Structure" in the ESG Report. In addition, the Board of Directors has participated in the assessment, prioritisation, and management of ESG work. For the specific contents, please refer to the section on "Communication with Stakeholders" and "Materiality Assessment" in the ESG Report.

This ESG Report discloses in detail the process and effectiveness of the ESG work in 2021, which have been reviewed and approved by the Board of Directors on 23 February 2022.

ESG Governance Structure

As a leading entertainment technology group, IMAX China is engaged in creating an immersive theatre viewing experience, so as to drive the breakthrough and development of film technologies. As we are well aware of the importance of improving our environmental and social footprint for the sustainable operation of the Group, we formulated the *IMAX China ESG Policy*. The ESG related risks and opportunities have been incorporated in the business strategy of the Group to direct the Group's daily operation.

Our Mission

- To connect the world through extraordinary experiences that inspire us to reimagine what's possible, together

Our Values

- Inspire
- Ignite
- Involve

Our Culture Brand

- Transcend the Ordinary
- Agility
- Challenge the Status Quo
- Positive Impact

We have established a three-tier structure to govern the ESG work. The ESG governance structure is comprised of the Board of Directors, the senior management and the ESG working group consisting of major departments of the Group, with their respective functions clearly defined, to achieve top-down ESG supervision and ensure the effectiveness of the Group's ESG work.

The Board of Directors assumes full responsibility for the Group's ESG strategy and reporting. The Board of Directors is responsible for formulating ESG management strategies, priorities and objectives; reviewing and approving the ESG risks and opportunities evaluated by senior management, as well as the ESG management policies; ensuring appropriate and effective ESG risk management and internal control systems to fit the actual business situation; regularly reviewing the Group's ESG performance against objectives; and approving the disclosures in the ESG report.

The senior management is responsible for evaluating and identifying the ESG risks of the Group, formulating ESG management policies of the Group, ensuring the effectiveness of the ESG risk management and internal control system of the Group, and reporting these to the Board of Directors.

The ESG working group is responsible for implementing ESG management policies approved by senior management, carrying out the ESG management and reporting work, and presenting the working progress of ESG management and reporting to senior management. During the reporting period, the senior management had a special meeting with the ESG working group to discuss the Group's ESG management plan and progress.

Communication with Stakeholders

Adhering to the concept of sustainable development, IMAX China values communication with stakeholders, including governments and regulators, shareholders and investors, employees, partners, fans and consumers, suppliers, society and communities, and industry associations. The Group has established multiple effective communication channels to understand stakeholders' expectations and concerns in relation to the Group's ESG issues. These channels provide important references for formulating and implementing ESG strategies, and for determining the materiality of ESG issues.

Stakeholders	Expectations and concerns	Communication channels	Communication frequency
Governments and regulators	Compliance with laws and regulations; Paying taxes.	Compliance management; Voluntary taxation; Complying with national policies.	Multiple times per year
Shareholders and investors	Return on investment; Corporate governance; Information disclosure; Regular pandemic response.	Announcements and circulars; Annual and interim financial reports; Shareholders' meetings; Roadshow; Investor meetings.	Multiple times per year
Employees	Protection of employees' rights; Career development channel; Healthy and safe working environment; Pandemic prevention and control.	Employee satisfaction survey; Regular meetings and trainings; Employee care; Intranet website; Enterprise WeChat.	Multiple times per month

Stakeholders	Expectations and concerns	Communication channels	Communication frequency
Partners	High-quality products and services; Product innovation, research and development; Protection of customers' rights and interests.	Face-to-face meetings and site visit; Technical training; Marketing communications; Service hotline; Complaint mailbox.	Multiple times per week
Fans and consumers	High-quality content; Immersive movie-watching experience; Responsible content; Satisfaction of customers' diversified needs; Customer's right and privacy protection.	Face to face interviews; Media activities; Customer satisfaction surveys; Consumer complaint mailbox; Interactive platforms such as WeChat and Weibo.	Multiple times per week
Suppliers	Fair and impartial procurement; Win-win cooperation.	Business visits; Regular meetings; Supplier questionnaire survey.	Multiple times per month
Society and communities	Community engagement; Business compliance; Environmental awareness.	IMAX China's official website; Activities for public good; Social science and education publicity; Employees' participation in volunteer activities.	Multiple times per year
Industrial association	Responsible content; Positive social influence.	Face-to-face communication; Industry forum.	Multiple times per year

Materiality Assessment

To further clarify the Group's ESG priorities and to enhance the relevance and responsiveness of this ESG report, we cooperated with third-party consulting companies to invite internal and some key external stakeholders to participate in materiality assessment questionnaires, in 2019 and 2020 respectively:

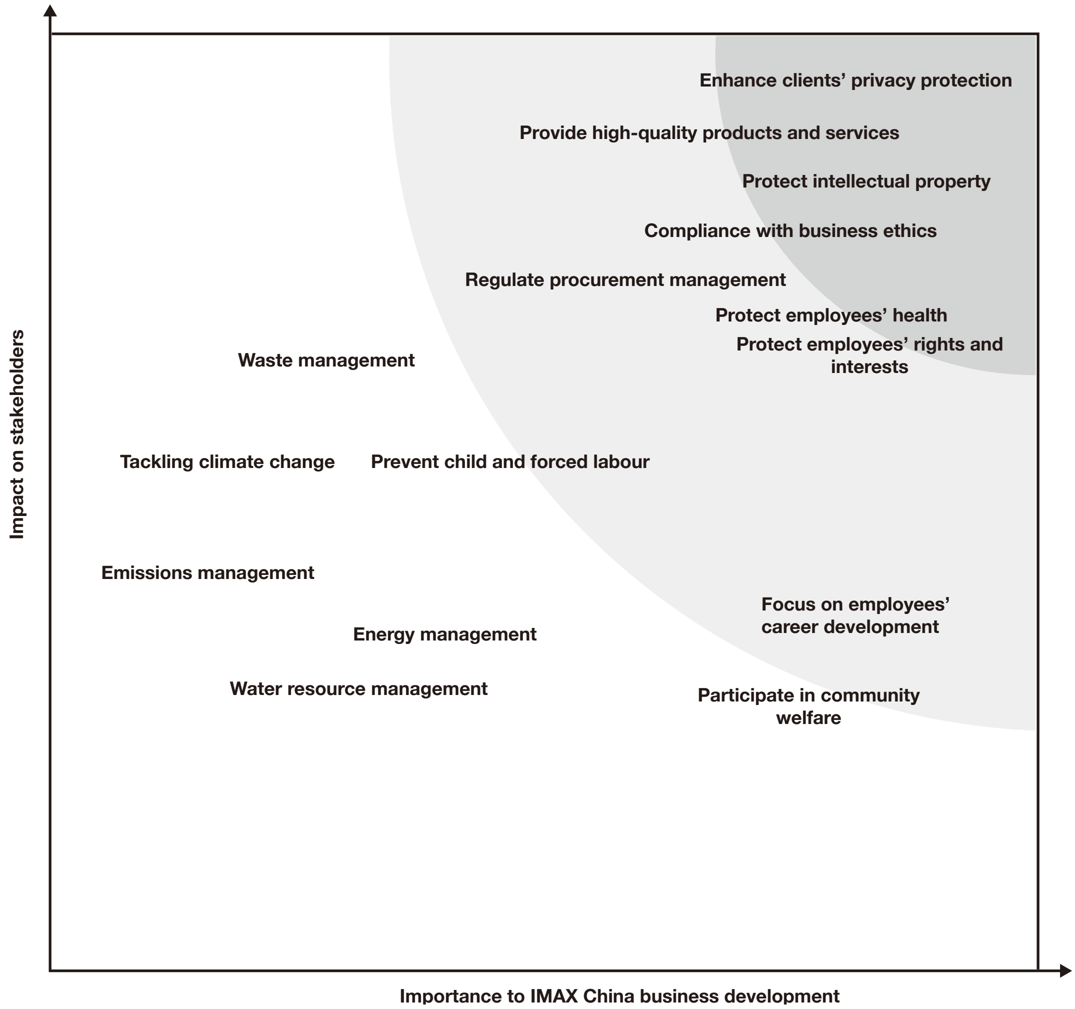
Step 1: Identifying ESG issues: According to the requirements of the ESG Guide and the actual business and industrial characteristics of the Group, we identified 15 ESG issues relevant to the Group and classified them as social, economic and environmental issues;

Social issues	Economic issues	Environmental issues
• Protect employees' rights and interests • Protect employees' health • Focus on employees' career development • Prevent child and forced labour • Participate in community welfare activities	• Provide high-quality products and services • Enhance clients' privacy protection • Protect intellectual property rights • Regulate procurement management • Compliance with business ethics	• Energy management • Water resource management • Waste management • Emissions management • Tackling climate change

Step 2: Assessing the materiality: We invited internal and external stakeholders to assess the "importance to IMAX China business development" and "impact on stakeholders" of each issue through questionnaires. Based on the results of the survey, the materiality assessment matrix was generated;

Step 3: Verifying the assessment results: The senior management of the Group and the ESG working group are responsible for reviewing and confirming the materiality assessment matrix, then reporting to the Board of Directors. Based on the materiality assessment matrix, we identified 6 issues that are extremely critical to the Group, including enhancing clients' privacy protection, abiding by business ethics, protecting intellectual property rights, protecting employee's health, protecting employees' rights and interests as well as providing high-quality products and services.

In 2021, the senior management reviewed the previous materiality assessment result. As there were no significant changes in the business and operating environment, the results of the previous materiality assessment are still applicable to us:



Materiality Assessment Matrix

1 PRODUCT RESPONSIBILITIES

We strictly comply with the laws and regulations concerning health and safety, product quality, intellectual property, labelling, advertising, protection of consumers' rights and interests and privacy protection, including *Law of the People's Republic of China on the Protection of Consumer Rights and Interests, Advertising Law of the People's Republic of China and Trademark Law of the People's Republic of China, Personal Information Protection Law of the People's Republic of China ("PIPL")*, etc. In addition, we strictly ensure the compliance of business operation and effectively fulfil relevant product responsibilities and legal obligations of the Group. In 2021, there were no confirmed non-compliance incidents in relation to product responsibility that would have a significant impact on the Group's operations.

Immersive Viewing Experience

Positioned as providing the best viewing experience for audiences, IMAX China brings the audience breath-taking audio-visual effects and immersive experiences. Our remastering process fully transforms every frame of a film to produce the best possible version of a filmmaker's vision. With a perfectly tuned integrated sound system and precise speaker orientation, the audio in each IMAX movie is carefully reviewed for the presentation of a perfect soundtrack.

Strengthen communication

IMAX China attaches great weight to the communication with consumers, customers and fans, and continuously creates value for them by carrying out a series of effective interactive activities and operating a good communication mechanism.

- **Offline activities:** We set up the "IMAX Fan Fest", through which various events were held from time to time throughout China to facilitate interaction among IMAX China, fans, key cinema operators and key films. In addition to online live broadcast, we held a year-end ceremony for fans, where awards officially certified by IMAX were presented to excellent fan groups and hardcore fans. As of 31 December 2021, IMAX Fan Fest had held nearly 20 offline activities in dozens of cities of China.

  In 2021, we participated in the 19th China Digital Entertainment Expo & Conference (also known as "ChinaJoy"). With "Space Station" as design theme, "technological and futuristic feelings" as an emphasis, we displayed IMAX's core technologies and development history in an all-round manner and held various fun activities, to provide fans with a fantastic and impressive experience.

- **Online communication:** We are committed to providing a dedicated online community for film enthusiasts. We engaged around 40,000 IMAX core fans in greater depth through the IMAX Squad WeChat groups in over 60 cities in China. We regularly published the latest news on films and the industry in the WeChat groups. Fans could register for exclusive gifts such as film-related products, posters and film tickets by completing the designated group tasks. Meanwhile, we developed the IMAX PLUS membership applet, through which we held a variety of activities, and launched IMAX environmental peripherals on an ad hoc basis. We also added live-streaming and invited guests from different fields to share film cultural and technological content, so as to serve as a bridge for an exchange of ideas among fans and to enrich their cultural life. We have carried out live streaming on around 30 live-broadcasting platforms in 2021, with 9.5 million online viewers cumulatively.

- **Response to Fans' feedbacks:** Apart from interactive platforms such as WeChat and Weibo, we have created an email address CQO@IMAX.com, which appears on the screen when a movie ends. Audiences can email IMAX China their feedback or opinions about their viewing experience. In accordance with the IMAX Customer Complaint Tracking Workflow Policy, we promptly record and respond to messages and emails. We classify complaints into technical, operational and non-IMAX related categories. Each complaint is channelled to the corresponding department respectively. Critical handling processes will be tracked to ensure that all complaints are promptly responded to and dealt with. In 2021, we received a total of 4,793 complaints from different channels, about 0.02% of attendance, 100% of which were properly dealt with.

Excellent Theatre Services

We provide services including system installation, equipment maintenance and operational training to IMAX theatres. Our excellent services speak for our brand value and creates a win-win cooperation with clients.

- **System Installation:** IMAX China maintains various internal policies including the IMAX Pre-installation Check List, Client & Contractor Guide to Installing an IMAX Digital System and Client & Contractor Guide to Install an IMAX Commercial Laser ("COLA") Projection System, all to ensure the efficient installation of the IMAX projection systems as well as to improve customer service. To maximize the efficiency of the installation process, we follow strict supplier selection procedures and technical specifications when purchasing equipment such as screens, screen frames, audio equipment and projection equipment. In 2021, we introduced some new systems & devices, which are more energy-saving and safer to instal compared with previous ones.

- **Equipment Maintenance:** Regular maintenance is conducted at least once a year to ensure the best viewing experience. IMAX China offers its clients maintenance services via a 7 days × 24 hour phone service center and auto-email notification, as well as remote network guided by the IMAX Technical Service Phone Support Manual. IMAX China maintenance technicians are located in eight cities in the PRC so that for the equipment requiring on-site repair, IMAX China is able to send a technician located in more convenient proximity to the relevant theatre. Customers' calls for emergency services are answered within 3 hours by phone. If required, emergency personnel will arrive at the theatre within 24 or 48 hours as stipulated in the term of sale agreements. According to IMAX China's Customer Satisfaction Survey Workflow Policy, customer feedback is collected via e-mail after every routine maintenance service in order to continuously track customer satisfaction. IMAX Corporation is responsible for product quality assurance and recall. In case of product recall, IMAX China will cooperate with IMAX Corporation to carry out relevant work. In 2021, there was no product recall for safety and health reasons.

- **Operation Training:** IMAX China provides customers with training for theatre operations and technical training. We communicate with theatre circuits on subjects such as box office performance and marketing plan, and carry out thematic training projects, including IMAX brand publicity and movie marketing. For our operators, on a regular basis, we conduct training for senior technicians of theatres on projection system maintenance and emergency repair according to the IMAX Operator Training Checklist and various other training courses, so as to promote equipment maintenance efficiency; for IMAX COLA theatre systems, theatre operators need to take relevant safety knowledge and awareness training to deal with the unique safety issues around lasers. We also established an online video training platform, which will be integrated with physical training, to provide better services for all theatre customers.

In 2021, considering the impact of the normalization of the pandemic, we conducted online technical training for theatre customers to explain in detail IMAX equipment maintenance, basic troubleshooting and daily operation, so as to help each cinema open and operate smoothly.

Operation Compliance

IMAX China has been in compliance with the relevant laws and regulations concerning advertising, intellectual property right, and privacy protection.

- **Privacy protection:** The appropriate handling of confidential information of the Group as well as its customers and suppliers is critical to the Group's business. IMAX China employees are obligated to maintain confidentiality of any and all information obtained in connection with their employment, including but not limited to, trade secrets, know-how, client information, supplier information and other proprietary information. Following the Information Security Policy of IMAX Corporation, we adopt business continuity plans to safeguard the integrity, confidentiality and availability of information. We formulated the Basic Guidelines for the Application of Social Media, to regulate employees' behaviour on various social media. It prohibits employees from disclosing confidential information about the Group, customers and others through social media without authorization. We will terminate labour contracts of employees who seriously violate the guidelines. We have published IMAX Information Authorisation Protocol, IMAX User Service Agreement and IMAX Privacy Policy on IMAX website, applet and other online platforms, and users can tick them at discretion to determine whether to grant the authorisation. Moreover, we optimised the account deletion process for users to better protect the users' privacy. All personal information of users is stored and processed in strict compliance with applicable privacy and data protection laws. In 2021, we took the following measures to ensure the information and data security of the Group:

    1. Based on the Group's demands in business development, information security, operation & maintenance, we updated our server, implemented the data security principle of "instant data transmission" and deployed a virtual system platform to avoid data loss and ensure business stability and continuity.

2. We also enhanced corresponding security control measures in terms of physical environment, workplace, IT infrastructure, network access, data protection, terminal device protection and internal control, including but not limited to server reinforcement, access control, network access control, and encrypted transmission. We conducted two disaster recovery drills in 2021, and both drills demonstrated that our system can meet the business requirements.

3. Pursuant to PIPL, we further optimised the personal information protection of staff and issued a letter of notice to all staff, specifying the purposes, use, sharing and storage of our staff' personal information and cross-border data transmission. In addition, training on information security management was arranged for staff, so as to raise their information security awareness.

- **Advertising:** IMAX China complies with the Advertising Law of the People's Republic of China and relevant laws and requires suppliers to do likewise.

- **Intellectual Property Rights:** IMAX China encourages all employees and clients to engage in the protection of the IMAX brand. Employees and clients are encouraged to report any suspected infringement to the Group's legal department, which in turn reports any suspected infringement to IMAX Corporation. After confirmation of any infringement, a formal cease and desist letter is sent to the infringing party requesting that any infringement be discontinued.

In addition, specified trademark provisions are included in cooperation agreements, requiring theatres to protect the IMAX trademark, specifying appropriate trademark usage and including obligations to report any suspected trademark infringement to IMAX China.

2 WORKPLACE

IMAX China strives to create a fair, comfortable and diverse workplace for its employees. We provide employees with competitive employee benefits and an inclusive working environment to encourage employees to achieve their full potential; we provide systematic programs for learning and training to build professional career development paths for our employees; we also enhance employees' sense of belonging and strive to create a friendly and harmonious working environment through employee activities and welfare care. In 2021, there were no confirmed non-compliance incidents in relation to employment, labour standards, working environment, workplace safety and human rights.

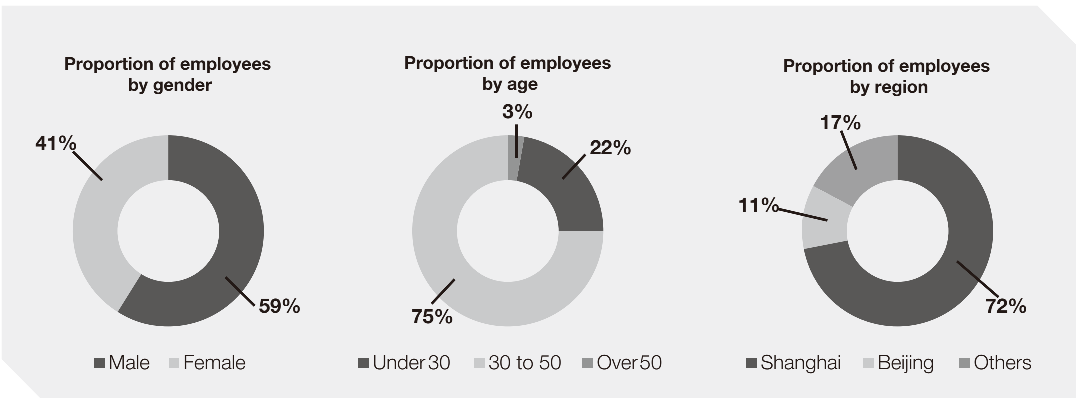
Employment and Labour Standards

In accordance with the *Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China* and other relevant laws and regulations, the Group has adopted the *IMAX China Employee Handbook*, which contains information regarding compensation, resignation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other policies for the benefit of its employees. In accordance with the applicable labour laws and regulations and *IMAX China Employee Handbook*, IMAX China tolerates neither recruitment of minors nor forced labour. In order to comply with *Provisions on the Prohibition of Using Child Labour*, IMAX China's HR department affirms candidates' age by checking valid identification during interviews and hires a third party to conduct reference checks on all applicants. Individuals under 16 years of age are disqualified from employment at the Group.

