IMAX CHINA HOLDING, INC.

Incorporated in the Cayman Islands with limited liability

Stock code : 1970

Annual Report 2022

IMAX®

Chairman's Statement

Dear Shareholders,

We could not be more excited to see the dramatic, positive turnaround to our business as we kick off 2023 driven by the rapid lift of COVID restrictions, the return of day-and-date Hollywood blockbuster releases and a remarkable Chinese New Year. While the pandemic presented tremendous challenges to both the industry and our business over the past few years, Chinese audiences have returned to theatres with enthusiasm upon a broad reopening of the country with Chinese New Year industry box office up by a healthy 12% over 2022.

Within just two months of reopening, China has reclaimed the throne as the world's top theatrical market and surpassed RMB10bn in box office for the month of January, highlighted by its second-best Chinese New Year in history. IMAX China, as the largest and most successful premium theatrical platform in the country, is certainly getting back to business. We delivered a number of new records as demand for our differentiated, premium experience grows. These include:

- A record-breaking Chinese New Year box office of RMB231 million, up 54% year-over-year, on a diversified slate of high-quality blockbusters including '*The Wandering Earth 2*', '*Full River Red*', '*Hidden Blade*' and '*Deep Sea*';

- Highest-grossing January box office of all-time;

- 2nd and 3rd highest-grossing IMAX films of all time in China with '*Avatar: The Way of Water*' and '*The Wandering Earth 2*' – the latter being also our biggest local language release ever;

- 22% indexing on the '*Avatar*' sequel – record for a first-run Hollywood release in China; and,

- Year-to-date[1] market share of 4.4%, up from 2.2% same period of last year.

As of Feb 19, IMAX has already delivered over US$86 million box office in mainland China- well over half of what we delivered in full year 2022. A consistent cadence of releases with reasonable lead time for marketing and promotion is crucial for driving audiences back to theatres and we are beginning to see this trend via the accelerated pipeline of imported titles gaining entry into China. This includes day and date of '*Avatar: The Way of Water*', the recent release of Marvel titles including '*Ant-man and the Wasp: Quantumania*' – first day-and-date in China since '*Avengers: Endgame*' in 2019, as well as '*Shazam! Fury of the Gods*', '*Dungeons and Dragons: Honor Among Thieves*' and Japanese animation '*Suzume*'. The rare theatrical extension of '*Avatar: The Way of Water*' over Chinese New Year, a typical black-out window for imported titles, also carries symbolic significance in how Hollywood continues to be viewed as an important constituent of China's movie industry growth. Our strengthening presence in Hollywood titles with our average opening weekend indexing of 17% in 2022, up from 14% a year prior, positions us well in reaping the rewards from a revitalized Hollywood film slate this year. Titles that may gain entry into China include the latest installment of '*Fast & Furious*', '*Transformers*', '*Mission Impossible*', '*Aquaman*', '*Guardians of the Galaxy Vol.3*' – all proven box office performers in China.

Note[1]: As of Feb 19, 2023

As more high production value Hollywood and Chinese blockbusters enter the market, consumers are choosing to experience them in IMAX. And we see a strong, diversified content slate ahead in 2023. This includes local blockbusters such as '*Born to Fly*', '*Post-Truth*' and the first installment of a big-budget trilogy production '*Creation of Gods*'. Over the past few years, we have made meaningful progress in driving our local language indexing which has benefited from both our expanding Filmed-for-IMAX program and rising production value of local language content. IMAX technology has helped local filmmakers create some of the most visual cinematic spectacles, replicating the successful strategy we have implemented with Hollywood filmmakers over the last 20 years. We also offer local studios and filmmakers a unique access to our global network of more than 1,600 theatres – the latest being '*The Wandering Earth 2*' in which our 31 IMAX screens accounted for 30% of its North America opening weekend box office. We will continue to double down on our IMAX DNA effort as local productions increasingly lend themselves to the IMAX Experience®.

IMAX China sees significant opportunity in 2023, a compelling slate of blockbusters, and potential for network expansion as a result of China's refocus on driving economic growth, easing of COVID-related restrictions and access to more Hollywood content.

With more than 20 years of investment, IMAX China has developed into the leading immersive entertainment ecosystem powered by technology and we are further leveraging that to expand our consumer reach and create new revenue streams. Our IMAX Enhanced® in-home entertainment initiative and IMAX Corp's recent acquisition of streaming technology company SSIMWAVE are on the leading edge of this effort. SSIMWAVE is a cutting-edge provider of software that allows streamers to optimize video quality while saving significantly on content delivery and bandwidth costs.

Finally, benefiting from our asset-light business model and disciplined cost management, we have navigated through the pandemic with demonstrable financial resilience and a healthy balance sheet, setting the stage for a meaningful revenue and earnings recovery as business continues to normalize in 2023. We are pleased to announce the recommendation of a final dividend of approximately US$5.1 million or HK$0.117 per share on a stable net income payout ratio of 50%. We remain firmly committed to returning capital to shareholders through dividends and our growing earnings power.

On behalf of the Board and management, I would like to thank our shareholders for your unwavering support, trust, and confidence. IMAX China has emerged from the pandemic on stronger footing – with significantly increased indexing across both Hollywood and local language titles, a growing portfolio of IMAX DNA content, a full suite of Laser products and a larger network footprint. Under the new leadership of CEO Daniel Manwaring, we look forward to restoring growth momentum as we capitalize on the continued premiumization of China's theatrical entertainment and a formidable pipeline of blockbuster content.