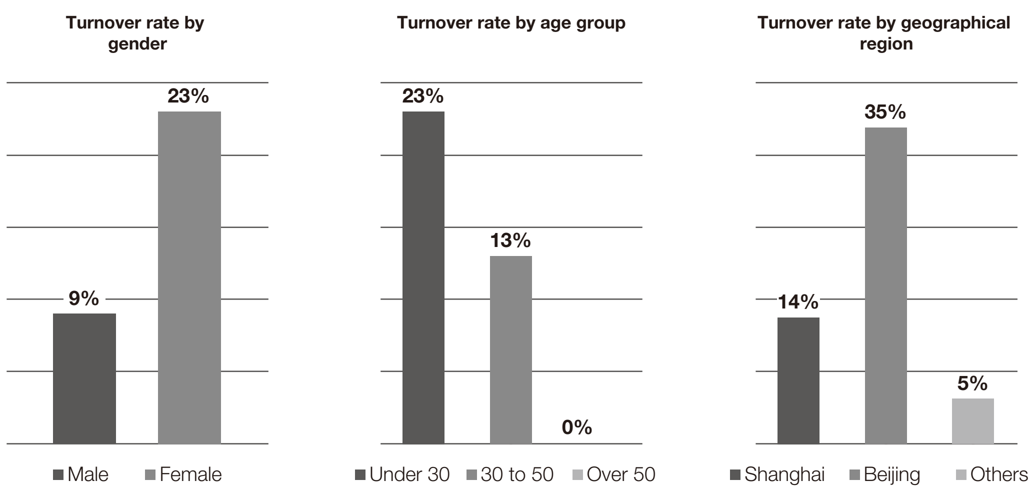
2021 Environmental, Social and Governance Report (Continued)

IMAX China recruits and promotes personnel without regard to age (other than needing to be 16 or older), national origin, race, religion, sexual orientation, marital status, pregnancy, disability and political beliefs, thus putting the principle of fairness into practice. All employees of the Group in the PRC are entitled to an employment contract at the start of their employment. We advocate an equal and fair working environment and provide assistance and support for employees with special needs, including providing nursing rooms and corresponding care for new mothers. IMAX China does not tolerate sexual harassment, attack or abuse in the workplace in any form, which is a violation of PRC law.

As of 31 December 2021, the Group had 104 full-time employees.



We strictly implement the departure process in accordance with employment contracts and laws and regulations. As of 31 December 2021, the turnover of staff was 15%.



IMAX China has introduced the Employee Referral Program, where an employee can earn bonuses if an individual referred for employment by such employee is hired for the selected position. We conduct satisfaction surveys with employees from time to time and implement improvement plans for information communication, learning & development and management responsibilities based on the feedback of employees for the purpose of creating high quality working atmosphere for employees.

Wage and salary distribution conforms to the principle of equal pay for equal work. Wages and salaries are paid in a full and timely manner. The Group generally formulates employees' remuneration based on one or more elements such as salaries, bonuses, long-term incentives and benefits, subject to applicable rules and regulations. We have established an incentive system that links individual remuneration with the annual performance of the Group, taking into account the Group's performance as well as the objectives of each department, so as to motivate better performance and achievements and to reward outstanding staff. In spite of COVID -19's significant impact on our daily operation, we still adjusted salaries overall, paid retention bonus, provided promotions and salary increase to staff with outstanding performance, and developed short-term incentive plans to attract and retain talents in 2021.

IMAX China also strictly follows relevant PRC labour regulations relating to working hours and rest periods. The Group's employees work under a maximum of 40 hours per week. Employees are not forced to work overtime. Employees are entitled to overtime pay if they obtain prior approval from their manager.

IMAX China also maintains a *Holiday Policy* and *Travel Policy*, under which employees are entitled to paid days off from work for national public holidays and company holidays, as well as annual vacation leave, compassionate leave, marriage leave, maternity leave, personal leave, sick leave, etc.

Health and Safety

The employees' health is the most important priority for IMAX China. We work hard to provide a safe, healthy and comfortable working environment in accordance with *the Labour Law of the People's Republic of China* and other applicable regulations. By the end of 2021, we have never had a workplace fatality. In 2021, there was no lost day due to work injury.

- **Prevention of COVID-19:** In response to the normalization of pandemic, according to Global COVID-19 Guidelines of IMAX Corporation, we implemented a series of measures to avoid the spread of the disease:

  - Strengthened office access management and regular disinfection, posted hand-washing tips and other important precautions at conspicuous places;

  - Provided personal preventive supplies to meet employees' needs, such as IMAX masks, hand sanitisers and alcohol cotton balls; and

  - Recorded and tracked employee's health and mobility to protect their health and safety.

- **Installation Safety:** Employees are asked to stringently abide by all safety rules and regulations and utilize available and applicable protection measures at all times to avoid accidents and protect themselves and co-workers from safety risks. IMAX China has formulated the Client & Contractor Guide to Installing an IMAX Digital System and Client & Contractor Guide to Install an IMAX COLA projection system to ensure safe installation of its projection systems. IMAX China also provides protective equipment including helmets, safety belts, masks and protective clothing to all employees or consultants working on the installation of projection systems.

  In addition, we periodically provide safety training to technicians covering potential safety hazards, prevention methods and safety specifications in laser related jobs, operation at height, and electrical operation.

- **Safety at workplace:** With the aim of protecting the health and safety of employees, IMAX China provides first aid kits and over-the-counter medicine in the offices. IMAX China performs fire drills and has in-house fire wardens who maintain, inspect firefighting equipment and coordinate safety meetings. Fire safety packs have been prepared for each office which consist of helmets, flashlights, a loudspeaker, emergency escape masks, a whistle, a roster of employee names, etc. In 2021, we conducted fire prevention training to enhance their self-rescue ability.

- **Health support:** We offer employees an annual fitness reimbursement to encourage their involvement in workout programs to improve physical fitness. IMAX China offers its employees health care coverage which includes inpatient treatment, outpatient treatment, and maternity care; the Group also provides insurance coverage including accident insurance, critical illness insurance, and group health insurance for children. In 2021, we increased the limits for commercial insurances and welfare subsidies (including dental care benefits, maternity allowance, holiday benefits, and children's welfare) and expanded medical care coverage. In addition, we also place significant importance on our staff' mental and psychological health and offer our staff psychological courses, psychological counselling, traditional Chinese medicine therapy and other items, to show our timely and effective care for staff, assist them to solve psychological conflicts, help them overcome mental obstacles, ease stress, and maintain physical and psychological health.

- **Employee activities:** To help employees ease the stress of work, to strike a balance between work and life, and to create a pleasant working atmosphere, we held various team-building activities in 2021, which facilitated communication between the departments, improved team cohesion, and increased staff' sense of identity and belonging to the Group.

Development and Training

To help employees advance their careers and to encourage their development, IMAX China designs various training courses and programs for employees. Efforts have also been made to establish an appraisal system where the effectiveness of training programs is subject to monitoring and assessments, as set out in the *IMAX China Training Management Policy*. The Group has established both online as well as offline learning platforms.

We established the IMAX training center and installed an IMAX digital projection system to facilitate technical trainings. Moreover, an experienced internal trainer was nominated to be responsible for orientations for new technicians, technician on-job trainings, trainings on evolving IMAX projection systems and service process optimization, as well as senior theatre exhibitor trainings.

- **Corporate culture training:** We arrange corporate culture training from time to time, so that all employees can understand the operation and management of the Group. We share values, and enhance their understanding and recognition of the group culture.

- **On-Board Training for New Employees:** We arrange on-board training for all new employees to help them get an understanding of IMAX China's culture, business and operation. These trainings include an IMAX introduction, a review of relevant policies, guidelines and a review of HR-specific policies and procedures.

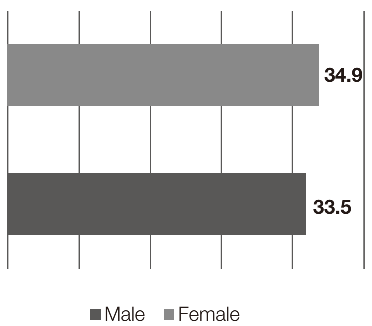
- **Pre-job Trainings:** For technical posts such as technical support and projection system installation, every newly-hired employee would accept pre-job training to enhance the professional skills necessary for the job. Training sessions are also accessible on both online and offline platforms to ensure technicians are able to stay up-to-date with the latest evolution of IMAX technology.

- **Department professional training:** Depending on the actual working needs, each department carries out flexible and practical professional training for employees on a smaller scale, so that employees can fully master their professional skills and provide better services for consumers and customers.

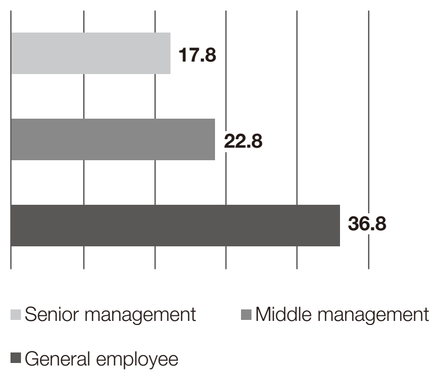
- **E-learning Platform:** To provide training which is more flexible and broader in scope, IMAX China launched a program called IMAX Learning Series. The purpose of the program is to make available to employees training materials covering topics focused on development of key competencies and skills that can contribute to employee' performance and ongoing success. As a part of the program, IMAX China has made available online libraries including training content consisting of topics such as strategic thinking, career planning and vocational skills.

  In 2021, the percentage of employees who received training provided by the Group was 100% and the total training hours of the whole year were 3,541.

Average training hours by gender



Average training hours by position



Anti-corruption

IMAX China maintains a high standard of business integrity throughout its operations and tolerates no form of corruption or bribery, in compliance with the *Anti-Unfair Competition Law of the People's Republic of China, the Company Law of the Peoples Republic of China* and other relevant laws and regulations relating to anti-corruption, bribery, extortion, fraudulent behavior and money laundering. As a majority-owned subsidiary of IMAX Corporation, all directors, officers and employees of IMAX China are required to abide by IMAX Corporation's *Code of Business Conduct and Ethics (the "Code")* and eliminate any form of corruption and bribery. In 2021, there were no confirmed non-compliance incidents in relation to corruption and bribery, extortion, fraud or money laundering.

IMAX China has also adopted a formal policy for reporting violations of *the Code* in its *Protocol for Reporting Suspected Violations of the IMAX Code of Business Conduct and Ethics* and *Anti-Bribery and Anti-Corruption Policy China Addendum*. We set up multiple effective communication channels to encourage employees to report a suspected violation of *the Code*. We strictly adhere to the principle of confidentiality, and strictly prevent the leak and loss of whistle-blowers' information in the handling process. Without the consent of the whistle-blowers, their information shall not be disclosed to any unrelated persons.

All new employees are required to sign the employee commitment undertaking to comply with the *Employee Handbook* and its appendixes and with all other rules and regulations applicable to IMAX China employees, including business ethics & code of conduct and duty of confidentiality. Anti-corruption training materials are uploaded to the Group's online learning platform. Employees are required to sign a compliance statement after finishing the relevant courses. In addition, all employees are required to sign a statement acknowledging receipt of the Code and agreeing to abide by its terms. We conduct business ethics training about anti-bribery and anti-corruption for all employees annually, including executive directors, to ensure that employees understand and are committed to abiding by laws and regulations and conduct their business with integrity.

For suppliers and customers, we incorporate compliance obligations in contracts to request that all parties comply with relevant laws and regulations while performing contracts entered into with us.

3 SUPPLY CHAIN MANAGEMENT

As stipulated in the *IMAX China Supply Chain Management Policy*, IMAX China has set up a strict supply chain management system to ensure high quality service to the Group's clients.

IMAX Corporation, the Group's controlling shareholder, has implemented a strict selection process on its suppliers and sub-contractors taking into consideration such elements as supplier qualification, past performance, financial strength and price. IMAX China only works with qualified suppliers approved by IMAX Corporation and, for the duration of any arrangement with a supplier, IMAX China closely supervises supplier performance. For the issues identified, we will issue a rectification report in a timely manner, analyse the root causes of the problems, put forward reasonable suggestions, and urge them to rectify the problems within a limited time.

Committed to social responsibility in its supply chain, IMAX China conducts on-site inspections, provides trainings and offers guidance on IMAX product quality standards to the suppliers.

For the local suppliers selected by IMAX China, the Group formulates strict requirements. For screen frame suppliers, they must be accredited by relevant quality systems, such as the ISO9001 Quality Management System. Apart from that, IMAX China establishes stringent technical and service criteria to ensure product and service quality. We carry out load-bearing test on screen frame every year to ensure safety; for logistics providers, IMAX China requires appropriate vehicle and qualified drivers. IMAX China also requires the suppliers to adopt GPS system to monitor and manage all the logistics vehicles.

IMAX China pays active attention to sustainability during the supply chain management process, such as encouraging our suppliers to use recyclable packaging materials. The Group performs an annual assessment on environmental and social risks of the supply chain. We prepared the Supplier Environmental and Social Risk Assessment Form with the supplier's self-review and IMAX China's evaluation adopted to assess the supplier on its management of environmental and social risks and provide a quantitative rating for its environmental and social risks, which would be referred to when selecting and evaluating the supplier. The assessment scope includes environmental risks such as the establishment of an environmental risk system, process management of procurement, raw materials and production, publicity and training on environmental risk awareness, as well as social risks such as supplier's maintenance for labour rights and interests, its maintenance for labour health and safety.

As of 31 December 2021, IMAX China had five key local suppliers, including two in Tianjin, two in Jiangsu and one in Jiangxi. All five local suppliers have completed the 2021 annual environmental and social risks assessments, and no material environmental and social risks were found for any of the suppliers.

4 COMMUNITY INVESTMENT

With social responsibility in mind, IMAX China is expanding its efforts in the area of charity work. We have formulated the *IMAX China Community Investment Management Policy*. An annual assessment is conducted to assess the relationship between our business and the interests of the surrounding communities, and we take an active part in public welfare activities and fulfil corporate social responsibilities.

Disaster relief program

With the changing climate and frequent natural disasters, disaster relief donation is one of the important manifestations of corporate social responsibility in recent years. In 2021, the Group officially launched the disaster relief program, under which we would cooperate with public welfare organisations to provide relief aid in case of major local disasters.

Through this program, we hope to take an active part in post-disaster emergency response and assistance, such as donating to rescue teams and people in disaster-hit areas.

Exchange on Cinematography

IMAX China actively explored the application of IMAX technology in Chinese film and the improvement of China's film industry system. In 2021, we had more technical cooperation with Chinese films, and "Detective Chinatown 3", "Assassin in Red" and "The Battle at Lake Changjin" were all filmed with IMAX cameras.

We launched a resident artist initiative, exploring closer and deeper cooperation with more Chinese film talent to seek more investments in IMAX technology and instill IMAX DNA in Chinese films, promoting IMAX technology education to professionals and film lovers. Meanwhile, we also hoped to rely on the power of artists to improve the quality and innovation of IMAX film content creation.

In addition, we continued with "IMAX Masterclass", inviting Chinese film masters to attend online and offline open classes and share their core film and television knowledge with the public. Masterclass taught professional knowledge and told stories behind the films through systematic professional courses, from which film lovers benefited.

Film panorama in the International Film Festival

We actively participated in various film presentations in film festivals and contacted the organising committee of the film festivals and film copyright owners to take several wonderful films, showcased at the IMAX Film Presentations, to fans in front of the big screen again. In 2021, we attended the 24^{th} Shanghai International Film Festival and the 11^{th} Beijing International Film Festival in succession; based on the themes "A Journey of Pictures" and "Unseen", respectively. We screened a total of 13 classic science and education films, sci-fi blockbuster and Oscar classics, treating our fans to an audio-visual feast through the IMAX big screen.

At the 24^{th} Shanghai International Film Festival, the first IMAX space science and education U.S.-China film "Asteroid Hunters" was screened to Chinese fans. We held the "Integration of Science and Film" media viewing event and invited guests from the Integration of Science and Film Special Committee of China Science Writers Association and professors of The South-Western Institute for Astronomy Research at Yunnan University to share their authoritative scientific knowledge with our fans, so that fans can get a deeper and more comprehensive understanding of film topics.

Free viewing

We continued to hold offline, non-commercial film-watching activities to give back to the community. During the National Day holidays of 2021, we cooperated with China Movie Channel ("CCTV-6") to hold a non-commercial film presentation of "The Battle at Lake Changjin". For the activity, we recruited some special viewers - descendants of the volunteer army to watch the film for free, and invited the executive producer, actor/actress of "The Battle at Lake Changjin" and editors of "National Humanity History" to share with fans the behind-the-scenes of the film and the military strategic significance of the battle at Lake Changjin. In addition, we launched an online live broadcast through IMAX PLUS, on over 50 platforms, and invited well-known military experts and opinion leaders to introduce the historical background of the battle at Lake Changjin to nearly 4 million fans. During this event, we also demonstrated the IMAX technical features and provided preferential film tickets or free viewing opportunities.

As to the inspirational animated film "I Am What I Am" released in December, 2021, we invited students from a school for children of migrant workers in Tongzhou of Beijing and their parents to watch the film together, so as to show our respects to the city builders.

5 GREEN OPERATION

We strictly follow the *Environmental Protection Law of the People's Republic of China* and other applicable laws and regulations, as we understand the importance of environmental protection and resource conservation for the sustainable development of IMAX China. Considering the very limited energy consumption and emission resulting from operation at workplace and travels of employees, the Group's business operations do not have a substantial impact on the environment and natural resources. But even so, the Group is committed to improving employees' awareness of energy conservation and environmental protection, and enhancing the Group's green operation level, thereby reducing the impact of our daily operations on the environment. In 2021, there were no confirmed non-compliance incidents in relation to environmental protection that would have a significant impact on the Group's operations.

Emission Reduction

We formulated *IMAX China Environmental Protection Management Policy* according to relevant laws and regulations to standardize the management of emissions generated during the Group's operation, so as to meet relevant emission standards. IMAX China conducts data collection and analysis on greenhouse gases generated at the workplace, and takes effective measures to reduce or avoid emissions. Based on the Group's evaluation, IMAX China does not generate any material air emissions or hazardous waste. Limited workplace effluents and wastes are attributed to the operation of IMAX China offices. All workplace effluents are managed by the property management companies and discharged into the municipal sewer systems for collective treatment. Workplace waste of IMAX China offices are treated by the property management companies. There is no material impact on the environment and natural resources.

Due to the Group's business nature, the Group's main greenhouse gas emissions are the indirect emissions resulting from electricity consumed at the Group's workplace as well as from business travel by employees. The Group has adopted green office measures to reduce the impact on the environment, e.g., teleconference and internet-meeting practices are encouraged to avoid unnecessary travel. The Group's technical service center gives customers instant technical support via phone or remote access which increases efficiency and reduces the impact on the environment since less travel is required to service systems.

Theatre operators in cooperation with the Group are responsible for the operation and management of IMAX theatres, as well as for the management of environmental influences caused by such theatres. As part of our cooperation with theatre operators, we also actively encourage the theatre operators to take actions for energy saving and environmental protection.

Use of Resources

In order to better manage the use of resources and improve resource utilization, we collect and analyse annual energy consumption data every year in accordance with *IMAX China Environmental Protection Management Policy* and solve identified problems in time.

The Group has adopted green office measures to reduce resource consumption:

- For workplace with fewer employees and higher personnel mobility, we adopt the emerging shared office model to maximize resource utilization;

- Employees are encouraged to adopt water and electricity-saving habits; a table card is placed on each employee's desk to remind them to turn off the lights and power not in use; and employees are encouraged to keep the lights off for one hour during the lunch break;

- By default, all office printers are set to print double-sided to reduce paper use, and to print in black-and-white to conserve printing inks. Recycled papers are placed beside the printers to encourage employee to re-use;

- We organise public education activities about waste classification, encouraging employees to use their own tableware and cups, thus reducing the use of disposable utensils.

In the process of goods transportation, we use electronic customs declaration documents and make full use of appropriate transportation space. Marine instead of air transportation is preferred when time permits in order to reduce carbon emissions and waste of resources during transportation; we also actively encourage logistics companies to reuse shipping packing materials including pallets, paper packing boxes and special aluminium parts packing cases. We have also launched the IMAX projection equipment recycling programme, which not only reduced the waste of resources, but also contributed to savings on operating costs of cinemas and extended the life of the equipment.

With the goal of ensuring service quality in mind, we adopted multiple ways to improve energy efficiency while providing customer service, increase the problem resolution rate of remote service and speed up problem solving processes. IMAX China has established after-sales service sites in Shanghai, Hangzhou, Beijing, Chengdu, Chongqing, Guangzhou, Shenyang and Wuhan. Where on-site services are required, on-site service engineers nearby would be designated, so that unnecessary travel for employees could be avoided.

In 2021, as the impact of the pandemic on the group gradually decreased, the business operations gradually returned to normal, the Group's total emission of greenhouse gases and total energy consumption increased slightly compared to 2020, but it is still lower than the corresponding environmental key performance indicators in 2019. The energy indirect greenhouse gas emission (Scope 2) and the indirect greenhouse gas emission (Scope 3) from air travel of employees showed an upward trend. The total emission of greenhouse gases increased from 209.57 tCO_2e in 2020 to 272.22 tCO_2e in 2021. The Group's total emission of greenhouse gases per capita increased from 2.02 tCO_2e/employee in 2020 to 2.62 tCO_2e/employee in 2021. The total energy consumption has increased by 17.1% compared with 2020, from 1.40 MWh/employee in 2020 to 1.64 MWh/employee in 2021.

Response to climate change

IMAX China is not involved in large-scale production activities. We do not consume a lot of energy or generate a large amount of emissions. Therefore, we face low risks of climate transformation from policies, regulations, technology, market, reputation and other aspects. In response to operational risks arising from extreme weather and natural disasters, we have developed appropriate emergency response procedures and protective measures to minimise the loss of office equipment and facilities, the impact on the business and the hazard to employees' safety.

Environmental key performance indicators:

	2021	2020	2019
Total emission of greenhouse gases (Scope 2 and Scope 3) (in tCO_2e)	**272.22**	209.57	521.96
Energy indirect greenhouse gas emission (Scope 2) (in tCO_2e)	**119.99**	102.61	128.15
Including: purchased electricity in tCO_2e)	**119.99**	102.61	128.15
Other indirect greenhouse gas emissions (Scope 3) (intCO_2e)	**152.23**	106.96	393.81
Including: air travels of employee (in tCO_2e)	**152.23**	106.96	393.81
Total emission of greenhouse gases per capita (tCO_2e/employee)	**2.62**	2.02	4.83
Total energy consumption (MWh)	**170.56**	145.85	182.16
Total indirect energy consumption (MWh)	**170.56**	145.85	182.16
Including: purchased electric power (MWh)	**170.56**	145.85	182.16
Total energy consumption per capita (MWh/employee)	**1.64**	1.40	1.69

Notes:

1. Based on the operating characteristics, our greenhouse gas emissions are mainly comprised of the energy indirect greenhouse gas emission caused by purchased electricity (Scope 2) and other indirect greenhouse gas emissions caused by air travels of employee (Scope 3). We do not produce any material amount of direct greenhouse gas emission (Scope 1).

2. The accounting of greenhouse gas is presented in terms of carbon dioxide equivalent, and energy indirect greenhouse gas emission is accounted in accordance with the *Guidelines on Accounting Methods and Reporting of Greenhouse Gas Emissions of Public Building Operators* issued by the National Development and Reform Commission. Air travel greenhouse gas emission data is provided by the ticket agency.

3. As minimal environmental impact results from the Group's operation, KPIs A1.1 (types of direct emissions and emissions data), A1.4 (total non-hazardous waste produced) and A1.6 (description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them) are immaterial to the Group's operation and have not been disclosed in this ESG report. The Group will continue to monitor the environmental impact of its operations and will include the relevant environmental data in future reports when appropriate.

4. As there is no hazardous waste produced from the Group's operation, KPI A1.3 (total hazardous waste produced) is not applicable to the Group and has not been disclosed in this ESG report.

5. As only a minimal amount of water was used in the office, KPIs A2.2 (water consumption in total and intensity) and A2.4 (description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them) are immaterial to the Group's operation and have not been disclosed in this ESG report.

6. As no packaging material was used in the Group's operation, KPI A2.5 (total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced) is not applicable to the Group and has not been disclosed in this ESG report.

7. As the Group's operation is immaterial to the environment and natural resources, Aspect A3 (the Environment and Natural Resources) and KPI A3.1 (description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them) are not applicable to the Group and have not been disclosed in this ESG report.

Independent Auditor's Report

To the Shareholders of IMAX China Holding, Inc.
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of IMAX China Holding, Inc. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 146 to 229, comprise:

- the consolidated statement of comprehensive income (loss) for the year ended 31 December 2021;
- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of changes in equity for the year ended 31 December 2021;
- the consolidated statement of cash flows for the year ended 31 December 2021; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of theatre systems and associated services
- Provision of expected credit losses for receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of theatre systems and associated services *Refer to Notes 2(o), 6(c) and 7 to the consolidated financial statements.* For the year ended 31 December 2021, the Group recognised revenue of US$112,801 thousand, the majority of which, amounting to US$89,767 thousand, is related to the Group's revenue arrangements with customers of theatre systems and services associated with theatre systems. The accounting of such arrangements is complex and involves management's judgements and estimates in consideration of the following: • consideration of whether theatre system arrangement involves either a lease (finance lease or operating lease) or a sale of theatre systems; • determination of performance obligations which comprise of separate promises consisting of delivering theatre system (projector, sound system, screen system and glasses cleaning machine); providing services associated with the theatre system (including theatre design support, supervision of installation, and projectionist training); licensing trademark of IMAX; delivering 3D glasses; and providing equipment maintenance and licensing of films;	We performed the following procedures in relation to management's assessment on revenue recognition of theatre systems and associated services: • we understood, evaluated and tested the relevant key controls on management's assessment on revenue recognition of theatre systems and associated services; • we evaluated the Group's revenue recognition policies against with the requirements of the International Financial Reporting Standards for the different arrangements entered into with the customers consisting of theatre systems and services associated with the theatre systems. • for theatre systems arrangements entered into with customers during the year, we reviewed the revenue accounting assessment performed by management to evaluate whether the application of the Group's revenue recognition policies were appropriately applied with respect to: — consideration of theatre system arrangement as sale, finance lease or operating lease; — determination of performance obligations, which generally include the systems deliverable and maintenance service; — determination of transaction price in the theatre system arrangement, including initial payment, ongoing fixed payments and variable consideration; — allocation of transaction price among separate performance obligations; — determination of the timing of revenue recognition based on when performance obligations are met.

Key Audit Matter	How our audit addressed the Key Audit Matter
• determination of transaction prices in the theatre system arrangement, which consists of initial payment and ongoing fixed payments throughout a period of time as specified in the arrangement (recognised at present value discounting based on a market rate of interest) as well as variable consideration including future Consumer Price Index ("CPI") and contingent payments in excess of fixed minimum ongoing payments or based on joint revenue sharing arrangements; • allocation of transaction prices among separate performance obligations based on the relative standalone selling prices; • determination of the timing of the revenue recognition of each performance obligation. We focused on this area as it involves significant estimations and judgements by management, and thus significant time and resources were devoted in this area.	• for selected theatre systems newly installed and related revenue being recognised during the year, we checked the key arrangement terms, such as types of theatre system and services obligations, amounts of initial and ongoing payments as well as variable consideration, and other relevant terms in connection with the arrangements, to the signed agreements. • for delivery of theatre systems accepted by customers and accounted for as sales or finance leases during the year, we examined the certificates of acceptance by the customers. We evaluated the reasonableness of management's estimates of variable consideration for sales of theatre systems, including future CPI and contingent payments in excess of fixed minimum ongoing payments. We checked the accuracy of calculation for the total amount of revenue with respect to the arrangements based on the initial payment received and the present value of fixed minimum ongoing payments over the specified arrangement period as well as variable consideration. We also involved our valuation specialists to assess the reasonableness of the market rate of interest applied by management for discounting the ongoing payments or minimum lease payments. We evaluated the reasonableness of management's determination of the standalone selling prices of system deliverable and maintenance services by referencing the average prices of contracts signed in the prior year. We checked the accuracy of calculation for the allocation of total transaction price among separate obligations (system deliverables and maintenance services) and checked the proper recognition or deferral of revenue in connection with the respective obligation accordingly.

Key Audit Matter	How our audit addressed the Key Audit Matter
	• for theatre systems delivered and accepted by the customers but where the respective theatre was not open to the public by the year end, we visited all these theatres to confirm that the Group's responsibilities for each system obligation have been fulfilled and revenue was recognised in the proper period. • for joint revenue sharing arrangements (i.e. operating leases) with rental payments contingent on box-office record reported by the theatre operators, we examined selected box-office revenues reported by the theatre operators and checked the accuracy of calculation for the revenue recognised based on the box-office revenues and the sharing percentage as set out in the respective revenue arrangements. • in addition, we tested the posting of revenue recognition journal entries related to system obligation on a sample basis for consistency with the results of our above work performed. Based on our audit procedures, we found the accounting estimates and judgements adopted by management in determining revenue recognition of theatre systems and associated services are supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision of expected credit losses for receivables *Refer to Notes 2(d), 5(a), 15 and 19 to the consolidated financial statements.* As of 31 December 2021, the carrying value of receivables which comprise of trade and other receivables, financing receivables and variable consideration receivable from contracts was with approximately aggregate gross amount of US$142,579 thousand, with expected credit loss provisions balance amounted to US$8,817 thousand. During the year ended 31 December 2021, the Group recorded a reversal of expected credit losses provisions of US$3,997 thousand for receivables. The accounting of provision of expected credit losses for receivables involves management's judgements and estimates in consideration of the following: • classification of the Group's customers into different categories with different credit risk characteristic based on initial credit evaluation and ongoing analysis of the current and expected operating results of the customers and collections history and aging; • development of the estimate of expected credit losses by class of receivables and customer type through a calculation that utilizes historical default rates which are then adjusted by considering forward looking factors including specific receivables that are judged to have a higher than normal risk profile after taking into account credit quality classifications, as well as macro-economic and industry risk factors. We focused on this area as it involves significant estimations and judgements by management, and thus significant time and resources were devoted in this area.	We performed the following procedures in relation to management's assessment on provision of expected credit losses for receivables: • we understood, evaluated and tested the relevant key controls on management's assessment on the provision of expected credit losses for receivables; • we evaluated the reasonableness of basis for the grouping of receivables with reference to credit evaluation and analysis of collections history and aging; • for historical loss, we evaluated management's consideration of historic experience in making the assessment of the loss provision and the reasonableness of period of data used in the assessment. We checked the completeness and accuracy of the historic data used in the calculation; • for forward looking factors, we evaluated the appropriateness of key assumptions used in adjustments for forward looking factors to historical default rates, including agreeing to supporting evidence. We checked the completeness and accuracy of data used in forward looking assessment. • we recalculated the mathematical accuracy of the provision of expected credit losses, on sample basis. Based on our audit procedures, we found the accounting estimates and judgements adopted by management in determining the provision of expected credit losses for receivables are supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jack Li.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 February 2022

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income (Loss)

(In thousands of U.S. dollars)

	Notes	Years Ended 31 December 2021	2020
Revenues	7	112,801	52,331
Cost of sales	8	(44,613)	(32,984)
Gross profit	7	68,188	19,347
Selling, general and administrative expenses	8	(16,820)	(14,381)
Reversals (provision) of impairment losses on financial assets	8	3,997	(10,892)
Other operating expenses	8	(6,062)	(3,900)
Operating profit (loss)		49,303	(9,826)
Interest income		1,643	1,330
Interest expense	9	(458)	(108)
Profit (Loss) before income tax		50,488	(8,604)
Income tax expense	10	(12,271)	(18,135)
Profit (Loss) for the year, attributable to owners of the Company		38,217	(26,739)
Other comprehensive income (loss):			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		3,538	14,139
Items that may not be subsequently reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income (“FVOCI”)		5,219	(2,084)
Other comprehensive income:		8,757	12,055
Total comprehensive income (loss) for the year, attributable to owners of the Company		46,974	(14,684)
Profit (Loss) per share attributable to owners of the Company — basic and diluted (expressed in U.S. dollars per share):			
Profit (Loss) for the year — basic	11	0.11	(0.08)
Profit (Loss) for the year — diluted	11	0.11	(0.08)

(The accompanying notes are an integral part of these consolidated financial statements.)

Consolidated Statement of Financial Position

(In thousands of U.S. dollars)

	Notes	As at 31 December 2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	12	100,200	104,752
Other assets	13	510	12,825
Deferred tax assets	14	6,899	7,089
Variable consideration receivables from contracts		2,791	2,712
Financing receivables	15	60,681	48,958
		171,081	176,336
Current assets			
Other assets	13	633	150
Contract acquisition costs		518	1,374
Film assets	17	76	180
Inventories	18	5,857	5,968
Prepayments		3,566	2,902
Variable consideration receivables from contracts		516	434
Financing receivables	15	18,278	16,755
Trade and other receivables	19	51,496	42,223
Cash and cash equivalents	20	97,737	88,472
		178,677	158,458
Total assets		349,758	334,794

	Notes	As at 31 December 2021	2020
LIABILITIES			
Non-current liabilities			
Accruals and other liabilities	23	—	496
Deferred revenue	21	19,390	24,077
Deferred tax liabilities	14	17,642	19,134
		37,032	43,707
Current liabilities			
Trade and other payables	22	21,107	21,296
Accruals and other liabilities	23	9,669	10,735
Income tax liabilities		5,585	4,293
Borrowings	24	3,612	7,643
Deferred revenue	21	18,875	15,514
		58,848	59,481
Total liabilities		95,880	103,188
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	34	35
Share premium and reserves	25	257,611	269,641
Accumulated deficit		(3,767)	(38,070)
Total equity		253,878	231,606
Total equity and liabilities		349,758	334,794

(The accompanying notes are an integral part of these consolidated financial statements.)

The financial statements on pages 146 to 229 were approved by the board of directors on 23 February 2022 and were signed on its behalf.

Edwin Tan
Director

Jim Athanasopoulos
Director

Consolidated Statement of Changes in Equity

(In thousands of U.S. dollars)

	Share Capital	Share Premium	Treasury Shares	Capital Reserves	FVOCI Reserve	Accumulated Deficit	Exchange Reserve	Total Equity
Balance as at 1 January 2020	35	317,279	(294)	(28,515)	(5,418)	(11,331)	(12,725)	259,031
Comprehensive (loss) income								
Loss for the year	–	–	–	–	–	(26,739)	–	(26,739)
Change in fair value of financial assets at FVOCI	–	–	–	–	(2,084)	–	–	(2,084)
Foreign currency translation	–	–	–	–	–	–	14,139	14,139
Total comprehensive loss	–	–	–	–	(2,084)	(26,739)	14,139	(14,684)
Dividends recognised as distribution (note 33)	–	(13,944)	–	–	–	–	–	(13,944)
Restricted share units vested and settled	–	975	943	(1,918)	–	–	–	–
Acquisition of shares for settlement of restricted share units	–	–	(649)	–	–	–	–	(649)
China long-term incentive plan	–	–	–	3,386	–	–	–	3,386
Shares buy-back	–	–	(1,525)	–	–	–	–	(1,525)
Shares buy-back transaction costs	–	–	(9)	–	–	–	–	(9)
Shares cancelled	–	(1,534)	1,534	–	–	–	–	–
Total transactions with owners, recognised directly in equity	–	(14,503)	294	1,468	–	–	–	(12,741)
Balance as at 31 December 2020	35	302,776	–	(27,047)	(7,502)	(38,070)	1,414	231,606

Consolidated Financial Statements (Continued)

	Share Capital	Share Premium	Treasury Shares	Capital Reserves	Statutory Surplus Reserves	FVOCI Reserve	Accumulated Deficit	Exchange Reserve	Total Equity
Balance as at 1 January 2021	35	302,776	–	(27,047)	–	(7,502)	(38,070)	1,414	231,606
Comprehensive income									
Profit for the year	–	–	–	–	–	–	38,217	–	38,217
Change in fair value of financial assets at FVOCI	–	–	–	–	–	5,219	–	–	5,219
Transfer of FVOCI reserve upon disposal of financial assets at FVOCI	–	–	–	–	–	(1,717)	1,717	–	–
Foreign currency translation	–	–	–	–	–	–	–	3,538	3,538
Total comprehensive income	–	–	–	–	–	3,502	39,934	3,538	46,974
Dividends recognised as distribution (note 33)	–	(16,566)	–	–	–	–	–	–	(16,566)
Transfer to statutory surplus reserves	–	–	–	–	5,631	–	(5,631)	–	–
Restricted share units vested and settled	–	973	1,319	(2,292)	–	–	–	–	–
Acquisition of shares for settlement of restricted share units	–	–	(1,848)	–	–	–	–	–	(1,848)
China long-term incentive plan	–	–	–	3,773	–	–	–	–	3,773
Shares buy-back	–	–	(9,998)	–	–	–	–	–	(9,998)
Shares buy-back transaction costs	–	–	(63)	–	–	–	–	–	(63)
Shares cancelled	(1)	(10,060)	10,061	–	–	–	–	–	–
Total transactions with owners, recognised directly in equity	(1)	(25,653)	(529)	1,481	5,631	–	(5,631)	–	(24,702)
Balance as at 31 December 2021	34	277,123	(529)	(25,566)	5,631	(4,000)	(3,767)	4,952	253,878

(The accompanying notes are an integral part of these consolidated financial statements.)

Consolidated Statement of Cash Flows

(In thousands of U.S. dollars)

	Notes	Years Ended 31 December 2021	2020
Cash flows from operating activities			
Cash provided by operations	28	43,335	13,910
Income taxes paid		(12,738)	(4,582)
Interest paid		(461)	(100)
Net cash provided by operating activities		30,136	9,228
Cash flows from investing activities			
Proceeds on disposal of investment in equity securities		17,769	—
Proceeds on disposal of property, plant and equipment		3	—
Investment in equipment under joint revenue sharing arrangements		(7,312)	(4,598)
Purchase of property, plant and equipment		(273)	(125)
Proceeds from dissolvement of a virtual reality fund		—	3
Net cash provided by (used in) investing activities		10,187	(4,720)
Cash flows from financing activities			
Dividends paid to owners of the Company		(16,566)	(13,944)
Payments for shares buy-back		(10,061)	(1,534)
Repayment of borrowings		(7,609)	(29)
Settlement of share-based payments		(1,848)	(649)
Principal elements of lease payments		(890)	(897)
Proceeds from borrowings		3,600	7,638
Net cash used in financing activities		(33,374)	(9,415)
Effects of exchange rate changes on cash		2,316	4,071
Increase (Decrease) in cash and cash equivalents during year		9,265	(836)
Cash and cash equivalents, beginning of year		88,472	89,308
Cash and cash equivalents, end of year		97,737	88,472

(The accompanying notes are an integral part of these consolidated financial statements.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

1. General information

IMAX China Holding, Inc. (the "Company") was incorporated in the Cayman Islands on 30 August 2010, as an exempted company with limited liability under the laws of the Cayman Islands. The ultimate holding company of the Company is IMAX Corporation (the "Controlling Shareholder"), incorporated in Canada. The Company's registered office is located at Post Office Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104.

The Company is an investment holding company, and its subsidiaries (together the "Group") are principally engaged in the entertainment industry specialising in digital film technologies in mainland China, Hong Kong, Taiwan and Macau ("Greater China").

The Group refers to all the theatres using the IMAX theatre system in Greater China as "IMAX theatres".

The Company listed its shares on The Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 October 2015 (the "Listing").

These consolidated financial statements are presented in United States dollars ("US$"), unless otherwise stated.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") interpretations applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6.

2. Summary of significant accounting policies (Continued)

(b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Foreign currency

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US$ which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the annual average rate for the statement of comprehensive income (loss) and closing rate for the statement of financial position. Foreign currency gains and losses are recorded in the consolidated statement of comprehensive income (loss).

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of that statement of financial position;

- income and expenses for each statement of comprehensive income (loss) are translated at average exchange rates; and

- all resulting exchange differences are recognised in other comprehensive income (loss)

2. Summary of significant accounting policies (Continued)

(d) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (loss), or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (loss). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income (loss).

Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income (loss). Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income (loss) as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other income and gains — net' in the consolidated statement of comprehensive income (loss) as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value. Refer to note 13 for details.

2. Summary of significant accounting policies (Continued)

(d) Financial assets (Continued)

(iv) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 5(a) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables (including trade receivables from third parties, trade receivables from IMAX Corporation and accrued trade receivables), financing receivables and variable consideration receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and all highly liquid investments convertible to a known amount of cash and with an original maturity to the Group of three months or less. Cash equivalents are carried at amortised cost.