Yours sincerely,

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

RECOVERY IN CONTENT SUPPLY AND GROWING DEMAND FOR THE IMAX EXPERIENCE® DRIVES STRONG BUSINESS TURNAROUND UPON FULL REOPENING

Due to sporadic COVID outbreaks, close to half of the IMAX China network was required to close at the peak of the pandemic including key markets such as Shanghai and Beijing for the most part of the second quarter and across the country in November. The easing of COVID restrictions including the full lift of lockdowns and the relaxing PCR test protocols since early December 2022, in addition to a steady recovery in content supply, drove new IMAX records including record-high Chinese New Year box office (2023), highest-grossing January of all-time (2023) and record indexing in *Avatar: The Way of Water* (Dec 2022). As of end of 2022, the vast majority of IMAX China theatres have resumed operation.

BOX OFFICE AND MOVIES

Due to the rolling closure of theatres throughout the year and the reduced number of film releases, our gross box office in 2022 declined by 32% to US$163 million. We exhibited 25 titles in mainland China during the year including 13 local language releases and 12 imported titles, on top of 20 in Hong Kong, Macau and Taiwan only. During the year, seven titles surpassed RMB1bn box office led by *Watergate Bridge*, a Filmed-for-IMAX title now ranked within the top 10 all-time releases in mainland China.

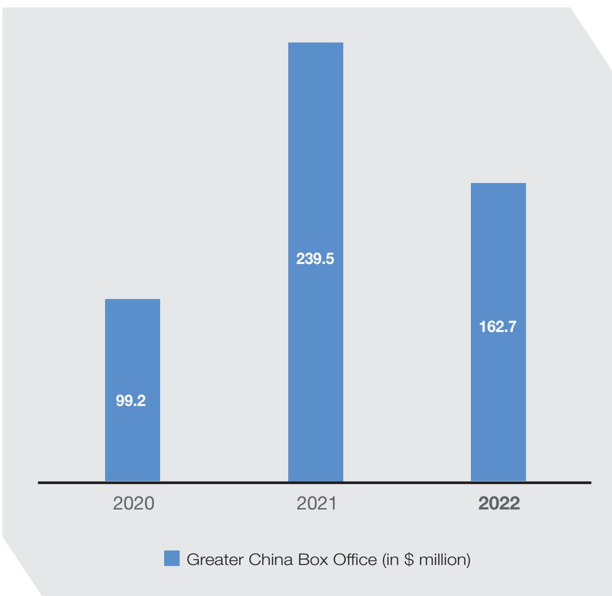
Relaxation of COVID protocols and recovery in content supply, both Hollywood and local language, drove a sharp industry turnaround since December 2022 with the release of Hollywood blockbuster *Avatar: The Way of Water*, crossing US$52 million in IMAX China box office and becoming our second highest-grossing film of all-time. IMAX indexed 22% of its box office on only 1% screen penetration – a record for a first-run Hollywood release in China. As a result, IMAX average opening weekend indexing on Hollywood titles reached 17% in 2022, up from 14% in 2021.

The strong momentum carried into 2023 with Chinese New Year industry box office up 12% year-over-year to reach RMB6.8 billion – second-best in history. IMAX China delivered a record-breaking box office of RMB231 million during the holiday week, up 54% year-over-year, on a diversified slate of high-quality blockbusters including *The Wandering Earth 2*, *Full River Red*, *Hidden Blade and Deep Sea* – the first two of which surpassed RMB3.8 billion and RMB4.4 billion in box office, respectively. *The Wandering Earth 2*, a Filmed-for-IMAX title, became our third highest-grossing title of all-time in which IMAX represented 9% of box office. The movie also received a limited North American release, where IMAX earned approximately 30% of the film's three-day opening gross in only 31 locations. Along with *Avatar: The Way of Water*, which received a theatrical extension over Chinese New Year, 2023 marks the first time IMAX China has ever had a US$50 million-plus grossing Chinese and Hollywood film in theatres at the same time.

RECOVERY IN CONTENT SUPPLY AND GROWING DEMAND FOR THE IMAX EXPERIENCE® DRIVES STRONG BUSINESS TURNAROUND UPON FULL REOPENING (Continued)

On the heels of a successful Chinese New Year was a continued build-up in content pipeline including *Black Panther: Wakanda Forever, Ant-man and the Wasp: Quantumania, Shazam: Fury of the Gods, Dungeons and Dragons: Honor Among Thieves* and *Suzume*. Our strengthening indexing bodes well for what looks to be an exceptional slate of Hollywood tentpole titles[2] in 2023 including *Guardians of the Galaxy Vol. 3, Fast X, Transformers: Rise of the Beasts, Mission Impossible 7, Oppenheimer, The Marvels, Dune 2, and Aquaman 2*, many of which contain IMAX DNA. We also look forward to the release of local language titles *Born to Fly, Post-Truth, Creation of Gods: I* and many more.

IMAX China Box Office

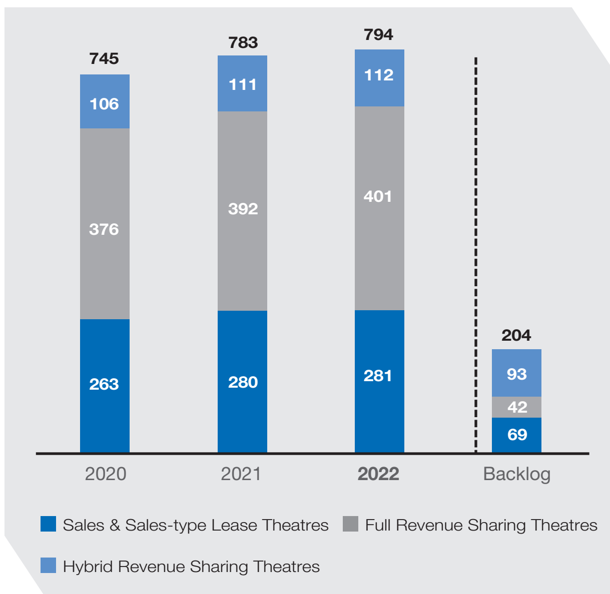


IMAX NETWORK AND BACKLOG

In 2022, we installed 28 new, upgraded and relocated systems, down from 57 installations in 2021, as a result of COVID disruptions. This includes 13 revenue sharing theatres, 6 sales and sales-type lease theatres, 4 IMAX with Laser upgrades and 5 relocations. As the cadence of Hollywood releases normalizes, our backlog of theatres, increased indexing and portfolio of IMAX DNA films should serve as a catalyst for future installations.