(f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting year. See note 5(a) for a description of the Group's impairment policies.

2. Summary of significant accounting policies (Continued)

(g) Inventories

Inventories include goods purchased and spare parts, and are carried at the lower of cost, determined on an average cost basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. Finished goods are recorded at the purchase price from IMAX Corporation which is determined to be the Controlling Shareholder's cost plus a markup.

The costs related to theatre systems under sales and finance lease arrangements are relieved from inventory to cost of sales when revenue recognition criteria are met. The costs related to theatre systems under operating leases under joint revenue sharing arrangements are transferred from inventory to assets under construction in property, plant and equipment when the arrangement is first classified as an operating lease.

The Group records provisions for excess and obsolete inventory based upon current estimates of future events and conditions, including the anticipated installation dates for the current backlog of theatre system contracts, technological developments, signings in negotiation, growth prospects within the customers' ultimate marketplace and anticipated market acceptance of the Group's current and pending theatre systems.

Finished goods inventories can contain theatre systems for which title has passed to the Group's customer (as the theatre system has been delivered to the customer) but the revenue recognition criteria, as discussed in note 2(o), have not been met.

(h) Film assets

Film costs for a Hollywood digital re-mastered film are purchased at a flat fee, and for a local China film are purchased on a cost-plus basis, as governed by the Group's intercompany agreements with IMAX Corporation. These film assets are amortised into cost of sales for Chinese language films or recorded as a deduction of revenue for Hollywood films and participation costs in the same ratio that current gross revenues bear to current and anticipated future revenues over the film exploitation year, which is typically less than 6 months. Estimates of anticipated future revenues are prepared on a title-by-title basis and reviewed regularly by management and revised where necessary to reflect the most current information.

Film exploitation costs, including advertising costs, are expensed as incurred.

(i) Contract acquisition costs

Contract acquisition costs include commissions and other deferred selling costs that are direct and incremental to the acquisition of sales contracts.

Selling costs related to an arrangement incurred prior to recognition of the related revenue are deferred and expensed to cost of sales upon: (i) recognition of the contract's theatre system revenue; or (ii) abandonment of the sale arrangement.

2. Summary of significant accounting policies (Continued)

(j) Other assets

Other assets include equity investments and others.

The Group has several equity investments, which are classified as financial assets at FVOCI. Refer to note 13 for details.

(k) Property, plant and equipment

Property, plant and equipment are recorded at historical cost and are depreciated on a straight-line basis over their estimated useful lives as follows:

Theatre system components(1)	—	10 to 12 years
Office and production equipment	—	3 to 5 years
Leasehold improvements	—	over the shorter of the initial term of the underlying leases plus any probable renewal terms, and the useful life of the asset

(1) Includes equipment under joint revenue sharing arrangements.

Equipment and components allocated to be used in future operating leases under joint revenue sharing arrangements, as well as direct labour costs and an allocation of direct production costs, are included in assets under construction until such equipment is installed and in working condition, at which time the equipment is depreciated on a straight-line basis over the lesser of the term of the joint revenue sharing arrangement and the equipment's anticipated useful life.

The assets' residual values and useful lives are reviewed and adjusted on a prospective basis, if appropriate, at the end of each reporting year.

The Group reviews the carrying values of its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group might not be recoverable. Assets are grouped at the lowest level for which identifiable cash inflows are largely independent when testing for, and measuring for, impairment (cash-generating units). In performing its review of recoverability, the Group compares the carrying values to either the value in use or fair value less costs to dispose and if required an impairment charge is recognised in the consolidated statements of comprehensive income (loss) to bring the carrying value to its recoverable value. Key assumptions include cash flows of projected box office taking consideration of historical box office and recovery of business and discount rate of 10%.

For right-of-use assets, refer to 2(s) for details.

2. Summary of significant accounting policies (Continued)

(l) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(m) Deferred revenue

In instances where the Group receives consideration prior to satisfying its performance obligations, the recognition of revenue is deferred. The majority of the deferred revenue balance relates to payments received by the Group for IMAX Theatre Systems where control of the system has not transferred to the customer. The deferred revenue balance related to an individual theatre increases as progress payments are made and is then derecognised when control of the system is transferred to the customer. Deferred revenue also includes cash received prior to revenue recognition criteria being met for maintenance service.

(n) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2. Summary of significant accounting policies (Continued)

(o) Revenue recognition

(i) Theatre system arrangements

Contracts with Multiple Performance Obligations

The Group's revenue arrangements with certain customers may involve performance obligations consisting of the delivery of a theatre system (projector, sound system, screen system and glasses cleaning machine); services associated with the theatre system (including theatre design support, supervision of installation, and projectionist training); trademark licensing of IMAX; 3D glasses; equipment maintenance and licensing of films. The Group evaluates all of the performance obligations in an arrangement to determine which are considered distinct, either individually or in a group, for accounting purposes and which of the deliverables represent separate units of accounting based on the applicable accounting guidance in IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15") and IFRS 16 "Lease" ("IFRS 16"). If separate units of accounting are required under the relevant accounting standards, the total consideration received or receivable in the arrangement is allocated based on stand-alone selling prices of the goods or services underlying each of those performance obligations at contract inception.

Theatre system

The Group has identified the projection system, sound system, screen system and 3D glasses cleaning machine, theatre design support, supervision of installation, projectionist training and the use of the IMAX brand to be, as a group, a distinct performance obligation, and a single unit of accounting (the "System Obligation"). When an arrangement does not include all the performance obligations of a System Obligation, the performance obligations of the System Obligation included in the arrangement are considered by the Group to be a grouped distinct performance obligation and a single unit of accounting. The Group is not responsible for the physical installation of the equipment in the customer's facility; however, the Group supervises the installation by the customer.

The Group's System Obligation arrangements involve either a lease or a sale of the theatre system depending on whether the arrangements convey a right of use an asset to the customers or the customers obtain control of ownership of an asset. Consideration for the System Obligation, other than for those delivered pursuant to operating lease under joint revenue sharing arrangements, consist of upfront or initial payments made before and after the final installation of the theatre system equipment and ongoing payments throughout the term of the lease or over a period of time, as specified in the arrangement. The ongoing payments under certain arrangements are the greater of an annual fixed minimum amount or a certain percentage of the theatre box office. Amounts received in excess of the annual fixed minimum amounts are considered contingent payments. Under certain arrangements, the ongoing payments are fully contingent with no annual fixed minimum amount. The Group's arrangements are non-cancellable, unless the Group fails to perform its obligations. In the absence of a material default by the Group, there is no right to any remedy for the customer under the Group's arrangements. If a material default by the Group exists, the customer has the right to terminate the arrangement and seek a refund only if the customer provides notice to the Group of a material default and only if the Group does not cure the default within a specified period.

2. Summary of significant accounting policies (Continued)

(o) Revenue recognition (Continued)

(i) Theatre system arrangements (Continued)

Theatre system (Continued)

The transaction price of theatre system is allocated among separate performance obligations including the System Obligation and maintenance service based on the relative standalone selling prices, which is determined by the price when the Group sells the deliverable separately and is the price actually charged by the Company for that deliverable.

Sales arrangements

For arrangements qualifying as sales, the revenue allocated to the System Obligation is recognised in accordance with IFRS 15, when all of the following conditions signifying transfer of control have been met: (i) the projector, sound system and screen system have been installed and are in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed and (iv) the earlier of (a) receipt of written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training and (b) public opening of the theatre, provided there is persuasive evidence of an arrangement, the price is fixed or determinable and collectability is reasonably assured.

The initial revenue recognised consists of the initial payments received and the present value of fixed minimum ongoing payments and an estimate of future variable consideration that have been attributed to this unit of accounting. Future variable consideration includes indexed minimum payment adjustments (future CPI) over the term of the arrangement as well as provision for additional payments in excess of the minimum agreed payments in situations where the theatre exceeds certain box office thresholds. The estimate of future variable consideration is recorded correspondingly in variable consideration receivables from contracts as contract assets in the statement of financial position.

The difference between the gross receivable and totals of their present value is recorded as unrealised finance incomes at the beginning of contract term. Minimum payments receipts and unrealised finance income are presented on net basis in financing receivables.

Lease arrangements

Under the Group's lease arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Group's lease portfolio terms are typically non-cancellable for 10 to 12 years with renewal provisions from inception. The Group's leases generally do not contain an automatic transfer of title at the end of the lease term. The Group's lease arrangements do not contain a guarantee of residual value at the end of the lease term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Group for maintenance and extended warranty generally after the first year of the lease until the end of the lease term. The customer is responsible for obtaining insurance coverage for the theatre systems commencing on the date specified in the arrangement's shipping terms and ending on the date the theatre systems are delivered back to the Group.

2. Summary of significant accounting policies (Continued)

(o) Revenue recognition (Continued)

(i) Theatre system arrangements (Continued)

Lease arrangements (Continued)

The Group classifies its lease arrangements at inception of the arrangement and, if required, after a modification of the lease arrangement, to determine whether they are finance leases or operating leases. A lease arrangement that transfers substantially all of the risks and rewards incidental to ownership of the equipment is classified as a finance leases based on the criteria established by the accounting standard; otherwise the lease is classified as an operating lease. In determining the types of lease arrangements, the Group considers the indicators including the comparison of the present value of the lease payments with the fair value of the theatre systems; and the comparison of lease terms with the economic life of the theatre systems, etc.

Operating leases:

The Group's joint revenue sharing arrangements with rental payments that are fully contingent on the box office results reported by the theatre operators fall in the scope of operating leases. For operating leases, the lease term is considered to commence when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and in full working condition; (ii) the 3D glasses cleaning machine, if applicable, has been delivered; (iii) projectionist training has been completed; and (iv) the earlier of (a) receipt of written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training and (b) public opening of the theatre.

Revenue is calculated as a percentage of box office reported by the theatre operator and is recognised when the amounts are deemed probable and the amounts can be measured reliably.

Finance leases:

The Group's certain sales-type lease arrangements which have upfront payments and fixed minimum ongoing payments and joint revenue sharing arrangements which have upfront payments and contingent payments fall in the scope of finance leases. For finance leases, the revenue allocated to the System Obligation is recognised when the lease term commences, which the Group deems to be when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and are in full working condition; (ii) the 3D glasses cleaning machine, if applicable, has been delivered; (iii) projectionist training has been completed; and (iv) the earlier of (a) receipt of the written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training and (b) public opening of the theatre, provided collectability is reasonably assured.

As a dealer lessor, the Group recognises revenue at the fair value of the leased theatre systems or, if lower, the present value of the lease payments accruing to the Group, discounted using a market rate of interest. The fair value approximates the present value of the lease payments.

2. Summary of significant accounting policies (Continued)

(o) Revenue recognition (Continued)

(i) Theatre system arrangements (Continued)

Lease arrangements (Continued)

Finance leases: (Continued)

For certain sales-type lease arrangements, for which the initial revenue is recognised consists of the initial payments received and the present value of fixed minimum ongoing payments computed at the interest rate implicit in the lease. Contingent payments in excess of the fixed minimum payments are recognised when reported by theatre operators, provided the amount can be measured reliably and deemed probable of collection. The difference between the gross receivable and totals of their present value is recorded as unrealised finance incomes at the beginning of lease term. Minimum lease receipts and unrealised finance income are presented on net basis in financing receivables.

For joint revenue sharing arrangements which have upfront payments and contingent payments, the initial revenue is recognised based on the initial upfront payment agreed on the lease agreement. The contingent revenues from these arrangements is recognised as box office results are reported by the theatre operator, when the amounts are deemed probable and the amounts can be measured reliably.

Finance income

Finance income is recognised over the term of the finance leases or financed sales receivable, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease or financing receivables.

Modifications

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. For the Group's relief program provided to exhibitor partners (Refer to note 4 for details), this contract modification is not accounted for as a separate contract and the Group accounts for the existing contract by recognising as an adjustment to revenue at the date of the contract modification based on extended payment terms.

Cost of sales arrangements and finance leases

Theatre systems and other equipment subject to sales arrangements and finance leases (under sales-type lease arrangements and certain joint revenue sharing arrangements) includes the cost of the equipment and costs related to project management, design, delivery and installation supervision services as applicable. The costs related to theatre systems under sales and finance leases arrangements are relieved from inventory to costs and expenses applicable to revenues-equipment and product sales when revenue recognition criteria are met. In addition, the Group defers direct selling costs such as sales commissions and other amounts related to these contracts until the related revenue is recognised.

2. Summary of significant accounting policies (Continued)

(o) Revenue recognition (Continued)

(i) Theatre system arrangements (Continued)

Cost of operating leases

For theatre systems and other equipment subject to an operating lease under joint revenue sharing arrangements, the cost of equipment and those costs that result directly from and are essential to the arrangement, is included within property, plant and equipment. Depreciation and impairment losses, if any, are included in cost of rentals based on the accounting policy set out in note 2(k). Commissions are deferred and recognised as costs and expenses applicable to revenues-rentals over the lease terms. Direct advertising and marketing costs for each theatre are charged to cost of sales as incurred.

Maintenance and extended warranty services

Maintenance and extended warranty services may be provided under a multiple element arrangement or as a separately priced contract. Revenues related to these services are deferred and recognised on a straight-line basis over the contract period and are recognised in services revenues. Maintenance and extended warranty services includes maintenance of the customer's equipment and replacement parts. Under certain maintenance arrangements, maintenance services may include additional training services to the customer's technicians. All costs associated with this maintenance and extended warranty program are expensed as incurred. A loss on maintenance and extended warranty services is recognised if the expected cost of providing the services under the contracts exceeds the related deferred revenue. As the maintenance services are a stand ready obligation with the cost of providing the service expected to increase throughout the term, revenue is recognised over the term of the arrangement such that increased amounts are recognised in later periods.

IMAX Digital Re-Mastering (IMAX DMR)

Revenues from IMAX DMR films are recognised over the time based on the box office receipts reported by the third party that owns or holds the related film rights, provided collectability is reasonably assured. The Group is entitled to receive a certain percentage of box office for IMAX format films from IMAX Corporation or local studios.

DMR services are performed by IMAX Corporation and are based on master distribution and DMR services agreements. Depending on each type of films such as 2D, 3D or others, DMR cost are charged to the Group based on an agreed upon flat-fee for Hollywood films. For films produced by local studios, DMR services are purchased on a cost-plus basis.

For films produced by local studios, DMR revenue applies the variable consideration exemption for sales or usage-based royalties. While the Group does not hold rights to the intellectual property in the form of the film content, the Group is receiving revenue for the application of IMAX intellectual property used in the DMR process of creating IMAX DMR version of film.

2. Summary of significant accounting policies (Continued)

(o) Revenue recognition (Continued)

(i) Theatre system arrangements (Continued)

IMAX Digital Re-Mastering (IMAX DMR) (Continued)

For films with DMR revenue received from IMAX Corporation, the payment of DMR costs to IMAX Corporation is not in exchange for a distinct good or service that IMAX Corporation transfers to the Group. Therefore, the payment of DMR conversion cost for these films is considered as a payment to customer and is net against DMR revenue earned from IMAX Corporation.

Losses on film performance are recognised as cost of sales in the year when it is determined that the Group's estimate of total revenues to be realised by the Group will not exceed estimated total cost of the respective film asset.

Other revenues

Revenue from the sale of 3D glasses is recognised in Equipment and product sales revenue when the 3D glasses have been delivered to the customer.

Other service revenues are recognised in Service revenues when the performance of contracted services is complete.

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

(q) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in the profit or loss in the period necessary to match them with the costs that they are intended to compensate.

(r) Current and deferred income tax

Income tax expense for the year comprises current and deferred tax. Income tax is recognised in comprehensive income (loss), except to the extent that it relates to items recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date, where the Group generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Summary of significant accounting policies (Continued)

(r) Current and deferred income tax (Continued)

Deferred income tax is recognised, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date.

(s) Leases as a lessee

As a lessee, the Group's leases are mainly rentals of offices. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset in property, plant and equipment and a corresponding liability in accruals and other liabilities at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: fixed payments (including in-substance fixed payments) and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2. Summary of significant accounting policies (Continued)

(s) Leases as a lessee (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

For lease income from operating leases where the Group is a lessor, refer to note 2(o) for details.

2. Summary of significant accounting policies (Continued)

(t) Employee benefits

Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liabilities to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are recognised as employee benefit capitalised as production costs or expensed as incurred.

The Group companies in mainland China participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

No forfeited contributions may be used by the Group to reduce the existing level of contributions.

Other employee social security and benefits

All Chinese employees of the Group participate in employee social security plans, including medical, housing and other welfare benefits, organised and administered by the governmental authorities. The Group has no other substantial commitments to employees.

According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on percentages of the total salary of employees (or on other basis), subject to a certain ceiling, and are paid to the labour and social welfare authorities. Contributions to the plans are capitalised as production costs or expensed as incurred.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37, "Provisions, contingent liabilities and contingent assets" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

(u) Share-based payments

The Group has both equity-settled and cash settled share-based compensation plans.

Under equity-settled share-based compensation plans, the Group receives services from employees as consideration for equity instruments such as stock options, restricted share units ("RSUs") and performance stock units ("PSUs") for the Company's shares. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted. The Company has the obligation to settle the awards granted by the Company.

2. Summary of significant accounting policies (Continued)

(u) Share-based payments (Continued)

The Group estimates the fair value of stock option awards on the date of grant using fair value measurement techniques such as an option-pricing model. The value of the portion of the employee award that is ultimately expected to vest is recognised as expense over the vesting year, which is the year over which all of the specified vesting conditions are to be satisfied, in the Group's comprehensive income (loss).

At the end of each reporting year, the Group revises its estimates of the number of options that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in the comprehensive income (loss) statement, with a corresponding adjustment to equity.

Compensation expense for the employee awards is recognised using the graded vesting method. Each vesting installment of the award is treated as a separate grant and compensation cost is separately measured and recognised over the related vesting year as though the award were, in substance, multiple awards.

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognised immediately, or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is forfeited, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such forfeited equity awards are reversed from the accounts effective as at the date of forfeiture.

The Group utilises the market yield on U.S. treasury securities (also known as nominal rate) over the contractual term of the instrument being issued.

2. Summary of significant accounting policies (Continued)

(u) Share-based payments (Continued)

Stock Options

The Group utilises a lattice-binomial option-pricing model ("Binomial Model") to determine the fair value of stock option awards. See note 25(c) for the details of the assumptions used to determine the fair value of share-based payment awards.

As the Group stratifies its employees into homogeneous groups in order to calculate fair value under the Binomial Model, ranges of assumptions used are presented for expected option life and annual termination probability. The Company's historical data is used to estimate option exercise and employee termination within the valuation model; various groups of employees that have similar historical exercise behaviour are considered separately for valuation purposes. The expected volatility rate is estimated based on a blended volatility method which takes into consideration the Company's historical share price volatility, the Company's implied volatility which is implied by the observed current market prices of the Company's traded options and the Company's peer group volatility. The Group utilises the Binomial Model to determine the expected option life based on such data as vesting years of awards, historical data that includes past exercise and post-vesting cancellations and stock price history.

Restricted Share Units

The fair value of RSU awards is equal to the closing price of the Company's common stock on the date of grant.

Performance Stock Units

The fair value of PSU awards is equal to the closing price of the Company's common stock on the date of grant.

(v) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the year in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(w) Joint arrangements

Under IFRS11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income (loss). When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

2. Summary of significant accounting policies (Continued)

(w) *Joint arrangements (Continued)*

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(x) *Variable consideration receivables from customers*

Variable consideration receivables are contract asserts which are variable consideration estimated by the Group for its sale of theatre systems arrangements, including indexed minimum payment adjustments and additional payments in excess of fixed minimum ongoing payments. See note 2(o) for details.

(y) *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. New accounting standards and accounting changes

A number of new or amended standards became applicable for the annual reporting period commencing 1 January 2021. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021

3. New accounting standards and accounting changes (Continued)

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
IAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Annual improvements	Annual Improvements to IFRS standards 2018–2020 cycle	1 January 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

4. Impact of COVID-19 Pandemic

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Group's business and the global economy. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theatres in countries around the world to temporarily close, including the IMAX theatres in those countries. As a result of the theatre closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in Greater China IMAX theatres, while several other films were released directly or concurrently to streaming platforms which the Group believes negatively impacted the box office of such films.