As of 31 December 2022, our Greater China network included 794 theatres in over 210 cities with a backlog of 204 systems comprised of 42 full revenue share, 93 hybrid revenue share and 69 sales and sales-type lease systems. This brings the total number of contracted IMAX theatres in Greater China to 998. We completed 20 theatre system signings in 2022.

IMAX China Theatre Network



Note[2]: Titles have been confirmed to be released in North America but release schedule in China is to be determined.

IMAX

RECOVERY IN CONTENT SUPPLY AND GROWING DEMAND FOR THE IMAX EXPERIENCE® DRIVES STRONG BUSINESS TURNAROUND UPON FULL REOPENING (Continued)

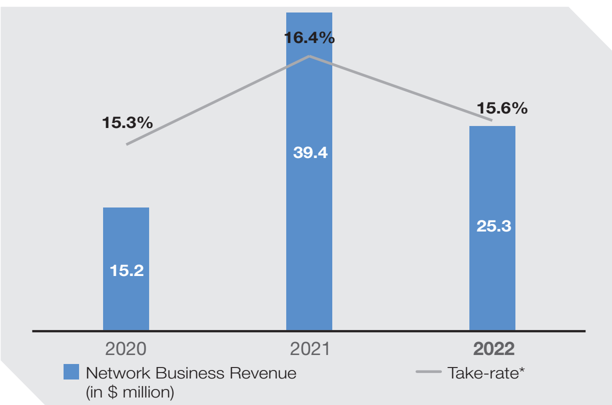
TECHNOLOGY NETWORK

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 equipment to exhibit DMR formatted movies.

As a result of COVID-related theatre closures on a rolling basis throughout the year and limited major Hollywood releases, revenue from our Technology Network declined by 35.7% year-over-year to US$25.3 million on the back of a 32.1% decline in box office and an 80 basis point decline in net take-rate due to a change in content mix resulting in a lower box office contribution from local language titles. Gross margin of our Technology Network business was 39.6%, compared to 56.6% in 2021.

Technology Network Revenue



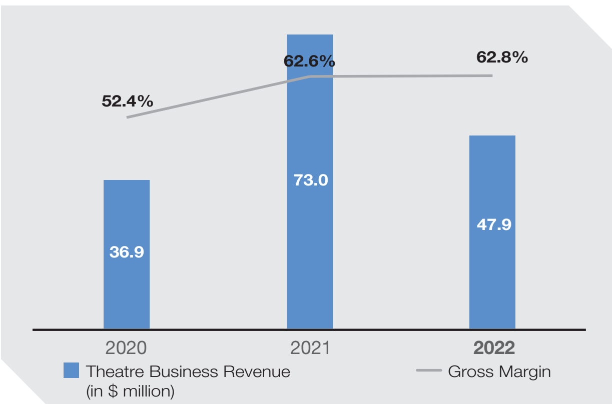
Note: Take rate = technology network revenue/gross box office*

TECHNOLOGY SALES & MAINTENANCE

Our IMAX Technology Sales & 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. Technology Sales & Maintenance represents revenue not directly tied to box office results and includes IMAX systems, revenue sharing arrangements, IMAX maintenance, and other theatre business.

Revenue from Technology Sales & Maintenance declined by 34.4% year-over-year to US$47.9 million, due to the reduced number of sales & hybrid installations as on-site development activities were adversely impacted by increased COVID caseloads in November and December. Gross margin of our Technology Sales & Maintenance business remained largely stable at 62.8%.

Technology Sales & Maintenance Revenue



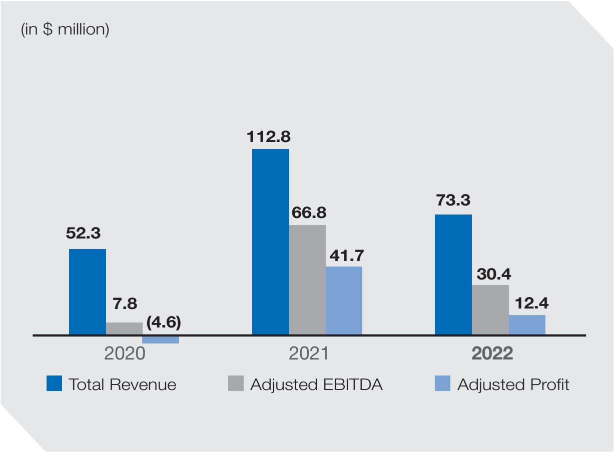
RECOVERY IN CONTENT SUPPLY AND GROWING DEMAND FOR THE IMAX EXPERIENCE® DRIVES STRONG BUSINESS TURNAROUND UPON FULL REOPENING (Continued)

OVERALL PERFORMANCE

China revenue for FY2022 was US$73.3 million, down 35.0% year-over-year, due to a COVID resurgence, rolling closure of theatres and a limited film slate. Despite that, we managed to deliver an adjusted net profit of US$12.4 million as a result of cost control initiatives and maintain a healthy balance sheet with cash balance of US$75 million and net cash of US$62 million.

Given our financial strength, solid cash flow generating ability and the strong business momentum we saw in the early days of a full reopening, our Board of Directors recommended the payment of a final dividend for 2022 of US$0.015 per share, equivalent to HK$0.117 per share, based on a 50% earnings payout ratio.

Overall Performance



Note: all numbers in charts are based on company data

IMAX CHINA'S GROWING INDEXING ACROSS BOTH LOCAL LANGUAGE AND HOLLYWOOD BLOCKBUSTERS

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% IMAX indexing
- Highest-grossing title in China in 2022 with gross box office of RMB4.07 billion
- Ninth highest-grossing release of all-time in China

Avatar: The Way of Water (Dec 2022)

- Second highest-grossing IMAX China film of all-time
- 22% IMAX indexing – record for a first-run Hollywood release in China
- IMAX accounts for 18 out of top 20 highest-grossing theatres
- Highest per-screen average, attendance and average ticket price among all branded offerings

The Wandering Earth 2 (Jan 2023)

- A Filmed-for-IMAX title
- RMB3.94 billion box office with IMAX indexing of 9%
- Highest-grossing IMAX local language release
- Third highest-grossing IMAX China film of all-time
- Tenth highest-grossing title of all-time in China

Board of Directors & Experienced Management Team

Richard Gelfond
Non-executive Director and Chairman

Experience

- 28 years at IMAX and industry experience

John Davison
Independent Non-executive Director

Experience

- Former 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'Oréal 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

- 4 years at IMAX and 24 years of industry experience

Daniel Manwaring
Chief Executive Officer

Experience

- Joined IMAX China in January 2023 and 10 years of industry experience

Jiande Chen
Executive Director and Vice Chairman

Experience

- 11 years at IMAX and 22 years of industry experience

Jim Athanasopoulos
Chief Financial Officer and Chief Operating Officer Executive Director

Experience

- 22 years at IMAX and industry experience, 11 years at IMAX China

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

Experience

- 16 years at IMAX and 25 years of industry experience

Yifan (Yvonne) He
General Counsel and Joint Company Secretary

Experience

- Joined IMAX China in December 2020 and 2 years of industry experience

Honggen Yuan (Karl)
Senior Vice President, Theatre Development

Experience

- 21 years at IMAX and industry experience

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Jiande Chen, *Vice Chairman*
Jim Athanasopoulos, *Chief Financial Officer and Chief Operating Officer*
Mei-Hui (Jessie) Chou, *Chief Marketing Officer*

Non-executive Directors
Richard Gelfond, *Chairman*
Megan Colligan

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
Ho Wing Tsz Wendy, *FCG, HKFCG (PE)*

AUTHORISED REPRESENTATIVES
Jim Athanasopoulos
Ho Wing Tsz Wendy, *FCG, HKFCG (PE)*

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

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7/F, Verdant Place
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Cayman Islands

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348 Kwun Tong Road
Kowloon
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


IMAX®

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 Greater China 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 2022, there were 794 IMAX theatres in Greater China, including 778 in commercial locations, and an additional 204 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 Mainland China, and we expect Mainland China 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 number of screens.

We have two primary groups, namely the (1) IMAX Technology Network, and (2) IMAX Technology Sales and Maintenance. Within these two primary groups are the Company's following reportable segments: (i) IMAX DMR; (ii) Revenue Sharing Arrangements; (iii) IMAX Systems; (iv) IMAX Maintenance; (v) Other Theater Business. The Group's activities that do not meet the criteria to be considered a reportable segment are disclosed within All Other.

IMAX Technology Network

Our IMAX Technology Network involves the digital re-mastering of Hollywood films, Chinese language films and Other 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 IMAX DMR, and contingent rent from revenue sharing arrangements 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 films, Chinese language films and Other 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 or limited 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 Mainland China in 2021 and 2022 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%, 60.1% and 58.8% in FY2019, FY2020, FY2021 and FY2022, 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. We will continue to focus on this strategy in 2023 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 IMAX systems, revenue sharing arrangements, IMAX maintenance, and 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.

Primary Group Change

In the first quarter of 2023, the Group has updated its internal reporting and will have two primary groups: (i) Technology Products and Services, which will principally include the sales, lease, and maintenance of IMAX Systems, previously included within the Revenue Sharing Arrangements, IMAX Systems, IMAX Maintenance, Other Theatre Business reportable segments, and (ii) Content Solutions, which will principally include content enhancement, previously included within the IMAX DMR films reportable segment. The Group's activities that do not meet the criteria to be considered a reportable segment will be reported within All Other.

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 104 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 over 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., and Beijing Bona International Cineplex Investment and Management Co., 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;
- An unparalleled network in top locations throughout Greater China, supported by over 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
- An 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 studios and filmmakers in Mainland China, 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 Mainland China 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 including expansion of IMAX Enhanced; 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 FY2022 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 these theatre closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many of the films scheduled to be shown in IMAX theatres, while several other films were released directly or concurrently to streaming platforms. Beginning in the third quarter of 2020, stay-at-home orders and capacity restrictions were lifted in many key markets and movie theatres throughout the IMAX network gradually reopened. However, following the emergence of the Omicron variant and the rise of COVID-19 cases in Mainland China in the first quarter of 2022, the Chinese government reinstituted capacity restrictions and safety protocols on large public gatherings, which led to the temporary closure of theatres in several cities. When theatres were not closed, customer concerns surrounding such discretionary public gatherings included the requirement to show a negative Covid test, the potential of being in close contact with a positive case and the possible risk of a centralized quarantine. As a result, during this time, cinema admissions and film industry revenues were significantly impacted.

Management Discussion and Analysis (Continued)

In early December 2022, in a significant easing of Covid controls, the Chinese government announced people no longer needed to show negative virus tests or health codes in order to travel between different parts of the country or enter most venues which included shopping malls and movie theatres. Chinese authorities also formalized other changes to Covid controls, such as allowing more people to quarantine at home. COVID-19 was subsequently downgraded to a Class B infectious disease in Mainland China and in early January 2023, the Chinese government removed the centralized quarantine requirement for inbound travelers to Mainland China.