4. Impact of COVID-19 Pandemic (Continued)

The COVID-19 pandemic resulted in significantly lower levels of revenues, profits, and operating cash flows for the Group during 2020 and, to a lesser extent, during 2021, when compared to periods prior to the onset of the pandemic primarily due to limited Hollywood film releases during these years which impacted IMAX gross box office ("GBO"). Installation and maintenance activity during the year ended 31 December 2021 approximated pre pandemic activity in Mainland China but may continue to be impacted in the event of any future COVID-19 outbreaks and theatre closures.

As a result of past theatre closures and reduced box office levels, beginning in the second quarter of 2020 through the fourth quarter of 2021, the Group provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theatres were closed and operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding, or longer, extension of the term of the underlying sale or lease arrangement. Notwithstanding the above, the Group experienced, and is likely to continue to experience, delays in collecting payments due under existing theatre sales or lease arrangements with exhibitor partners who are facing financial difficulties.

For the year ended 31 December 2021, GBO generated by IMAX films totaled $239 million, surpassing the totals for 2020 by $140 million (141%) and included record Chinese language films box office of $136 million. The Group is encouraged by these box office results and is further encouraged by the strong pipeline of Hollywood and Chinese language films scheduled to be released for theatrical exhibition in 2022. In addition, due to the broad reopening of the IMAX theatre network in 2021, the Group reversed $4.0 million of its allowance for current expected credit losses as the theatrical exhibition industry continues to recover from the COVID-19 pandemic.

As of 31 December 2021, over 95% of IMAX theatres in Greater China had resumed operations with 75% capacity restrictions in place, however, the impact of the COVID-19 pandemic on the Group's business and financial results will continue to depend on numerous evolving factors that cannot be accurately predicted. These factors will vary by market in Greater China, including the duration and scope of the pandemic, the emergence of variants of the virus, and ongoing government responses to the pandemic, which could lead to further theatre closures, theatre capacity restrictions and/or delays in the release of films.

5. Financial risk

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the directors of the Company. The directors provide principles for an overall risk management, as well as policies covering specific areas.

There have been no changes in the risk management policies since year end.

5. Financial risk (Continued)

(a) Market risk

Foreign exchange risk

The Group operates in Greater China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US$ and Chinese Yuan Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Group's functional currency.

The Group's transactions are mainly denominated in US$, RMB and Hong Kong dollars ("HK$"). The majority of assets and liabilities are denominated in US$, RMB and HK$ and there are no significant assets and liabilities denominated in other currencies.

If the US$ had strengthened/weakened by 10% against the RMB while all other variables had been held constant, the Group's net result for 2021 would have been approximately $0.3 million worse/better (2020: $0.3 million), for various financial assets and liabilities denominated in RMB.

Interest rate risk

The Group is exposed to interest rate risk in relation to variable interest rate borrowings.

If interest rates on variable interest rate borrowings had been 10 basis point higher/lower and all other variables were held constant, the Group's post-tax profit would have decreased/increased by approximately $7,000 for the year ended 31 December 2021 (2020: less than $1,000).

Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade and other receivables, financing receivables and variable consideration receivables from contracts. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

For the year ended 31 December 2021, 37.2% (2020: 31.6%) of the Group's revenue was derived from its customers each of which individually comprising 10% or more of total revenue of the Group. See note 7(a) for each significant customer's revenue by segment. As at 31 December 2021, the Group had concentration of credit risk as 20.8% (2020: 17.6%) of the total trade and other receivables due from the Group's largest two (2020: two) customers.

5. Financial risk (Continued)

(a) Market risk (Continued)

Credit risk (Continued)

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations;

- actual or expected significant changes in the operating results of the debtors;

- significant increases in credit risk on other financial instruments of the same debtors;

- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors and changes in the operating results of the debtors; and

- COVID-19.

The Group has policies in place to ensure that receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. The credit period granted to the customers and the credit quality of these customers are assessed, which takes into account their financial position, past experience and available forward-looking information.

For trade receivables (including trade receivables from third parties, trade receivables from IMAX Corporation and accrued trade receivables), financing receivables and variable consideration receivables from contracts, management performs an initial credit evaluation prior to entering into an arrangement with a customer and then regularly monitors the credit quality of each customer through an analysis of collections history and aging. The Group classifies its customers into four categories to indicate the credit quality worthiness for internal purposes only:

Good standing — theatre continues to be in good standing with the Group as the client's payments and reporting are up-to-date.

Credit watch — theatre operator has begun to demonstrate a delay in payments, has been placed on the Group's credit watch list for continued monitoring, but active communication continues with the Group. Depending on the size of outstanding balance, length of time in arrears and other factors, transactions may need to be approved by management. These financing receivables are considered to be in better condition than those receivables related to theatres in the "Pre-approved transactions" category, but not in as good of condition as those receivables in "Good standing".

5. Financial risk (Continued)

(a) Market risk (Continued)

Credit risk (Continued)

Pre-approved transactions only — theatre operator is demonstrating a delay in payments with little or no communication with the Group. All service or shipments to the theatre must be reviewed and approved by management. These financing receivables are considered to be in better condition than those receivables related to theatres in the "All transactions suspended" category, but not in as good of condition as those receivables in "Credit watch". Depending on the individual facts and circumstances of each customer, finance income recognition may be suspended if management believes the receivable to be impaired.

All transactions suspended — theatre is severely delinquent, non-responsive or not negotiating in good faith with the Group. Once a theatre is classified as "All transactions suspended", the theatre is placed on nonaccrual status and all revenue recognitions related to the theatre are stopped.

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of above receivables. The Group develops its estimate of credit losses by class of receivable and customer type through a calculation that utilises historical loss rates which are then adjusted by considering forward looking factors including specific receivables that are judged to have a higher than normal risk profile after taking into account credit quality classifications, as well as macro-economic and industry risk factors.

For other receivables (including loan and interest receivables from related parties), management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and available forward-looking information. Management considered other receivables from third parties and related parties usually to be low credit risk as they have a low risk of default and a strong capacity to meet its contractual cash flow obligations in the near term, thus the impairment provision recognised for other receivables was limited to 12 months expected losses, except for the loan receivables from related parties (note 19) with delay in collection over 60 days so that management provided lifetime expected losses for it accordingly. Management believes that the remaining credit risk inherent in the Group's outstanding other receivable balance is not significant.

The credit risk on deposits with banks are limited because deposits are in banks with sound credit ratings and management does not expect any loss from non-performance by these counterparties.

5. Financial risk (Continued)

(a) Market risk (Continued)

Credit risk (Continued)

During the year ended 31 December 2021, the Group recorded a net recovery of allowance for expected credit losses of $4.0 million (2020: an allowance for expected credit losses of $10.9 million), primarily reflecting cash collections as a result of a recovery in the credit quality of its theatre related trade and other receivables, financing receivables and variable consideration receivables from contracts as a result of the recovery of COVID-19 global pandemic. Management's judgements regarding expected credit losses are based on the facts available to management and involve estimates about the future. Due to the unprecedented nature of the COVID-19 pandemic and the limited number of Hollywood films released in the market due release date delays from COVID and uncertainty around importation and censorship of such these films, the financial effect of potential reduced box office, its long-term effect on the Group's customers and their ability to meet their financial obligations to the Company is difficult to predict. As a result, the Group's judgements and associated estimates of expected credit losses may ultimately prove, with the benefit of hindsight, to be incorrect.

The following table summarizes the movement in allowance for expected credit losses that has been recognised for the respective financial assets:

	Trade and other receivables	Variable consideration receivables from contracts	Financing receivables	Total
As at 1 January 2020	1,082	—	—	1,082
Increase in allowance for expected credit losses	6,183	448	4,261	10,892
Exchange difference	553	(70)	135	618
As at 31 December 2020	7,818	378	4,396	12,592
Decrease in allowance for expected credit losses	(3,021)	(148)	(828)	(3,997)
Write-off	—	(27)	—	(27)
Exchange difference	147	7	95	249
As at 31 December 2021	4,944	210	3,663	8,817

5. Financial risk (Continued)

(a) Market risk (Continued)

Credit risk (Continued)

Trade and other receivables:

Trade receivables from third parties and trade receivables from IMAX Corporation

The expected credit loss provision as at 31 December 2021 and 31 December 2020 was determined as follows for trade receivables:

31 December 2021	0–30 days	31–60 days	61–90 days	Over 90 days	Total
Expected loss rate	**0.87%**	**1.90%**	**2.04%**	**10.60%**	
Gross carrying amount — trade receivables	4,462	4,505	6,481	34,732	50,180
Loss allowance	39	86	132	3,681	3,938

31 December 2020	0–30 days	31–60 days	61–90 days	Over 90 days	Total
Expected loss rate	**1.38%**	**2.23%**	**2.58%**	**20.75%**	
Gross carrying amount — trade receivables	5,710	3,169	4,415	31,450	44,744
Loss allowance	79	71	114	6,527	6,791

The Group recorded a net recovery of allowance for expected credit losses of $3.0 million for the year ended 31 December 2021 (2020: an allowance for expected credit losses of $5.6 million), reflecting a recovery of the credit quality of its theatre and studio related trade receivable, which management believes is primarily related to the recovery of COVID-19 global pandemic.

Accrued trade receivables

Management recorded a net recovery of allowance for expected credit losses of less than $0.1 million for the year ended 31 December 2021 (2020: an allowance for expected credit losses of $0.6 million).

Other receivables (including loan and interest receivables from related parties)

Management recorded expected credit losses provision of $nil for the year ended 31 December 2021 (2020: less than $0.1 million).

Management's judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future.

5. Financial risk (Continued)

(a) Market risk (Continued)

Credit risk (Continued)

Trade and other receivables: (Continued)

Other receivables (including loan and interest receivables from related parties) (Continued)

The credit risk on amount due from related companies is limited and the Group does not expect any losses from non-performance by the counterparties of amount due from related companies and no loss allowance provision was recognised.

Financing receivables

The following tables provide information on the Group's financing receivables by credit quality indicator as of 31 December 2021 and 31 December 2020:

	As at 31 December	
	2021	2020
Investment in finance leases:		
Gross carrying amount	25,543	15,544
Expected loss rate	1.26%	2.02%
Loss allowance	322	314
Financed sales receivables:		
Gross carrying amount	57,079	54,565
Expected loss rate	5.85%	7.48%
Loss allowance	3,341	4,082

The ability of the Group to collect its financing receivable balances is heavily dependent on the viability and solvency of individual theatre operators which is significantly influenced by consumer behavior and general economic conditions. Theatre operators may experience financial difficulties, such as those imposed by the COVID-19 global pandemic, that could cause them to be unable to fulfill their payment obligations to the Group.

5. Financial risk (Continued)

(a) Market risk (Continued)

Credit risk (Continued)

Financing receivables (Continued)

The Group considers financing receivables in the credit quality classification of "Credit watch", "Pre-approved transactions" and "Transactions suspended" with potential collection concerns. The Group recorded a net recovery of allowance for expected credit loss for financing receivables of $0.8 million for the year ended 31 December 2021 (2020: an allowance for expected credit losses of $4.3 million), reflecting a recovery in the credit quality of its theatre related financing receivables, which management believes is primarily related to the recovery of the COVID-19 global pandemic. Management's judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future.

Variable consideration receivables from contracts:

The ability of the Group to collect its variable consideration receivables is heavily dependent on the viability and solvency of individual theatre operators which is significantly influenced by consumer behavior and general economic conditions. Theatre operators may experience financial difficulties, such as those imposed by the COVID-19 global pandemic, that could cause them to be unable to fulfill their payment obligations to the Group. Based on management's assessment, the Group recorded a net recovery of allowance for expected credit loss for variable consideration receivables of $0.1 million against gross amount of $3.5 million for the year ended 31 December 2021 (2020: $0.4 million).

Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

The Group monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient committed borrowing facilities from the Group's Controlling Shareholder.

The Group's financial liabilities, specifically trade and other payables and accruals and other liabilities, in relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date are disclosed in notes 22 and 23. The borrowings are due within one year.

5. Financial risk (Continued)

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group considers its capital structure as the aggregate of total equity and long-term debt less cash and short-term deposits. The Group manages its capital structure and makes adjustments to it in order to have funds available to support the business activities which the Board of Directors intends to pursue in addition to maximising the return to shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Group's management to sustain future development of the business.

In order to carry out current operations and pay for administrative costs, the Group will spend its existing working capital and raise additional amounts as needed. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Group, is reasonable.

(c) Fair value estimation

See note 26 for disclosures of the fair value estimation of the Group's financial assets and liabilities.

6. Critical accounting estimates and judgements

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Deferred income tax

In normal operating activities, the final tax treatments of transactions and events are uncertain. The Group assesses the tax implications of transactions, and records income tax. The Group regularly re-assesses the tax implications of transactions according to updates in tax regulations. Deferred income tax assets are recognised based on deductible tax losses and deductible temporary differences. Deferred income tax assets are recognised if such amounts can be offset by future taxable income, and as a result, management judges the possibility of future taxable income. The Group continues to review the judgment of deferred income tax, and recognise deferred income tax assets if it is possible to realise taxable income in the future (note 14).

6. Critical accounting estimates and judgements (Continued)

(b) Share-based compensation

Accounting estimates and assumptions made to determine share-based compensation is included in note 25(c).

At each statement of financial position date, the Group will estimate and adjust the number of vested equity instruments based on the subsequent information such as the latest change in the number of vesting employees. Based on the fair value of above equity instruments and the estimated number of stock options, RSUs and PSUs expected to vest, the Group recognises the compensation costs for the current year in the consolidated statement of comprehensive income (loss) by deducting the cumulative compensation costs recognised as of the prior year end from the cumulative compensation costs as of current year end.

(c) Revenue recognition

Revenue recognition is critical for the Group's consolidated financial statements as net profit/loss is directly affected by the timing of revenue recognition. Key estimates in connection with the revenue recognition include estimates of future variable considerations for sales arrangements and transaction price allocation for multiple elements within revenue recognition. Details of the Group's accounting policy and key estimates for revenue recognition is included in note 2(o).

(d) Depreciation of property, plant and equipment

Management estimates include future profit period, useful lives, residual rates and depreciation of fixed assets. If the estimates change, management will modify depreciation prospectively (note 12).

(e) Impairment of property, plant and equipment

Management performs review of impairments of property, plant and equipment by comparing the cash-generating unit's carrying values to their recoverable amount. The recoverable amount is the higher of property, plant and equipment's fair value less costs of disposal and value in use. Key assumptions are disclosed in note 4.

(f) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. See each financial asset of the Group subject to impairment assessment and detailed assumptions used by the Group in credit risk under note 5(a).

6. Critical accounting estimates and judgements (Continued)

(g) Provision for inventory

The Group regularly estimates the net realisable value of inventory to determine whether the difference between the cost of inventory and the net realisable value results in an impairment (note 18). When assessing the net realisable value, the Group considers the purpose of holding inventory. The assessment is based on the available information which includes the market price of the inventory and the former operative cost of the Group. The actual selling price, selling expense and tax may vary with changes in market conditions or actual use which results in the changes in the price of inventory. The adjustment of the impairment losses of inventory will affect current profit or loss.

7. Revenue and segment information

Management, including the Group's executive directors, assesses segment performance based on segment revenues, gross margins and film performance. Selling, general and administrative expenses, reversals (provision) of impairment losses on financial assets, other operating expenses, interest income, interest expense and income tax expense are not allocated to the segments.

The Group now has six operating and reportable segments: IMAX DMR films, Revenue sharing arrangements, IMAX Systems, IMAX Maintenance, Other Theatre Business, New Business Initiatives and Other.

The Group's reportable segments are organised under three primary groups identified by nature of product sold or service provided: (1) IMAX Technology Network, which earns revenue based on contingent box office receipts and includes the IMAX DMR films segment and contingent rent from revenue sharing arrangements segment; (2) IMAX Technology Sales and Maintenance, which includes results from IMAX Systems, IMAX Maintenance and Other Theatre Business, as well as upfront fees from revenue sharing arrangements; and (3) New Business Initiatives and Other, which includes activities related to the exploration of new lines of business and new initiatives outside of the Group's core business.

Inter-segment profits are eliminated upon consolidation, as well as for the disclosures below.

Transactions between the other segments are not significant.

7. Revenue and segment information (Continued)

(a) Operating segments

	Years Ended 31 December 2021	2020
Revenue		
IMAX Technology Network		
IMAX DMR films	21,750	7,721
Revenue sharing arrangements — contingent rent	17,623	7,461
	39,373	15,182
IMAX Technology Sales and Maintenance		
IMAX Systems	41,413	23,953
Revenue sharing arrangements — upfront fees	5,150	1,285
IMAX Maintenance	25,581	11,156
Other Theatre Business	858	543
	73,002	36,937
New Business Initiatives and Other	426	212
Total	112,801	52,331
Gross profit (loss)		
IMAX Technology Network		
IMAX DMR films	17,436	6,054
Revenue sharing arrangements — contingent rent	4,860	(5,968)
	22,296	86
IMAX Technology Sales and Maintenance		
IMAX Systems	27,214	13,867
Revenue sharing arrangements — upfront fees	1,225	(141)
IMAX Maintenance	16,996	5,578
Other Theatre Business	234	68
	45,669	19,372
New Business Initiatives and Other	223	(111)
Total gross profit	68,188	19,347
Selling, general and administrative expenses	(16,820)	(14,381)
Reversals (provision) of impairment losses on financial assets	3,997	(10,892)
Other operating expenses	(6,062)	(3,900)
Interest income	1,643	1,330
Interest expense	(458)	(108)
Profit (Loss) before income tax	50,488	(8,604)

7. Revenue and segment information (Continued)

(a) Operating segments (Continued)

The Group's operating assets and liabilities are located in Greater China. All revenue earned by the Group is generated by the activities of IMAX theatres operating in Greater China.

The following table summarizes revenue recognised under IFRS 15 and IFRS 16, respectively.

	Years Ended 31 December			
	Recognised under IFRS 15		Recognised under IFRS 16	
	2021	2020	2021	2020
Revenue				
IMAX Technology Network				
IMAX DMR films	21,750	7,721	—	—
Revenue sharing arrangements — contingent rent	—	—	17,623	7,461
	21,750	7,721	17,623	7,461
IMAX Technology Sales and Maintenance				
IMAX Systems	30,704	19,339	10,709	4,614
Revenue sharing arrangements — upfront fees	—	—	5,150	1,285
IMAX Maintenance	25,581	11,156	—	—
Other Theatre Business	858	543	—	—
	57,143	31,038	15,859	5,899
New Business Initiatives and Other	426	212	—	—
Total	79,319	38,971	33,482	13,360

Of the revenue from IMAX systems, finance income was approximately $3.8 million for the year ended 31 December 2021 (2020: $3.3 million).

Of the revenue sharing arrangements — contingent rent, approximately $15.0 million for the year ended 31 December 2021 (2020: $6.4 million) were from revenues under operating leases and approximately $2.6 million for the year ended 31 December 2021 (2020: $1.1 million) were from revenues under finance leases.

The selling profit for the Group's finance leases was approximately $6.7 million for the year ended 31 December 2021 (2020: $1.9 million).

7. Revenue and segment information (Continued)

(a) Operating segments (Continued)

Significant Customers

Revenue from the Group's significant customers (individually defined as greater than 10% of total revenues) as reported in segments are as follows:

Customer A

Revenues of approximately $30.3 million in 2021 (2020: $10.1 million) are derived from a single external customer. These revenues are attributable to Revenue sharing arrangements, IMAX Systems, IMAX DMR films, IMAX Maintenance and Other Theatre Business.

Customer B

Revenues of approximately $11.7 million in 2021 (2020: $3.2 million) are derived from a single external customer. These revenues are attributable to Revenue sharing arrangements, IMAX Systems, IMAX Maintenance and Other Theatre Business.

Customer C

Revenues of approximately $7.5 million in 2021 (2020: $6.4 million) are derived from a single external customer. These revenues are attributable to Revenue sharing arrangements, IMAX Systems, IMAX Maintenance and Other Theatre Business.

No other single customers comprises of more than 10% of total revenues in 2021 or 2020.