As a result of these easing of Covid controls, on December 31, 2022, approximately 97% of the IMAX theatres in Greater China were open at various capacities.

Notwithstanding the recent easing of Covid controls, 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 and that will vary by jurisdiction and market.

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 FY2021 and FY2022, 34 and 25 IMAX films, respectively, were released and generated revenue for us in Mainland China. The number of Hollywood films released in Mainland China in FY2022 was 10, as compared to 13 in FY2021 and 16 in FY2020. 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 FY2022. But even as these factors lift, some Hollywood films have still failed to secure release dates in Mainland China. 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 FY2023. While it is our intention that these films be released to the IMAX theatre network in Mainland China, given the restrictions imposed by film quotas for Hollywood films in Mainland China 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 Mainland China. The average box office per screen of IMAX theatres was US$0.21 million in FY2022 compared to the average box office per screen of approximately US$0.06 million for all screens in Mainland China for FY2022, 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 503 as at 31 December 2021 to 513 as at 31 December 2022, and because our backlog as at 31 December 2022 also included 135 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 Mainland China 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 Mainland China is an important factor affecting our business. Over the past few years, the regulatory bodies in Mainland China 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 Mainland China 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 Mainland China and Hollywood studios' take rate on these films. If the number of Hollywood films to be released in Mainland China 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 Mainland China 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 2022, 8 out of the top 10 box office films in Mainland China in calendar 2022 were Chinese language films. In 2022, the Chinese language films, The Battle at Lake Changjin II, Moon Man, Home Coming, Nice View, and Detective & Sleuths were a part of the top 10 performing box office films for the industry, and were all a part of our IMAX slate for 2022. 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 box office in Mainland China, amounting to 84.4% in FY2022 and 83.7% in FY2021, according to Top Consulting. Pre COVID-19, these percentage shares were approximately 60-65%. IMAX format Chinese language films as a percentage of our box office in Mainland China amounted to 58.8% in FY2022 and 60.1% in FY2021.

Management Discussion and Analysis (Continued)

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 number of IMAX theatres in Greater China increased from 783 IMAX theatres as at 31 December 2021 to 794 IMAX theatres as at 31 December 2022.

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 215 as at 31 December 2021 to 204 as at 31 December 2022, and the carrying value of our backlog decreased from US$166.1 million as at 31 December 2021 to US$147.1 million as at 31 December 2022. For the number of systems, approximately 33% of our backlog are sales and sales-type lease arrangements, 21% are full revenue sharing arrangements and 46% 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 2022, we had identified approximately 1,400 IMAX zones across Greater China.

COVID impacted the short-term business development of the film industry in China. We believe the recent easing of COVID controls in the market and resulting reopening of the market with more Hollywood and local titles, coupled with continuous urbanization, rising purchasing power and increasing supply of quality content should continue to drive screen growth and with premium formats being a major driver.

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.

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 503 arrangements in FY2021 to 513 arrangements in FY2022. 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 Mainland China

General political, social and economic conditions can affect the Group's business by reducing both revenues generated from existing IMAX Systems and the demand for new IMAX Systems. 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 Mainland China, which we believe drives demand for entertainment. The Group's success depends in part on general political, social and economic conditions and the willingness of consumers to purchase tickets to IMAX movies. If movie-going becomes less popular in Greater China, the Group's business could be adversely affected. In addition, the Group's operations could be adversely affected if consumers' discretionary income falls as a result of an economic downturn or recession resulting from geopolitical tensions, sustained increase in inflation and interest rates, supply chain issues, the COVID-19 pandemic or otherwise. Such adverse impact on consumer's discretionary income could result in a shift in consumer demand away from movie-going. The box office results of the Group's exhibitor partners directly drive network revenue and indirectly drive theatre sales revenue via new signings and installations. Accordingly, a decline in attendance at commercial IMAX locations could materially and adversely affect several sources of key revenue streams for the Group.

The Group also depends on the sale and lease of IMAX Systems to commercial movie exhibitors to generate revenue. Commercial movie exhibitors generate revenues from consumer attendance at their theatres, which depends on the willingness of consumers to visit movie theatres and spend discretionary income at movie theatres. In the event of declining box office and concession revenues, commercial exhibitors may be less willing to invest capital in new IMAX Systems. In addition, a significant portion of systems in the Group's backlog are expected to be installed in newly built multiplexes. An economic downturn, recession, significant increases in interest rates or other adverse economic developments could impact developers' ability to secure financing on acceptable terms and complete the buildout of these locations, thereby negatively impacting the Group's ability to grow its theatre network.

Finally, sustained inflationary pressures observed globally, as well as supply chain disruptions resulting from the COVID-19 pandemic or otherwise, could materially increase the cost of our goods, services and personnel, which could cause an increase in our operating costs.

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 two primary groups – IMAX Technology Network, and IMAX Technology Sales and Maintenance. The Group's activities that do not meet the criteria to be considered a reportable segment are disclosed within All Other.

IMAX Technology Network

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

- 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. 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:

- 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 the 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 the IMAX Technology Network revenue 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 arrangements 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.

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

	FY2022		FY2021	
	US$'000	%	US$'000	%
IMAX Technology Network				
IMAX DMR films	**14,908**	**20.3%**	21,750	19.3%
Revenue Sharing Arrangements – contingent rent	**10,399**	**14.2%**	17,623	15.6%
Sub-total	**25,307**	**34.5%**	39,373	34.9%
IMAX Technology Sales and Maintenance				
IMAX Systems	**20,479**	**27.9%**	41,413	36.6%
Revenue Sharing Arrangements – upfront fees	**1,013**	**1.4%**	5,150	4.6%
IMAX Maintenance	**25,539**	**34.8%**	25,581	22.7%
Other Theatre Business	**855**	**1.2%**	858	0.8%
Sub-total	**47,886**	**65.3%**	73,002	64.7%
All Other	**137**	**0.2%**	426	0.4%
Total	**73,330**	**100.0%**	112,801	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 reportable segments for the years indicated, as well as the percentage of respective revenue they each represent:

	FY2022		FY2021	
	US$'000	%	US$'000	%
IMAX Technology Network				
IMAX DMR films	**2,358**	**15.8%**	4,314	19.8%
Revenue Sharing Arrangements – contingent rent	**12,937**	**124.4%**	12,763	72.4%
Sub-total	**15,295**	**60.4%**	17,077	43.4%
IMAX Technology Sales and Maintenance				
IMAX Systems	**7,996**	**39.0%**	14,199	34.3%
Revenue Sharing Arrangements – upfront fees	**1,053**	**103.9%**	3,925	76.2%
IMAX Maintenance	**8,034**	**31.5%**	8,585	33.6%
Other Theatre Business	**744**	**87.0%**	624	72.7%
Sub-total	**17,827**	**37.2%**	27,333	37.4%
All Other	**511**	**373.0%**	203	47.7%
Total	**33,633**	**45.9%**	44,613	39.6%

Gross Profit and Gross Profit Margin

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

	FY2022		FY2021	
	US$'000	%	US$'000	%
IMAX Technology Network				
IMAX DMR films	**12,550**	**84.2%**	17,436	80.2%
Revenue Sharing Arrangements – contingent rent	**(2,538)**	**(24.4%)**	4,860	27.6%
Sub-total	**10,012**	**39.6%**	22,296	56.6%
IMAX Technology Sales and Maintenance				
IMAX Systems	**12,483**	**61.0%**	27,214	65.7%
Revenue Sharing Arrangements – upfront fees	**(40)**	**(3.9%)**	1,225	23.8%
IMAX Maintenance	**17,505**	**68.5%**	16,996	66.4%
Other Theatre Business	**111**	**13.0%**	234	27.3%
Sub-total	**30,059**	**62.8%**	45,669	62.6%
All Other	**(374)**	**(273.0%)**	223	52.3%
Total	**39,697**	**54.1%**	68,188	60.4%

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:

	FY2022		FY2021	
	US$'000	**%**	US$'000	%
Employee salaries and benefits	**7,176**	**9.8%**	8,729	7.4%
Share-based compensation expenses	**2,075**	**2.8%**	3,773	3.3%
Travel and transportation	**286**	**0.4%**	571	0.5%
Advertising and marketing	**849**	**1.2%**	1,444	1.3%
Professional fees	**1,648**	**2.2%**	1,710	1.5%
Other employee expense	**239**	**0.3%**	413	0.4%
Facilities	**368**	**0.5%**	320	0.3%
Depreciation	**937**	**1.3%**	1,166	1.0%
Foreign exchange and other expenses	**1,952**	**2.7%**	(1,306)	(1.2%)
Total	**15,530**	**21.2%**	16,820	14.6%

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 FY2022 and FY2021 were US$4.0 million and US$6.1 million, respectively.

(Provisions) Reversals of Net Impairment Losses on Financial Assets

Net impairment impacts on financial assets for FY2022 and FY2021 were a loss of US$1.3 million and a reversal of US$4.0 million, respectively. The loss of US$1.3 million in FY2022 was primarily due to the provision for current expected credit losses, principally reflecting a reduction in the credit quality of its trade receivables, financing receivables and variable consideration receivables, which is primarily related to the COVID-19 theatre closures in China in FY2022.

Other Losses

The net fair value losses on financial assets at FVTPL for FY2022 of US$4.5 million is a loss recognized for the film investment in "Mozart from Space".

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 FY2022 and FY2021 was US$1.0 million and US$1.6 million, respectively.

Income Tax Expenses

We are subject to Mainland China and Hong Kong income tax. We are also subject to withholding taxes in Taiwan. The enterprise income tax ("**EIT**") rate generally levied in Mainland China 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 FY2022 and FY2021 was US$4.5 million and US$12.3 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:

	FY2022		FY2021	
	US$'000	**%**	US$'000	%
Revenues	**73,330**	**100.0%**	112,801	100.0%
Cost of sales	**(33,633)**	**(45.9%)**	(44,613)	(39.6%)
Gross profit	**39,697**	**54.1%**	68,188	60.4%
Selling, general and administrative expenses	**(15,530)**	**(21.2%)**	(16,820)	(14.9%)
Other operating expenses	**(3,968)**	**(5.4%)**	(6,062)	(5.4%)
(Provisions) reversals of net impairment losses on financial assets	**(1,319)**	**(1.8%)**	3,997	3.5%
Other losses	**(4,470)**	**(6.1%)**	–	–
Operating profit	**14,410**	**19.7%**	49,303	43.7%
Interest income	**1,040**	**1.4%**	1,643	1.5%
Interest expense	**(169)**	**(0.2%)**	(458)	(0.4%)
Profit before income tax	**15,281**	**20.8%**	50,488	44.8%
Income tax expense	**(4,523)**	**(6.2%)**	(12,271)	(10.9%)
Profit for the year, attributable to owners of the Company	**10,758**	**14.7%**	38,217	33.9%
Other comprehensive (loss) income:				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	**(19,470)**	**(26.6%)**	3,538	3.1%
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%
Other comprehensive (loss) income:	**(19,470)**	**(26.6%)**	8,757	7.8%
Total comprehensive income (loss) for the year, attributable to owners of the Company	**(8,712)**	**(11.9%)**	46,974	41.6%

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.