Supplemental Information

(b) Depreciation and amortisation

	Years Ended 31 December	
	2021	2020
Revenue sharing arrangements	12,551	12,694
IMAX DMR films	1,492	552
IMAX Maintenance	307	319
Corporate and other non-segment specific assets	871	1,209
Total	15,221	14,774

7. Revenue and segment information (Continued)

(c) Loss on disposal of property, plant and equipment

	Years Ended 31 December 2021	2020
Revenue sharing arrangements	172	125
Corporate and other non-segment specific assets	2	—
Total	174	125

8. Expenses by nature

A breakdown of the Group's expenses is provided in the table below:

	Years Ended 31 December 2021	2020
Cost of theatre system sales and finance leases	17,459	10,715
Depreciation, including joint revenue sharing arrangements and film costs	15,221	14,774
Employee salaries and benefits	11,308	8,775
Technology and trademark fees	6,032	2,911
Theatre maintenance fees	6,006	3,372
Advertising and marketing expenses	4,989	2,644
Share-based compensation expenses	3,773	3,386
Other employee expenses	1,294	1,295
Professional fees	1,174	1,044
Travel and transportation expenses	571	447
Lease expenses	231	213
Utilities and maintenance expenses	88	274
Cost of new business	21	18
(Decrease) Increase in allowance for expected credit losses	(3,997)	10,892
Foreign exchange gains	(1,871)	(805)
Other film (recoveries) costs	(109)	307
(Recoveries of) Write-downs	(18)	1,109
Other expenses	790	394
Auditor's remuneration		
— Audit services	394	358
— Non-audit services	142	34
Total costs of sales, selling, general and administrative expenses, reversals (provision) of impairment losses on financial assets and other operating expenses	63,498	62,157

9. Interest expense

	Years Ended 31 December	
	2021	2020
Interest on bank borrowings	410	15
Interest on lease liabilities	48	93
Total	458	108

10. Income tax expense

	Years Ended 31 December	
	2021	2020
Current income tax:		
Current tax on profits for the year	10,420	2,138
Dividend withholding tax paid	2,039	—
Adjustments in respect of prior years	980	329
Total current income tax	13,439	2,467
Deferred income tax (note 14):		
Origination of temporary differences	(1,715)	(3,466)
Withholding tax on historical profits	547	19,134
Total deferred income tax	(1,168)	15,668
Income tax expense	12,271	18,135

10. Income tax expense (Continued)

The tax on the Group's profit (loss) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits (losses) of the Group as follows:

	Years Ended 31 December	
	2021	2020
Profit (Loss) before tax	50,488	(8,604)
Tax calculated at domestic tax rates applicable to profits in all respective countries	11,455	(1,462)
Tax effects of:		
Income not subject to tax	(843)	(406)
Expenses not deductible for tax purposes	233	333
Withholding tax on historical profits (note)	547	19,134
Withholding taxes	172	332
Other	(273)	(125)
Adjustment in respect of prior years	980	329
Tax charge	12,271	18,135

The tax rate of the People's Republic of China (the "PRC") subsidiaries is 25%. The entity incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2 million and 16.5% on any part of assessable profits over HKD2 million for the years presented.

The applicable tax charge reflects the impact of the income tax refund of $1.2 million for the year ended 31 December 2021 (2020: $nil).

Note: During the year ended 31 December 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Group's capital resources. Based on the results of this reassessment, management concluded that the historical earnings of one subsidiary in the PRC till the year ended 31 December 2019 in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As a result, the Group recognised a withholding tax on historical profits with a total amount of $19.7 million, which will become payable upon the repatriation of any such earnings. Currently, the Company does not plan to pay dividends from the unremitted earnings of the Group's subsidiary in the PRC with respect to the profit generated after 31 December 2019 thus no further withholding tax provision was provided accordingly.

11. Profit per share

Reconciliations of the numerator and denominator of the basic and diluted per-share computations are comprised of the following:

	Years Ended 31 December	
	2021	2020
Profit (Loss) for the year	38,217	(26,739)
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of year	348,063	348,657
Weighted average number of shares decreased during the year	(1,369)	(379)
Weighted average number of shares used in computing basic earnings per share	346,694	348,278
Adjustments for:		
Stock options	830	—
Restricted share units	1,319	—
Performance stock units	169	—
Weighted average number of shares used in computing diluted earnings per share	349,012	348,278

For the year ended 31 December 2020, the potential ordinary shares from stock options, restricted share units and performance stock units were not included in the calculation of loss per share as their inclusion would be anti-dilutive.

12. Property, plant and equipment

	Theatre System Components	Office and Production Equipment	Right-of-use Assets	Leasehold Improvements	Construction in Process	Total
As at 1 January 2020						
Cost	142,028	2,545	3,136	1,735	2,423	151,867
Accumulated depreciation and impairment	(42,291)	(1,638)	(885)	(1,705)	—	(46,519)
Net book amount	99,737	907	2,251	30	2,423	105,348
Year ended 31 December 2020						
Opening net book amount	99,737	907	2,251	30	2,423	105,348
Exchange differences	7,013	49	119	2	43	7,226
Additions	—	125	416	—	6,294	6,835
Transfers	6,718	—	—	—	(6,718)	—
Disposals	(125)	—	(258)	—	—	(383)
Depreciation charge	(12,694)	(364)	(1,148)	(16)	—	(14,222)
Impairment loss recognised	(52)	—	—	—	—	(52)
Closing net book amount	100,597	717	1,380	16	2,042	104,752
As at 1 January 2021						
Cost	158,203	2,842	3,022	1,869	2,042	167,978
Accumulated depreciation and impairment	(57,606)	(2,125)	(1,642)	(1,853)	—	(63,226)
Net book amount	100,597	717	1,380	16	2,042	104,752
Year ended 31 December 2021						
Opening net book amount	100,597	717	1,380	16	2,042	104,752
Exchange differences	2,002	(6)	(25)	—	6	1,977
Additions	—	216	57	—	7,151	7,424
Transfers	5,719	—	—	—	(5,719)	—
Disposals	(172)	(5)	(79)	—	—	(256)
Depreciation charge	(12,551)	(380)	(785)	(13)	—	(13,729)
Impairment loss reversals	32	—	—	—	—	32
Closing net book amount	95,627	542	548	3	3,480	100,200
As at 31 December 2021						
Cost	166,913	3,042	2,844	1,918	3,480	178,197
Accumulated depreciation and impairment	(71,286)	(2,500)	(2,296)	(1,915)	—	(77,997)
Net book amount	95,627	542	548	3	3,480	100,200

12. Property, plant and equipment (Continued)

Depreciation charges of the amounts below were included in the following categories in the consolidated statement of comprehensive income (loss):

	Years Ended 31 December	
	2021	2020
Cost of sales	12,563	12,781
Selling, general and administrative expenses	1,166	1,441
	13,729	14,222

During the year ended 31 December 2021, the Group recorded a loss on disposal of $0.2 million (2020: $0.1 million) related to theatre system components, office and production equipment and leasehold improvements.

13. Other assets

The Group's other assets balance is comprised of the following:

	As at 31 December	
	2021	2020
Deposits	582	99
Others	51	51
Other assets, current	633	150
Deposits over one year	297	275
Prepayments to IMAX Corporation (note (31(b))	213	—
Investment in equity securities (note)	—	12,550
Other assets, non-current	510	12,825
Other assets	1,143	12,975

Note: On 4 February 2019, IMAX China (Hong Kong), Limited ("IMAX Hong Kong"), a wholly-owned subsidiary of the Company, purchased 7,949,000 shares (representing approximately 0.706% equity at the time) in Maoyan Entertainment ("Maoyan") with the amount of $15.1 million at the final offer price pursuant to the global offering of the shares of Maoyan. During the year ended 31 December 2021, the Group sold out all of its 7,949,000 shares of Maoyan for a net proceed of $17.8 million. During the year ended 31 December 2021, an increase in fair value of $5.2 million was recorded in other comprehensive income and the accumulated gain of $2.7 million was transferred to retained profit upon the disposal of the shares (2020: decrease in fair value of $2.1 million recorded in other comprehensive income).

14. Deferred income tax

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Fixed assets, inventory and other property	Share-based compensation	Accrued reserves	Others	Total
As at 1 January 2020	98	1,095	2,809	(859)	3,143
Credited (charged) to profit or loss	33	485	3,143	(195)	3,466
Exchange difference	5	272	203	—	480
As at 31 December 2020	136	1,852	6,155	(1,054)	7,089
Credited (charged) to profit or loss	19	(16)	(1,125)	798	(324)
Exchange difference	(12)	(148)	238	56	134
As at 31 December 2021	143	1,688	5,268	(200)	6,899

Deferred tax liabilities	Withholding tax on undistributed dividends
As at 1 January 2020	—
Charged to profit or loss (note 10)	19,134
As at 31 December 2020	19,134
Credited to profit or loss (note 10)	(1,492)
As at 31 December 2021	17,642

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

15. Financing receivables

As described in note 2(o), financing receivables, consisting of net investment in finance leases and receivables from financed sales of theatre systems are as follows:

	As at 31 December	
	2021	2020
Gross minimum finance lease payments receivable	25,800	15,845
Unearned finance income	(257)	(301)
Present value of minimum finance lease payments receivable	25,543	15,544
Allowance for expected credit losses	(322)	(314)
Net investment in finance leases	25,221	15,230
Gross financed sales receivables	71,828	68,815
Unearned finance income	(14,749)	(14,250)
Present value of financed sales receivables	57,079	54,565
Allowance for expected credit losses	(3,341)	(4,082)
Net financed sales receivables	53,738	50,483
Total financing receivables	78,959	65,713

15. Financing receivables (Continued)

	As at 31 December	
	2021	2020
Gross investment in finance leases may be analysed as follows:		
No later than one year	3,446	2,318
Later than one year and no later than five years	10,051	6,020
Later than five years	12,303	7,507
Total gross investment in finance leases	25,800	15,845
Gross financed sales receivables may be analysed as follows:		
No later than one year	18,349	18,164
Later than one year and no later than five years	36,060	33,597
Later than five years	17,419	17,054
Total financed sales receivables	71,828	68,815
Net investment in finance leases may be analysed as follows:		
No later than one year	3,523	2,267
Later than one year and no later than five years	9,853	5,864
Later than five years	12,167	7,413
Present value of investment in finance leases	25,543	15,544
Allowance for expected credit losses	(322)	(314)
Total net investment in finance leases	25,221	15,230
Net financed sales receivables may be analysed as follows:		
No later than one year	14,755	14,488
Later than one year and no later than five years	27,335	25,230
Later than five years	14,989	14,847
Present value of financed sales receivables	57,079	54,565
Allowance for expected credit losses	(3,341)	(4,082)
Total net financed sales receivables	53,738	50,483

As at 31 December 2021, the financed sales receivables had a weighted average effective interest rate of 8.1% (2020: 8.3%).

16. Interests in a joint venture

A joint venture was established in 2017. As at 31 December 2021, no capital has been injected to the joint venture yet.

Details of the Group's joint venture at 31 December 2021 are as follows:

Name of the entity	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares/ registered capital	Paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd.	The PRC Limited Liability Company (a joint venture invested by foreign invested enterprise and domestic enterprise) 25 January 2017	Investment management, investment consulting	Registered capital of RMB7,000,000	$nil	–	50%

17. Film assets

	Completed released films
As at 1 January 2020	
Cost	46,221
Accumulated amortisation	(46,105)
Net book amount	116
Year ended 31 December 2020	
Opening net book amount	116
Exchange differences	26
Additions	3,043
Amortisation charge (note below)	(3,005)
Closing net book amount	180
Year ended 31 December 2021	
Opening net book amount	180
Exchange differences	8
Additions	3,885
Amortisation charge (note below)	(3,997)
Closing net book amount	76
As at 31 December 2021	
Cost	53,703
Accumulated amortisation	(53,627)
Net book amount	76

Note: For Hollywood films, the Group purchases film assets from IMAX Corporation and in the meantime earns DMR revenue from IMAX Corporation. For the year ended 31 December 2021, the amortisation charge of $2.5 million (2020: $2.4 million) in relation to Hollywood films is considered as a payment to customer and is net against DMR revenue earned from IMAX Corporation.

18. Inventories

	As at 31 December 2021	2020
Finished goods	5,857	5,968

There were less than $0.1 million provisions for excess and obsolete inventory based upon current estimates of net realisable value considering future events and conditions for the year ended 31 December 2021 (2020: $0.1 million).

The costs of inventories recognised as an expense and included in "cost of sales" amounted to $17.7 million for the year ended 31 December 2021 (2020: $11.2 million).

19. Trade and other receivables

	As at 31 December 2021	2020
Trade receivables:		
Trade receivables from third parties	33,914	30,110
Less: allowance for expected credit losses of trade receivables from third parties	(3,938)	(6,791)
Trade receivables from third parties — net	29,976	23,319
Trade receivables from IMAX Corporation (note 31(b))	16,266	14,634
Accrued trade receivables	5,698	4,748
Less: allowance for expected credit losses of accrued trade receivables	(577)	(608)
Accrued trade receivables — net	5,121	4,140
Total trade receivables	51,363	42,093
Other receivables:		
Loan and interest receivables from related parties (note 31(b))	562	549
Less: allowance for expected credit losses of loan and interest receivables	(429)	(419)
Loan and interest receivable from related parties — net	133	130
Total other receivables	133	130
Total trade and other receivables	51,496	42,223

19. Trade and other receivables (Continued)

The fair value of trade and other receivables approximates the carrying value.

The aging analysis of the gross trade receivables from third parties and trade receivables from IMAX Corporation, based on invoice date is as follows:

	As at 31 December	
	2021	2020
0–30 days	4,462	5,710
31–60 days	4,505	3,169
61–90 days	6,481	4,415
Over 90 days	34,732	31,450
	50,180	44,744

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2021	2020
RMB	41,042	29,589
US$	10,369	12,549
Other currencies	85	85
	51,496	42,223

During the year ended 31 December 2021, the Group recorded a net recovery of allowance for expected credit losses of $3.0 million (2020: an allowance for expected credit losses of $6.2 million) related to trade and other receivables in the consolidated statement of comprehensive income (loss).

20. Cash and cash equivalents

	As at 31 December	
	2021	2020
Cash at bank and on hand	38,697	42,075
Short-term bank deposits with maturity less than 3 months	59,040	46,397
Cash and cash equivalents	97,737	88,472

The Group has cash and cash equivalents balances denominated in various currencies. The carrying amount of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2021	2020
RMB	92,830	77,863
US$	4,423	9,863
Hong Kong dollars	484	746
	97,737	88,472

21. Deferred revenue

	As at 31 December	
	2021	2020
Theatre system deposits	27,728	30,081
Maintenance prepayments	10,537	9,510
	38,265	39,591
Deferred revenue, current	18,875	15,514
Deferred revenue, non-current	19,390	24,077
	38,265	39,591

The following table shows the amount of revenue recognised in the consolidate statements of comprehensive income (loss) for the years ended 31 December 2021 and 2020 relating to deferred revenue brought forward:

	Years Ended 31 December	
	2021	2020
Upfront revenue	13,715	5,595
Maintenance revenue	6,696	2,232
Total	20,411	7,827

The unsatisfied performance obligations out of the carrying value of the Group's backlog as at 31 December 2021 were approximately $176.6 million (2020: $186.9 million).

22. Trade and other payables

	As at 31 December	
	2021	2020
Trade payables to third parties	1,025	2,172
Payables to IMAX Corporation (note 31(b))	18,857	17,978
Other payables	1,225	1,146
	21,107	21,296

The aging analysis of trade and other payables based on recognition date is as follows:

	As at 31 December	
	2021	2020
0–30 days	8,346	8,120
31–60 days	1,688	2,905
61–90 days	901	476
Over 90 days	10,172	9,795
	21,107	21,296

As at 31 December 2021 and 2020, the carrying amounts of trade and other payables approximated their fair values due to short maturity. Trade and other payables over 90 days primarily consist of amounts due to IMAX Corporation.

The carrying amounts of the Group's trade and other payables (excluding advances from customers) are denominated in the following currencies:

	As at 31 December	
	2021	2020
RMB	14,293	13,012
US$	6,730	8,165
Other currencies	84	119
	21,107	21,296

23. Accruals and other liabilities

	As at 31 December	
	2021	2020
Value added tax payable	2,183	2,970
Accrued marketing and advertising expenses	1,907	2,353
Accrued salaries and benefits	1,695	397
Accrued professional fees	778	669
Lease liabilities	552	1,405
Other tax payable	272	778
Withholding individual income tax	181	116
Accrued selling expenses	53	690
Accrued legal fees	2	100
Other accrued expenses	2,046	1,753
Accruals and other liabilities, total	9,669	11,231
Accruals and other liabilities, current	9,669	10,735
Accruals and other liabilities, non-current	—	496
	9,669	11,231

Maturity analysis of lease liabilities:

	As at 31 December	
	2021	2020
Not later than one year	552	909
Later than one year and not later than five years	—	496
Lease liabilities, total	552	1,405

24. Borrowings

	As at 31 December	
	2021	2020
Unsecured short-term bank loans	3,612	7,643

The bank loans as at 31 December 2021 was repayable in one year with variable interest rate based on Loan Prime Rate issued by the People's Bank of China and is repriced every six month. The ranges of the effective interest rates on the Group's borrowings are from 4.15% to 4.35% per annum (2020: 4.15% to 4.35% per annum).

The carrying amounts of the Group's borrowings are denominated in RMB.

The Group has access to following undrawn borrowing facilities as described below. The facility is subject to annual review.

	As at 31 December	
	2021	2020
Unsecured bank borrowing facility	26,189	21,476
Unsecured letter of guarantee facility	1,122	1,533
	27,311	23,009

25. Share capital and reserves

(a) Share capital

	Number of shares		Share capital	
	2021	2020	2021 US$	2020 US$
Ordinary shares of US$0.0001 each				
Authorised				
At beginning and end of year	625,625,000	625,625,000	62,562.50	62,562.50

	Number of shares		Share capital	
	2021	2020	2021 US$	2020 US$
Issued and fully paid				
At beginning of 1 January	348,063,015	348,788,902	34,806.30	34,878.89
Shares issued for vested restricted share units	684,490	180,513	68.45	18.05
Share cancellation (note 25(b))	(6,664,700)	(906,400)	(666.47)	(90.64)
Number of shares as at 31 December	342,082,805	348,063,015	34,208.28	34,806.30

The holders of common shares are entitled to receive dividends if, and when declared by the directors of the Group and approved by the shareholders. The holders of the common shares are entitled to one vote for each common share held at all meetings of the shareholders.

25. Share capital and reserves (Continued)

(b) Treasury shares

	Notes	Number of shares 2021	Number of shares 2020	US$'000 2021	US$'000 2020
Treasury shares					
At beginning of year		—	131,726	—	294
Acquisition of shares by the Trust	(i)	1,025,957	401,405	1,848	649
Shares issued for vested restricted share units		684,490	180,513	—	—
Vested restricted share units settled from treasury shares		(686,445)	(533,131)	(1,319)	(943)
Vested restricted share units settled from issued shares		(301,263)	(180,513)	—	—
Shares bought back on-market	(ii)	6,664,700	906,400	9,998	1,525
Buy-back transaction costs	(ii)	—	—	63	9
Shares cancelled	(ii)	(6,664,700)	(906,400)	(10,061)	(1,534)
At end of year		722,739	—	529	—

Notes:

(i) These shares are shares in IMAX China Holding, Inc. that are held by Computershare Hong Kong Trustees Limited (the "Trust") for the purpose of issuing shares under China long-term incentive plan. Shares issued to employees are recognised on a first-in-first-out basis.

(ii) During the year ended 31 December 2021, the Company conducted shares buy-back pursuant to a general mandate granted by the shareholders to the directors of the Company during the Annual General Meeting held on 6 May 2021 and resolution of the Board adopted on 27 July 2021.

During the year ended 31 December 2021, the Company purchased 6,664,700 (2020: 906,400) shares of the Company on-market and 6,664,700 (2020: 906,400) shares were cancelled. The shares were acquired at an average price of $1.50 (2020: $1.69), with prices ranging from $1.29 to $1.65 (2020: $1.43 to $1.89).

(c) Share-based payments

China Long-Term Incentive Plan ("China LTIP") was adopted by the Group in October 2012. Each stock option granted prior to the IPO ("China IPO Option"), stock options granted after the IPO ("China Option"), RSU ("China RSUs"), performance stock units ("China PSUs") or cash settled share-based payment ("CSSBP") granted under China LTIP represents an opportunity to participate economically in the future growth and value creation of the Company.

The compensation costs recorded in the consolidated statement of comprehensive income (loss) for these plans were $3.8 million during the year ended 31 December 2021 (2020: $3.4 million).

25. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

China Long-Term Incentive Plan ("China LTIP")

(i) Stock Options

China IPO Options Summary

The China IPO Options granted under China LTIP vest and become exercisable only upon specified events, including upon the likely event of a qualified initial public offering or upon a change in control on or prior to the fifth anniversary of the grant date. If such a specified event is likely to occur, the China IPO Options vest over a 5 year period beginning on the date of grant. In addition to China IPO Options, the Group has granted options to certain employees that operate in tandem with options granted under the IMAX Corporation's SOP and IMAX LTIP ("Tandem Options"). The Group would recognise the Tandem Options expense over a 5 year period if it is determined that a qualified initial public offering is unlikely. Upon vesting of the China IPO Options, the Tandem Options would not vest and be forfeited.

No China IPO Options were granted after 2015. Both the China IPO Options and Tandem Options have a maximum contractual life of 10 years.

During the year ended 31 December 2021, the Group recorded an expense of $0.1 million (2020: $0.7 million) related to the modification of the equity-settled China IPO Options granted under China LTIP.

China IPO Options were priced using Binomial Model. Expected volatility rate is estimated based on a blended volatility method which takes into consideration IMAX Corporation's historical stock price volatility, IMAX Corporation's implied volatility which is implied by the observed current market prices of IMAX Corporation's traded options and IMAX Corporation's peer group volatility.

The following table summarizes certain information in respect of China IPO Options activity in the Group:

Equity-settled China IPO Options
For the years ended 31 December:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2021	2020	2021	2020
Options outstanding, beginning of year	5,163,800	5,163,800	1.45	1.45
Expired	(270,000)	—	1.81	—
Options outstanding, end of year	4,893,800	5,163,800	1.43	1.45
Options exercisable, end of year	4,893,800	5,163,800	1.43	1.45

25. Share capital and reserves (Continued)

(c) ***Share-based payments (Continued)***

China Long-Term Incentive Plan ("China LTIP") (Continued)

(i) *Stock Options (Continued)*

Equity-settled China IPO Options (Continued)

During the year ended 31 December 2021, the expiry date of 1,518,800 shares was extended from 25 October 2021 to 25 October 2022. The Group recorded an incremental expense of $0.1 million according to the revised fair value on the modification date as these options were fully vested.

During the year ended 31 December 2020, the expiry date of 3,375,000 shares was extended from 29 October 2020 to 29 October 2022. The Group recorded an incremental expense of $0.7 million according to the revised fair value on the modification date as these options were fully vested.

No China IPO Option was exercised during the year ended 31 December 2021 and 2020. As at 31 December 2021, the weighted average remaining contractual life of options outstanding is 0.8 years (2020: 1.4 years).

China Options Summary

The China Options vest between a three and four year period beginning on the date of grant. The China Options have a maximum contractual life of 7 years. No China Options were granted after 2019.

During the year ended 31 December 2021, the Group recorded an expense of $0.1 million (2020: $0.2 million) related to China Options granted under China LTIP.

The following table summarizes certain information in respect of China Option activity in the Group:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2021	2020	2021	2020
Options outstanding, beginning of year	1,343,039	1,602,128	3.23	3.36
Forfeited	—	(112,508)	—	2.93
Expired	—	(146,581)	—	4.92
Options outstanding, end of year	1,343,039	1,343,039	3.23	3.23
Options exercisable, end of year	1,002,086	685,087	3.43	3.61

As at 31 December 2021, the weighted average remaining contractual life of options outstanding is 3.4 years (2020: 4.4 years).

25. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

China Long-Term Incentive Plan ("China LTIP") (Continued)

(ii) Restricted Share Units

China RSUs under China LTIP

China RSUs have been granted to employees of the Group under the IMAX China LTIP. Each China RSU represents a contingent right to receive one common share of the Company and its economic equivalent of one common share of the Company. No China RSUs were granted before 2015. The grant date fair value of each China RSU is equal to the share price of the Company's stock at the grant date. The Group recorded an expense of $3.0 million for the year ended 31 December 2021 (2020: $2.3 million) related to China RSU grants granted to employees in the plan. The annual termination probability assumed for the year ended 31 December 2021 was nil (2020: nil).

RSUs granted under China LTIP vest between immediately and four years. Vesting of the RSUs is subject to continued employment or service with the Group or IMAX Corporation.

The following table summarizes certain information in respect of China RSUs activity under China LTIP:

For the years ended 31 December:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2021	2020	2021	2020
RSUs outstanding, beginning of year	2,102,349	1,350,954	2.18	2.94
Granted	1,297,798	1,622,622	1.92	1.80
Vested and settled	(987,708)	(713,644)	2.32	2.69
Forfeited	(15,204)	(157,583)	1.86	2.42
RSUs outstanding, end of year	2,397,235	2,102,349	1.98	2.18

(iii) Performance Stock Units ("PSUs")

PSUs under China LTIP

During the year ended 31 December 2020, the Group expanded its share-based compensation program to include PSUs. The Group grants PSU awards which vests based on a combination of employee service and the achievement of certain EBITDA-based targets. These awards vest over a three-year performance period. The fair value of PSUs with EBITDA-based targets is equal to the closing price on the date of grant.

25. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

China Long-Term Incentive Plan ("China LTIP") (Continued)

(iii) Performance Stock Units ("PSUs") (Continued)

PSUs under China LTIP (Continued)

The amount and timing of compensation expense recognised for PSUs with EBITDA-based targets is dependent upon management's assessment of the likelihood and timing of achieving these targets. If, as a result of management's assessment, it is projected that a greater number of PSUs will vest than previously anticipated, a life-to-date adjustment to increase compensation expense is recorded in the period such determination is made. Conversely, if, as a result of management's assessment, it is projected that a lower number of PSUs will vest than previously anticipated, a life-to-date adjustment to decrease compensation expense is recorded in the period such determination is made.

At the conclusion of the three-year performance period, the number of PSUs that ultimately vest can range from 0% to a maximum vesting opportunity of 175% of the initial award, depending upon actual performance versus the established EBITDA.

During the year ended 31 December 2021, the Group recorded an expense of $0.6 million (2020: $0.2 million) related to PSUs granted under China LTIP.

The following table summarized the activity in respect of PSUs granted under China LTIP for the year ended 31 December:

	Number of Shares		Weighted Average Grant Date Fair Value Per Share	
	2021	2020	2021	2020
PSUs outstanding, beginning of year	317,998	—	1.81	—
Granted	280,869	338,292	1.82	1.82
Forfeited	—	(20,294)	—	1.83
PSUs outstanding, end of year	598,867	317,998	1.82	1.81

(d) Reserves

The Group's reserves and movement therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Share premium

The application of the share premium account is governed by Section 34(2) of the Companies Law (2013 Revision) of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business. The Company distributed a dividend of $16.6 million out of share premium for the year ended 31 December 2021 (31 December 2020: $13.9 million).

25. Share capital and reserves (Continued)

(d) Reserves (Continued)

Capital reserve

The Group's capital reserve represents the net contributions from the Controlling Shareholder and share-based payment expenses.

Statutory surplus reserves

The PRC laws and regulations require companies registered in the PRC to provide certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. PRC companies are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their post-tax profits. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the Board of Directors. As at 31 December 2021, $5.6 million statutory surplus reserves were appropriated (31 December 2020: $nil).

FVOCI reserve

The FVOCI reserve represents the changes in fair value net of tax of financial assets at FVOCI of the Group.

The Group has one preferred share investments in IMAX (Hong Kong) Holdings, Limited. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The changes in the fair value are accumulated within the FVOCI reserve. There was no change to fair value of this investment as of 31 December 2021 and 2020 based on the Group's evaluation.

26. Financial instruments

(a) Financial instruments

The Group's financial instruments at the following year ends are comprised of the following:

	Financial assets at amortised costs	Total
31 December 2021		
Assets as per statement of financial position		
Net financed sales receivable	53,738	53,738
Net investment in finance leases	25,221	25,221
Variable consideration receivables from contracts	3,307	3,307
Trade and other receivables	51,496	51,496
Cash and cash equivalents	97,737	97,737
	231,499	231,499

26. Financial instruments (Continued)

(a) Financial instruments (Continued)

	Liabilities at amortised cost	Total
Liabilities as per statement of financial position		
Trade and other payables	21,107	21,107
Borrowings	3,612	3,612
Lease liabilities	552	552
	25,271	25,271

	Financial assets at amortised costs	Financial assets at FVOCI	Total
31 December 2020			
Assets as per statement of financial position			
Investment in an equity security	—	12,550	12,550
Net financed sales receivable	50,483	—	50,483
Net investment in finance leases	15,230	—	15,230
Variable consideration receivables from contracts	3,146	—	3,146
Trade and other receivables	42,223	—	42,223
Cash and cash equivalents	88,472	—	88,472
	199,554	12,550	212,104

	Liabilities at amortised cost	Total
Liabilities as per statement of financial position		
Trade and other payables	21,296	21,296
Borrowings	7,643	7,643
Lease liabilities	1,405	1,405
	30,344	30,344

26. Financial instruments (Continued)

(b) Fair value measurements

The Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The investment in an equity security is classified as financial asset with fair value change through other comprehensive income under IFRS 9 and this investment is classified as Level 1 financial instruments with the fair value determined by using quoted market prices at the end of the reporting period. As at 31 December 2021, the fair value of investment in an equity security was $nil (31 December 2020: $12.6 million). Please refer to note 13 for details.

The carrying value of the Group’s cash and cash equivalents, trade and other receivables and trade and other payables approximate fair values due to the short-term maturity of these instruments.

Cash and cash equivalents are comprised of cash and interest-bearing investments with original maturity dates of 90 days or less. Cash and cash equivalents are recorded at cost, which approximates fair value as at 31 December 2021 and 2020, respectively.

26. Financial instruments (Continued)

(b) Fair value measurements (Continued)

The estimated fair values of the net financed sales receivable, net investment in finance leases, variable consideration receivables from contracts, borrowings and lease liabilities are estimated based on discounting future cash flows at currently available interest rates with comparable terms as at 31 December 2021 and 2020, respectively.

	As at 31 December 2021		As at 31 December 2020	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Net financed sales receivable	53,738	53,673	50,483	50,573
Net investment in finance leases	25,221	25,221	15,230	15,230
Variable consideration receivables from contracts	3,307	3,307	3,146	3,146
Borrowings	3,612	3,612	7,643	7,643
Lease liabilities	552	552	1,405	1,405

There were no significant transfers between Level 1 and Level 2 during the year ended 31 December 2021 (2020: none). When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement.

27. Employee benefit expense

(a) Employee benefit expense

Staff costs during the year were as follows:

	Years Ended 31 December	
	2021	2020
Wages and salaries	10,256	8,424
Social security costs	398	286
Share-based compensation expenses	3,773	3,386
Pension and other costs	654	65
	15,081	12,161

27. Employee benefit expense (Continued)

(b) Directors' emoluments

The remuneration of the directors for the year ended 31 December 2021 are set out below:

	Year Ended 31 December 2021						
	Fee	Salaries	Bonus	Share-based compensation	Pension	Other[1]	Total
Executive Directors							
Edwin Tan[2]	—	571	285	770	—	177	1,803
Jim Athanasopoulos	—	360	135	1,090	18	380	1,983
Mei-Hui Chou (Jessie)	—	394	112	349	9	217	1,081
Non-executive Directors							
Richard Gelfond	—	—	—	—	—	—	—
Megan Colligan	—	—	—	—	—	—	—
Jiande Chen[3]	75	—	—	319	—	38	432
Independent Non-executive Directors							
Yue-Sai Kan	75	—	—	94	—	—	169
John Davison	75	—	—	94	—	—	169
Dawn Taubin	60	—	—	94	—	—	154
Peter Loehr	60	—	—	94	—	—	154

The remuneration of the directors for the year ended 31 December 2020 are set out below:

	Year Ended 31 December 2020						
	Fee	Salaries	Bonus	Share-based compensation	Pension	Other[1]	Total
Executive Directors							
Jiande Chen[3]	—	281	—	687	6	220	1,194
Jim Athanasopoulos	—	336	—	634	17	404	1,391
Mei-Hui Chou (Jessie)	—	355	—	425	—	175	955
Non-executive Directors							
Richard Gelfond	—	—	—	—	—	—	—
Megan Colligan	—	—	—	—	—	—	—
Independent Non-executive Directors							
Yue-Sai Kan	75	—	—	105	—	—	180
John Davison	75	—	—	105	—	—	180
Dawn Taubin	60	—	—	105	—	—	165
Peter Loehr	60	—	—	105	—	—	165

27. Employee benefit expense (Continued)

(b) Directors' emoluments (Continued)

1 Includes perquisites such as educational reimbursements of minor children, housing, car, and relocation allowances.

2 Edwin Tan was appointed as an Executive Director with effect from 29 January 2021.

3 Jiande Chen was re-designated from an Executive Director to a Non-executive Director with effect from 29 January 2021.

The remuneration of certain non-executive directors of the Company was borne by IMAX Corporation and other related parties. No allocation of the remuneration between these related parties and the Group have been made during the years presented.

Directors' remuneration includes any emoluments paid to or receivable in respect of services as a director of the Company or in connection with the management of the affairs of the Group.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Five highest paid individuals

For the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group include 3 directors (2020: 3) whose emoluments are reflected in the analysis above. The emoluments to the remaining 2 (2020: 2) individuals during the year are as follows:

	Years Ended 31 December	
	2021	2020
Basic salary and allowance	384	655
Bonus	830	—
Share-based compensation	205	570
Other[1]	72	163
Pension	18	1
	1,509	1,389

1 Includes perquisites such as educational reimbursements of minor children, housing, car, and relocation allowances.

27. Employee benefit expense (Continued)

(c) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals Years Ended 31 December	
	2021	2020
In HK$		
2,000,001–2,500,000	—	1
3,000,001–3,500,000	1	—
8,000,001–8,500,000	1	—
8,500,001–9,000,000	—	1
	2	2

During the years presented, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for the loss of office.

(d) Senior management remuneration by band

The emoluments of the senior management fell within the following band:

	Number of individuals Years Ended 31 December	
	2021	2020
In HK$		
1–500,000	—	1
1,000,001–1,500,000	—	1
2,000,001–2,500,000	—	1
3,000,001–3,500,000	1	—
7,000,001–7,500,000	—	1
8,000,001–8,500,000	2	—
8,500,001–9,000,000	—	1
9,000,001–9,500,000	—	1
10,500,001–11,000,000	—	1
14,000,001–14,500,000	1	—
15,000,001–15,500,000	1	—
	5	7

28. Statement of cash flow supplemental information

Cash provided by operations

	Notes	Years ended 31 December 2021	2020
Profit (Loss) before income tax for the year		50,488	(8,604)
Adjustment for:			
Depreciation of property, plant and equipment	12	13,729	14,222
Amortisation of film assets	17	3,997	3,005
Equity settled and other non-cash compensation		3,773	3,386
(Reversals of) Allowance for expected credit losses		(3,997)	10,892
(Reversals of) Write-downs		(18)	1,109
Loss on disposal of property, plant and equipment		174	125
Interest expense		458	108
Foreign exchange gains		(4)	(4)
Changes in working capital			
Trade and other receivables		(6,077)	1,676
Financing receivables		(11,085)	(7,860)
Variable consideration receivables from contracts		64	49
Film assets		(3,885)	(3,043)
Inventories		279	(283)
Trade and other payables		(510)	4,364
Accruals and other liabilities		(729)	(1,509)
Deferred revenue		(2,853)	(2,843)
Prepayments		(556)	(990)
Contract acquisition assets		798	—
Other assets		(711)	110
Cash provided by operations		43,335	13,910

Net debt reconciliation

	As at 31 December 2021	2020
Cash and cash equivalents	97,737	88,472
Short-term borrowings	(3,612)	(7,643)
Lease liabilities	(552)	(1,405)
Net debt	93,573	79,424

28. Statement of cash flow supplemental information (Continued)

Net debt reconciliation (Continued)

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents	Borrowings	Leases	Total
As at 1 January 2020	89,308	—	(1,950)	87,358
Cash flows	(4,907)	(7,609)	897	(11,619)
New leases	—	—	(416)	(416)
Disposal of leases	—	—	258	258
Interest expense	—	—	(93)	(93)
Exchange difference	4,071	(34)	(101)	3,936
As at 31 December 2020	88,472	(7,643)	(1,405)	79,424
Cash flows	6,949	4,009	890	11,848
New leases	—	—	(57)	(57)
Disposal of leases	—	—	79	79
Interest expense	—	—	(48)	(48)
Exchange difference	2,316	22	(11)	2,327
As at 31 December 2021	**97,737**	**(3,612)**	**(552)**	**93,573**

29. Commitments

(a) Capital commitments

As at the end of the year, the Group's capital expenditure commitment is shown below:

	As at 31 December	
	2021	2020
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	553	55
Capital injection to a film fund	25,000	25,000

29. Commitments (Continued)

(b) Operating lease commitments — Group as lessee

The Group leases various offices, apartments, and warehouses under non-cancellable operating lease agreements. The operating lease commitment presented below represents the future aggregate minimum lease payments for the leases with lease terms less than one year. Leases with lease terms over one year have been recorded as lease liabilities under IFRS 16.

	As at 31 December	
	2021	2020
Within one year	134	119

30. Contingencies and guarantees

As of 31 December 2021, the Group was not involved in significant lawsuits, claims, and proceedings.

Financial guarantees

The Group has not provided any significant financial guarantees to third parties.

31. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

IMAX Corporation (incorporated in Canada) is the Controlling Shareholder of the Company who holds 71.11% of the Company's shares as at 31 December 2021.

IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd. ("IMAX Fei Er Mu") is the joint venture established by the Group with 50% equity interests.

IMAX (Barbados) Holding, Inc. and IMAX Virtual Reality Content Fund, LLC ("IMAX VR Fund") are subsidiaries of IMAX Corporation.

Suzhou IMAX Fei Er Mu Project Investment Partnership Enterprise (Limited Partnership) ("Suzhou IMAX Fei Er Mu") is an investee of the Group with 50% equity interests and the remaining equity interests are held by a subsidiary of IMAX Fei Er Mu.

31. Related party transactions (Continued)

The following continuing transactions were carried out with related parties:

(a) Purchases and sales of goods and services and other transactions

	Years ended 31 December 2021	2020
Purchase of goods:		
IMAX Corporation (theatres systems)	18,660	14,007
Purchase of services:		
IMAX Corporation (film related transactions) (Note)	3,837	3,069
IMAX Corporation (management fees — legal and administration services)	623	428
Other transactions:		
IMAX (Barbados) Holding, Inc. (dividends paid to)	11,677	9,731
IMAX Corporation (trademark and technology fees)	6,032	2,911
IMAX VR Fund (proceeds from dissolvement)	—	3
Gross revenue earned from film services through IMAX Corporation (Note)	9,281	3,326
Revenue earned from maintenance services provided to IMAX Corporation	91	94

Goods and services are bought from IMAX Corporation (the Controlling Shareholder) on a cost-plus basis. Management services, trademark and technology fees are paid to IMAX Corporation (the Controlling Shareholder) based on service and fee agreements.

Note: The amounts shown in the table are gross amount for transactions with IMAX Corporation. For the year ended 31 December 2021, conversion cost of $2.5 million (2020: $2.4 million) paid to IMAX Corporation in relation to Hollywood films is considered as a payment to customer and is net against DMR revenue earned from IMAX Corporation as presented in the revenues of consolidated statement of comprehensive income (loss).

31. Related party transactions (Continued)

(b) Year-end balances

	As at 31 December	
	2021	2020
Prepayments to related parties (note 13):		
IMAX Corporation	213	—
Receivables from related parties (note 19):		
IMAX Corporation	16,266	14,634
Loan and interest receivables from related parties (note 19):		
IMAX Fei Er Mu	227	221
Suzhou IMAX Fei Er Mu	335	328
Payables to related parties (note 22):		
IMAX Corporation	18,857	17,978

The receivables and payables from related parties arise mainly from purchase, sale, service and fee transactions and do not bear interest nor have fixed repayment terms and are due on demand, except that the loan receivables from IMAX Fei Er Mu and Suzhou IMAX Fei Er Mu are unsecured, with fixed interest rates and repayable within one year.

(c) Key management compensation

Key management includes members of the executive committee. The compensation paid or payable to key management for employee services is shown below:

	Years Ended 31 December	
	2021	2020
Salaries and other short-term employee benefits	3,071	1,857
Post-employment benefits	45	24
Other benefits[1]	846	985
Share-based compensation	2,414	2,253
	6,376	5,119

1 Includes perquisites such as educational reimbursements of minor children, housing, car, and relocation allowances.

32. Government grants

The following government grants have been recognised in comprehensive income (loss):

	Years Ended 31 December	
	2021	2020
Cost of sales	1,202	541
Selling, general and administrative expenses	229	92
	1,431	633

33. Dividends

	Years Ended 31 December	
	2021	2020
Dividends recognised as distribution during the year:		
2020 Final — HK$0.155 (2019: HK$0.156) per share	6,964	6,983
2021 Interim — HK$0.217 (2020: HK$0.155) per share	9,602	6,961
	16,566	13,944

As approved by the shareholders at the Annual General Meeting held on 6 May 2021, 2020 final dividend of $0.02 per share (equivalent to approximately HK$0.155 per share) was distributed to shareholders on 1 June 2021. As approved by the Board, an interim dividend for the six months ended 30 June 2021, of $0.028 per share (equivalent to approximately HK$0.217 per share), was distributed to shareholders on 27 August 2021.

In the board meeting held on 23 February 2022, the Board recommended a final dividend of $0.027 per share (equivalent to approximately HK$0.210 per share) for the year ended 31 December 2021 to the shareholders. Subject to the approval of the shareholders at the forthcoming Annual General Meeting and subject to further announcement(s) in respect of the book closure date, record date and payment date, the proposed 2021 final dividend is expected to be distributed to shareholders on or around 10 June 2022. There will be no scrip dividend option for the 2021 final dividend. The proposed dividend has not been provided for in the consolidated financial statement for the year ended 31 December 2021.

34. Balance sheet and reserve movement of the Company

(a) Balance sheet

	As at 31 December	
	2021	2020
ASSETS		
Non-current assets		
Investment in subsidiaries	32,538	32,538
	32,538	32,538
Current assets		
Prepayments	1,190	553
Trade and other receivables	17,218	13,899
Cash and cash equivalents	1,712	1,557
	20,120	16,009
Total Assets	52,658	48,547
LIABILITIES		
Current liabilities		
Trade and other payables	9,586	8,606
Accrued and other liabilities	39,381	9,266
	48,967	17,872
Total Liabilities	48,967	17,872
EQUITY		
Share capital	34	35
Share premium and reserves	3,657	30,640
Total Equity	3,691	30,675
Total Equity and Liabilities	52,658	48,547

Balance sheet of the Company was approved by the board of directors on 23 February 2022 and was signed on its behalf

Edwin Tan
Director

Jim Athanasopoulos
Director

34. Balance sheet and reserve movement of the Company (Continued)

(b) Reserve movement

	Share Capital	Share Premium	Treasury Shares	Capital Reserves	Accumulated Deficit	Total Equity
Balance as at 1 January 2020	35	317,279	(294)	4,304	(275,401)	45,923
Comprehensive loss						
Loss for the year	—	—	—	—	(2,507)	(2,507)
Total comprehensive loss	—	—	—	—	(2,507)	(2,507)
Dividends recognised as distribution	—	(13,944)	—	—	—	(13,944)
Restricted share units vested and settled	—	975	943	(1,918)	—	—
Acquisition of shares for settlement of restricted share units	—	—	(649)	—	—	(649)
China long-term incentive plan	—	—	—	3,386	—	3,386
Shares buy-back	—	—	(1,525)	—	—	(1,525)
Shares buy-back transaction costs	—	—	(9)	—	—	(9)
Shares cancelled	—	(1,534)	1,534	—	—	—
Total transactions with owners, recognised directly in equity	—	(14,503)	294	1,468	—	(12,741)
Balance as at 31 December 2020	35	302,776	—	5,772	(277,908)	30,675
Comprehensive loss						
Loss for the year	—	—	—	—	(2,282)	(2,282)
Total comprehensive loss	—	—	—	—	(2,282)	(2,282)
Dividends recognised as distribution	—	(16,566)	—	—	—	(16,566)
Restricted share units vested and settled	—	973	1,319	(2,292)	—	—
Acquisition of shares for settlement of restricted share units	—	—	(1,848)	—	—	(1,848)
China long-term incentive plan	—	—	—	3,773	—	3,773
Shares buy-back	—	—	(9,998)	—	—	(9,998)
Shares buy-back transaction costs	—	—	(63)	—	—	(63)
Shares cancelled	(1)	(10,060)	10,061	—	—	—
Total transactions with owners, recognised directly in equity	(1)	(25,653)	(529)	1,481	—	(24,702)
Balance as at 31 December 2021	34	277,123	(529)	7,253	(280,190)	3,691

35. Subsidiaries

Name of the Company	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares/ registered capital	Paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
IMAX China (Hong Kong), Limited	Hong Kong S.A.R Limited Liability Company 12 November 2010	Sale and lease of theatre systems and associated film performance in Greater China	2 ordinary shares for HK39,000,001 12 ordinary shares for US$27,538,341	2 ordinary shares for HK39,000,001 12 ordinary shares for US$27,538,341	100%	100%
IMAX (Shanghai) Multimedia Technology Co., Ltd.	The PRC Wholly owned foreign-enterprise 31 May 2011	Sale and lease of theatre systems and associated film performance in Mainland China	Registered capital of US$11,500,000	Paid in capital of US$9,800,000	–	100%

35. Subsidiaries (Continued)

Name of the Company	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares/ registered capital	Paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
IMAX (Shanghai) Theatre Technology Services Co., Ltd.	The PRC Wholly owned foreign-enterprise 9 November 2011	Technical research and development, technical consulting, technical service, technical training and marketing in relation to movie theatre systems and multimedia technology, photographic equipment, virtual reality display equipment and relevant software and hardware, and provision of after-sales services (including installation); wholesale, import, lease, installation, maintenance and repair of movie theatre machinery, equipment, systems, photographic equipment, virtual reality display equipment and relevant software; research and development of software and hardware in the PRC	Registered capital of US$200,000	Paid in capital of US$200,000	–	100%

35. Subsidiaries (Continued)

Name of the Company	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares/ registered capital	Paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
IMAX (Shanghai) Digital Media Co., Ltd.	The PRC Limited Liability Company (wholly owned by foreign-invested enterprise) 23 December 2016	Technological development, technological transfer, technological consultation and technological services in the fields of digital media technology	Registered capital of RMB100,000	Paid up capital of $nil	–	100%
IMAX (Shanghai) Commerce and Trade Co., Ltd.	The PRC Limited Liability Company (wholly owned by foreign-invested enterprise) 24 August 2017	Sales of gift, handicraft, stationery commodity, clothing and apparel, electronic product; ticket agent; advertising design, production, agency and publishing; technology development, technology consulting, technology service, technology transfer in the field of computer information; handicraft design, gift design; culture and art exchange and planning; business consultation; creative services; conference services; electronic business (excluding telecom value-added service and financial service) in the PRC	Registered capital of RMB2,000,000	Paid up capital of $nil	–	100%

35. Subsidiaries (Continued)

Name of the Company	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares/ registered capital	Paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
IMAX (Shanghai) Culture & Technology Co., Ltd.	The PRC Limited Liability Company (wholly owned by foreign-invested enterprise) 16 December 2021	Licensed business: import and export of technology; import and export of goods (business subject to approval according to laws shall only be operated after being approved by relevant authorities, with specific business activities subject to the approval documents or licenses of relevant authorities); general business: to organize cultural and artistic exchange activities; technical services, technical development, technical consultation, technical exchange, technology transfer and technology promotion; sales of radio, film and television equipment; mechanical equipment leasing; rental services (excluding licensed rental services); general mechanical equipment installation services; ticket agency services;	Registered capital of RMB40,000,000	Paid up capital of $nil	–	100%

35. Subsidiaries (Continued)

Name of the Company	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares/ registered capital	Paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
		business agency services; project planning and public relations services; information consulting services (excluding licensed information consulting services); information technology consulting services; professional design services; corporate image planning; marketing planning; conference and exhibition services; graphic design and production (except for the business subject to approval according to laws, the Company shall independently operate business activities according to business license).				

Note: None of the subsidiaries had issued any debt securities at the end of the year.

36. Events occurring after the reporting period

In January 2022, IMAX (Shanghai) Culture & Technology Co., Ltd. a wholly-owned subsidiary of the Company signed a joint film investment agreement with Wanda Film (Horgos) Co. Ltd. to invest RMB30 million (approximately $4.7 million, representing approximately 6% of the total film investment) in the movie “Mozart from Space” which is expected to be released in 2022. IMAX (Shanghai) Culture & Technology Co., Ltd. will share the profits or losses of the film based on the investment percentage according to the agreement and has no further investment obligation if the actual movie production cost exceeds the original budget.

Financial Summary

	FY2021 US$'000	FY2021 %	FY2020 US$'000	FY2020 %	FY2019 US$'000	FY2019 %	FY2018 US$'000	FY2018 %	FY2017 US$'000	FY2017 %
Revenues	**112,801**	**100.0%**	52,331	100.0%	124,294	100.0%	117,520	100.0%	126,474	100.0%
Cost of sales	**(44,613)**	**(39.6%)**	(32,984)	(63.0%)	(47,647)	(38.3%)	(42,269)	(36.0%)	(49,116)	(38.8%)
Gross profit	**68,188**	**60.4%**	19,347	37.0%	76,647	61.7%	75,251	64.0%	77,358	61.2%
Selling, general and administrative expenses	**(16,820)**	**(14.9%)**	(14,381)	(27.5%)	(16,465)	(13.2%)	(16,105)	(13.7%)	(14,530)	(11.5%)
Restructuring expenses and associated impairments	**–**	**–**	–	–	–	–	(112)	(0.1%)	(636)	(0.5%)
Reversals (provision) of impairment losses on financial assets	**3,997**	**3.5%**	(10,892)	(20.8%)	(483)	(0.4%)	–	–	–	–
Other operating expenses	**(6,062)**	**(5.4%)**	(3,900)	(7.5%)	(6,534)	(5.3%)	(6,702)	(5.7%)	(7,087)	(5.6%)
Operating profit (loss)	**49,303**	**43.7%**	(9,826)	(18.8%)	53,165	42.8%	52,332	44.5%	55,105	43.6%
Interest income	**1,643**	**1.5%**	1,330	2.5%	1,771	1.4%	1,622	1.4%	725	0.6%
Interest expense	**(458)**	**(0.4%)**	(108)	(0.2%)	(93)	(0.1%)	–	–	–	–
Profit (Loss) before income tax	**50,488**	**44.8%**	(8,604)	(16.4%)	54,843	44.1%	53,954	45.9%	55,830	44.2%
Income tax expense	**(12,271)**	**(10.9%)**	(18,135)	(34.7%)	(11,950)	(9.6%)	(11,189)	(9.5%)	(12,117)	(9.6%)
Profit (Loss) for the year, attributable to owners of the Company	**38,217**	**33.9%**	(26,739)	(51.1%)	42,893	34.5%	42,765	36.4%	43,713	34.6%
Other comprehensive income (loss):										
Items that may be subsequently reclassified to profit or loss:										
Change in foreign currency translation adjustments	**3,538**	**3.1%**	14,139	27.0%	(2,898)	(2.3%)	(8,273)	(7.0%)	8,333	6.6%
Items that may not be subsequently reclassified to profit or loss:										
Change in fair value of financial assets at fair value through other comprehensive income	**5,219**	**4.6%**	(2,084)	(4.0%)	(3,400)	(2.7%)	(2,018)	(1.7%)	–	–
Other comprehensive Income (loss), net of tax	**8,757**	**7.8%**	12,055	23.0%	(6,298)	(5.1%)	(10,291)	(8.8%)	8,333	6.6%
Total comprehensive income (loss) for the year, attributable to owners of the Company	**46,974**	**41.6%**	(14,684)	(28.1%)	36,595	29.4%	32,474	27.6%	52,046	41.2%

	2021 US$'000	2020 US$'000	2019 US$'000	2018 US$'000	2017 US$'000
Total assets	**349,758**	334,794	328,267	329,343	325,299
Total liabilities	**95,880**	103,188	69,236	75,666	80,562
Total equity	**253,878**	231,606	259,031	253,677	244,737

Definitions

In this Annual Report, unless the context otherwise requires, the following expressions shall have the following meanings.

"Articles of Association"	the articles of association of the Company adopted on 21 September 2015 and effective from the Listing Date, as amended from time to time
"Board" or "Board of Directors"	the board of directors of the Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"CG Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "IMAX China"	IMAX China Holding, Inc., a company incorporated under the laws of the Cayman Islands with limited liability on 30 August 2010
"connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder"	shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires
"Contingency Agreements"	contingency agreements in place to guard against any failure of supply by IMAX Corporation. See "Relationship with our Controlling Shareholders" in the Prospectus for further details
"Directors"	the directors of the Company and "Director" shall be construed accordingly as a director of the Company
"EBITDA"	profit for the year with adjustments for depreciation and amortization, interest income and income tax expense
"Escrow Documents"	the design plans, specifications and know-how necessary to enable the Group to manufacture and assemble IMAX digital xenon projection systems, IMAX laser-based digital projection systems and nXos2 audio systems itself, or subcontract the manufacturing and assembly works to third party manufacturers and to convert conventional films into IMAX films
"FY" or "financial year"	financial year ended or ending 31 December
"Global Offering"	the offering of the Shares on the Main Board of the Stock Exchange
"Greater China"	for the purposes of this document only, the PRC, Hong Kong, Macau and Taiwan

Definitions (Continued)

"Group", "we", "our" or "us"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board
"IMAX Barbados"	IMAX (Barbados) Holding, Inc., a company incorporated in Barbados with limited liability on 18 August 2010 and a controlling shareholder of the Company
"IMAX Corporation" or the "Controlling Shareholder"	IMAX Corporation, a company incorporated in Canada with limited liability in 1967 and listed on the New York Stock Exchange (NYSE: IMAX) and our ultimate controlling shareholder, or where the context requires, any of its wholly-owned subsidiaries
"IMAX Hong Kong"	IMAX China (Hong Kong), Limited, a company incorporated in Hong Kong with limited liability on 12 November 2010, which changed its name to its present name on 16 March 2011 and a direct wholly-owned subsidiary of the Company
"IMAX Hong Kong Holding"	IMAX (Hong Kong) Holding, Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of IMAX Barbados
"IMAX Hong Kong Theatre Percentage"	the percentage that all IMAX theatres using IMAX theatre systems in Hong Kong, Macau and Taiwan represents of all IMAX theatres in the PRC, Hong Kong, Macau and Taiwan
"IMAX Shanghai Multimedia"	IMAX (Shanghai) Multimedia Technology Co., Ltd., a wholly foreign-owned enterprise established under the laws of the PRC on 31 May 2011 and a direct wholly-owned subsidiary of IMAX Hong Kong
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	8 October 2015
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Long Term Incentive Plan" or "LTIP"	the long term incentive plan adopted by the Company in October 2012
"Macau"	Macau Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules

Definitions (Continued)

"PRC" or "China"	the People's Republic of China, but for the purposes of this document only, except where the context requires, references in this Annual Report to PRC or China exclude Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated 24 September 2015
"PSU Scheme"	the performance-based restricted share unit scheme adopted by the Company on 12 March 2020
"RMB"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	the restricted share unit scheme conditionally adopted pursuant to a resolution of our sole shareholder dated 21 September 2015, the principal terms of which are summarised in the section headed "Report of the Directors — Sub-plan: The Restricted Share Unit Scheme" in this Annual Report
"SEC"	the United States Securities and Exchange Committee
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share Option Scheme"	the share option scheme conditionally adopted pursuant to a resolution of our sole shareholder dated 21 September 2015, the principal terms of which are summarised in the section headed "Report of the Directors — Sub-plan: Share Option Scheme" in this Annual Report
"Share(s)"	Ordinary share(s) with a nominal value of US$0.0001 each in the share capital of the Company and a "**Share**" means any of them
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TCL-IMAX Entertainment"	TCL-IMAX Entertainment Co., Limited, a company incorporated in Hong Kong with limited liability on 3 January 2014, being the joint venture company jointly owned by IMAX Hong Kong Holding and Sino Leader (Hong Kong) Limited, which is wholly owned by TCL Multimedia Technology Holdings Limited
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"USD" or "US$" or "$" or "United States dollars"	U.S. dollars, the lawful currency of the United States of America

Glossary

This glossary contains explanations of certain terms used in this Annual Report in connection with the Group and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

"2D"	two-dimensional
"3D"	three-dimensional
"backlog"	our backlog comprises the aggregate number of commitments for IMAX theatre installations pursuant to contracts we have entered into with exhibitors
"box office"	the gross aggregate proceeds from ticket sales received by the relevant exhibitor(s) in the relevant market(s) for the relevant type(s) of film. For example, the Greater China box office is the aggregate proceeds from ticket sales received by all exhibitors in Greater China, and the Greater China IMAX box office is the aggregate proceeds from ticket sales received by all the exhibitors in Greater China in respect of IMAX films and IMAX Original Films. We also use the concept of box office in our revenue sharing arrangements, where it refers to the aggregate proceeds from ticket sales received by exhibitors in respect of IMAX films with which we have entered into a revenue sharing arrangement
"box office revenue"	the portion of box office that is due to be paid to the Group under revenue sharing arrangements in our theatre systems business and/or arrangements with IMAX Corporation and studios in our films business, as applicable
"Chinese language film"	a motion picture approved for theatrical release in the PRC which was produced by one or more PRC producer(s) or jointly produced by one or more PRC producer(s) and one or more foreign producer(s) and meets the requirements of the relevant laws and regulations of the PRC
"commercial theatre"	a theatre owned or operated by an exhibitor, excluding theatres associated with museums, zoos, aquaria and other destination entertainment sites which do not play commercial films
"distributor"	an organisation that distributes films to exhibitors or, in the PRC, theatre circuits for exhibition at theatres
"exhibitor"	exhibitors are theatre investment management companies which own and operate theatres; exhibitors receive copies of films from the theatre circuits but retain control over the screening schedules

Glossary (Continued)

"full revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement, and no, or a relatively small, upfront payment
"Greater China DMR Film"	a conventional Chinese language film produced by a third party which is converted into IMAX format and released to IMAX theatres in Greater China pursuant to a DMR production services agreement entered into between IMAX Shanghai Multimedia or IMAX Hong Kong and a distributor in their respective territories
"Greater China Original Film"	any Chinese language film invested in, produced or co-produced by IMAX Shanghai Multimedia or IMAX Hong Kong and released to IMAX theatres in Greater China, which may or may not be in IMAX format
"Hollywood films"	an imported motion picture for theatrical release in the PRC which has been produced by one or more foreign producer(s) and the importation and release of such motion picture has been permitted in accordance with the relevant laws and regulations of the PRC
"Hollywood studio"	a studio producing Hollywood films
"hybrid revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for an upfront fee that is typically half of the payment under a sales arrangement and a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement, that is typically half of that under a full revenue sharing arrangement
"IMAX digital xenon projection system"	the xenon-based digital projection system, developed, and rolled out in 2008 by IMAX Corporation
"IMAX DMR"	the proprietary digital re-mastering process or any other post-production process and/or technology used by IMAX Corporation in connection with the conversion of a conventional film into an IMAX format film
"IMAX film"	a film converted from a conventional film using IMAX DMR technology
"IMAX laser-based digital projection system"	the dual 4K laser-based digital projection system, developed, and rolled out at the end of 2014 by IMAX Corporation

Glossary (Continued)

"IMAX Original Film"	any IMAX format film invested in, produced or co-produced by IMAX Corporation and released to IMAX theatres, and/or for which IMAX Corporation owns and/or controls its theatrical distribution rights
"IMAX theatre"	any movie theatre in which an IMAX screen is installed
"multiplex"	a movie theatre with more than one screen for the exhibition of films
"revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for, among other things, a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement; our revenue sharing arrangements are either full revenue sharing arrangements or hybrid revenue sharing arrangements (See the separate glossary explanations for these terms)
"sales arrangement"	an arrangement with an exhibitor pursuant to which we sell that exhibitor an IMAX theatre system for a fee and the exhibitor agrees to pay us on-going royalty fees for use of the IMAX brand and technology over the term of the arrangement
"studio"	an organisation that produces films (which may include all or some of script writing, financing, production team and equipment sourcing, casting, shooting and post production), owns the copyright to the films it produces and works with distributors to release those films at theatres
"take rate"	a film studio's share of box office generated from a particular film, after making certain tax and other deductions
"theatre circuit"	an organisation that distributes newly released films to theatres within that circuit; every theatre in the PRC must be affiliated with a theatre circuit

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