Adjusted profit excludes, where applicable: (i) shared-based compensation, as well as the related tax impact of the adjustments, and (ii) the withholding tax accrual for the planned distribution of historical earnings of one subsidiary resulting from the management's decision to no longer indefinitely reinvest such earnings.

The Company believes that these adjustments allow management and users of the Company's financial statements to review operating trends and analyze controllable operating performances on a comparable basis between periods without the after-tax impact of share-based compensation and certain items included in net profit attributable to common shareholders. Although share-based compensation is an important aspect of the Company's employee and executive compensation packages, it is a non-cash expense and is excluded from certain internal business performance measures. The withholding tax attributable to the management's decision to no longer indefinitely reinvest the historical earnings of one subsidiary is unusual as the amount accrued relates to historical earnings of the subsidiary till the year ended 31 December 2019 and would impact the year-to-year comparisons.

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

	FY2022 US$'000	FY2021 US$'000
Profit for the year	**10,758**	38,217
Adjustments:		
Share-based compensation	**2,075**	3,773
Tax impact on item listed above	**(475)**	(876)
Provisional tax	**–**	547
Adjusted profit	**12,358**	41,661

FY2022 COMPARED WITH FY2021

Revenue

Our revenue decreased 35.0% from US$112.8 million in FY2021 to US$73.3 million in FY2022 driven by a decrease of US$14.1 million in our IMAX Technology Network revenue, a decrease of US$25.1 million in IMAX Technology Sales and Maintenance revenue, and a decrease of US$0.3 million in All Other revenue, as explained further below.

IMAX Technology Network

Revenue from our IMAX Technology Network decreased 35.8% from US$39.4 million in FY2021 to US$25.3 million in FY2022, primarily due to a US$76.8 million, or 32.1% decrease in box office revenue in FY2022 compared to the prior year.

IMAX DMR Films

IMAX DMR film revenue decreased 31.7% from US$21.8 million in FY2021 to US$14.9 million in FY2022 as a result of a decrease in box office revenue. The box office revenue generated by IMAX formatted films decreased 32.1% from US$239.5 million in FY2021 to US$162.7 million in FY2022 due to the COVID-19 theatre temporary closures in some major cities in China, weaker performance during the critical Chinese New Year and National Holiday periods and because certain top IMAX Hollywood films globally did not release in China.

Box office revenue per screen decreased 36.4% from US$0.33 million in FY2021 to US$0.21 million in FY2022 due to the reasons explained above.

The following table sets out the number of films we released in the IMAX format in FY2022 and FY2021 in Greater China:

	FY2022	FY2021
Hollywood films	**10**	13
Hollywood films (Hong Kong, Taiwan and Macau only)	**14**	16
Chinese language films	**13**	21
Other films	**2**	–
Other films (Hong Kong, Taiwan and Macau only)	**6**	–
Total IMAX films released	**45**	50

Revenue Sharing Arrangements – Contingent Rent

Contingent rent from revenue sharing arrangements decreased 40.9% from US$17.6 million in FY2021 to US$10.4 million in FY2022 primarily due to theatre temporary closures with lower box office. This included (i) contingent rent from full revenue sharing arrangements decreased 40.0% from US$15.0 million in FY2021 to US$9.0 million in FY2022; (ii) contingent rent from hybrid revenue sharing arrangements decreased 46.2% from US$2.6 million in FY2021 to US$1.4 million in FY2022. We had 503 theatres operating under revenue sharing arrangements at the end of FY2021 as compared to 513 at the end of FY2022

Management Discussion and Analysis (Continued)

IMAX Technology Sales and Maintenance

Revenue from our IMAX Technology Sales and Maintenance decreased 34.4% from US$73.0 million in FY2021 to US$47.9 million in FY2022.

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

	As at 31 December		
	2022	2021	Growth (%)
Commercial			
Mainland China[1]	**762**	752	1.3%
Hong Kong	**5**	5	–
Taiwan	**10**	10	–
Macau	**1**	1	–
	778	768	1.3%
Institutional[2]	**16**	15	6.7%
Total	**794**	783	1.4%

Notes:
(1) Thirteen theatres in Mainland China were closed in FY2022, five of which were relocated to other sites in FY2022.
(2) Institutional IMAX theatres include museums, zoos, aquaria and other destination entertainment sites that do not exhibit commercial films.

The following table sets out the number of IMAX theatre systems installed by business arrangements in FY2022 and FY2021:

	FY2022	FY2021
Sales and sales-type lease arrangements	**8**	26
Revenue sharing arrangements	**16**	26
IMAX Laser upgrades	**4**	5
Total theatre systems installed	**28[1]**	57[2]

Notes:
(1) Includes 5 relocations (2 sales and sales-type lease and 3 revenue sharing) and 4 upgrades (sales and sales-type lease) in FY2022.
(2) Includes 8 relocations (6 sales and sales-type lease and 2 revenue sharing) and 5 upgrades (4 sales and sales-type lease and 1 revenue sharing) in FY2021.

IMAX Systems

Revenue from sales and sales-type lease arrangements decreased 50.5% from US$41.4 million in FY2021 to US$20.5 million in FY2022, primarily due to 18 fewer sales and sales-type lease arrangements (including 4 fewer re-deployed system installations) in FY2022 over FY2021 mainly due to a slowdown in new theatre development, primarily driven by the significant reduction of industry box office and revenues impacted by local Covid policies and fewer Hollywood films. We recognised sales revenue on 24 new theatre systems (including 4 IMAX Laser upgrade) in FY2021 with a total value of US$37.6 million, compared to 10 new theatre system (including 4 IMAX Laser upgrade) in FY2022 with a total value of US$17.1 million.

Average revenue per new system under sales and sales-type lease arrangements excluding GT Laser and re-deployed systems decreased from US$1.5 million in FY2021 to US$1.3 million in FY2022 due to system mix in FY2022.

Revenue Sharing Arrangements – Upfront Fees

Upfront revenue from hybrid revenue sharing arrangements decreased from US$5.2 million in FY2021 to US$1.0 million in FY2022, primarily due to 2 new hybrid revenue sharing installations in FY2022 compared to 9 new in FY2021.

IMAX Maintenance

IMAX maintenance revenue slightly decreased 0.4% from US$25.6 million in FY2021 to US$25.5 million in FY2022. Maintenance revenue decreased in FY2022 due to a portion of revenue not charged during the theatre closure period, partly offset by a 1.4% increase in the size of the IMAX network, which increased to 794 theatres as at 31 December 2022 from 783 theatres as at 31 December 2021.

All Other

Revenue from All Other decreased from US$0.4 million in FY2021 to US$0.1 million in FY2022.

Cost of Sales

Our cost of sales decreased 24.7% from US$44.6 million in FY2021 to US$33.6 million in FY2022. This decrease was primarily due to a decrease of US$1.8 million in our IMAX Technology Network, and a decrease of US$9.5 million in our IMAX Technology Sales and Maintenance, explained below.

IMAX Technology Network

The cost of sales for our IMAX Technology Network decreased 10.5% from US$17.1 million in FY2021 to US$15.3 million in FY2022 due to decreased film and marketing costs associated with less films exhibited in FY2022, decreased one-time upfront costs related to the installation of 4 fewer full revenue sharing arrangements in FY2022 versus FY2021. This was partially offset by the increased depreciation costs associated with a larger full revenue sharing network, currently 401 theatres as at FY2022 versus 392 theatres as at FY2021.

IMAX DMR Films

The cost of sales for film decreased 44.2% from US$4.3 million in FY2021 to US$2.4 million in FY2022 driven by the decreased DMR and film marketing costs resulting from 25 films exhibited in Mainland China in FY2022 compared to 34 films in FY2021.

Revenue Sharing Arrangements – Contingent Rent

The cost of sales for contingent rent from revenue sharing arrangements increased 0.8% from US$12.8 million in FY2021 to US$12.9 million in FY2022, primarily due to increased depreciation costs associated with a larger full revenue sharing network, currently 401 theatres as at FY2022 versus 392 theatres as at FY2021. This was partially offset by decreased one-time upfront costs related to the installation of 4 fewer full revenue sharing arrangements in FY2022 versus FY2021.

IMAX Technology Sales and Maintenance

The cost of sales for our IMAX Technology Sales and Maintenance decreased 34.8% from US$27.3 million in FY2021 to US$17.8 million in FY2022, primarily due to 18 fewer IMAX theatre systems installations under sales and sales-type lease arrangements (including 4 fewer re-deployed system installations), 7 fewer hybrid revenue sharing arrangements in FY2022 as compared to FY2021.

IMAX Systems

Cost of sales under sales and sales-type lease arrangements decreased 43.7% from US$14.2 million in FY2021 to US$8.0 million in FY2022, primarily due to the costs recognised on 10 new theatre systems (including 4 IMAX Laser upgrade) in FY2022 as compared to 24 new theatre systems (including 4 IMAX Laser upgrade) in FY2021.

Revenue Sharing Arrangements – Upfront Fees

Cost of sales from installation of hybrid revenue sharing arrangements decreased 71.8% from US$3.9 million in FY2021 to US$1.1 million in FY2022, primarily due to the costs recognised on 2 new theatre systems installations under hybrid revenue sharing arrangements in FY2022 as compared to 9 new theatre systems in FY2021.

IMAX Maintenance

Cost of sales with respect to theatre system maintenance decreased 7.0% from US$8.6 million in FY2021 to US$8.0 million in FY2022 as a result of the inherent operating leverage of the business, partially offset by a 1.4% increase in the size of the IMAX network, which increased to 794 theatres as at 31 December 2022 from 783 theatres as at 31 December 2021.

All Other

Cost from All Other increased from US$0.2 million in FY2021 to US$0.5 million in FY2022, respectively.

Gross Profit and Gross Profit Margin

Our gross profit was US$39.7 million in FY2022, or 54.1% of total revenue compared to US$68.2 million in FY2021, or 60.4% of total revenue.

IMAX Technology Network

The gross profit from our IMAX Technology Network decreased from US$22.3 million in FY2021 to US$10.0 million in FY2022, and the gross profit margin decreased from 56.6% in FY2021 to 39.6% in FY2022. The decrease was primarily due to a decrease in our overall box office revenue in FY2022 compared to FY2021.

IMAX DMR Films

The gross profit for IMAX DMR films decreased 27.6% from US$17.4 million in FY2021 to US$12.6 million in FY2022, and the gross profit margin increased from 80.2% in FY2021 to 84.2% in FY2022. The decrease of gross profit was primarily due to a decrease of 32.1% in our overall box office revenue from US$239.5 million in FY2021 to US$162.7 million in FY2022. The increase of gross profit margin was primarily due to lower average marketing cost per released film in FY2022 than FY2021.

Revenue Sharing Arrangements – Contingent Rent

The gross profit for contingent rent from revenue sharing arrangements decreased from a profit of US$4.9 million in FY2021 to a loss of US$2.5 million in FY2022.

The gross profit for contingent rent from full revenue sharing arrangements decreased 269.6% from a profit of US$2.3 million in FY2021 to a loss of US$3.9 million in FY2022. Gross profit decreased primarily due to much lower overall box office revenue, increased depreciation costs associated with a larger full revenue sharing network, partially offset by decreased one-time upfront costs related to the installation of 4 fewer full revenue sharing arrangements in FY2022 versus FY2021.

The gross profit for contingent rent from hybrid revenue sharing arrangements decreased 46.2% from US$2.6 million in FY2021 to US$1.4 million in FY2022, driven by much lower box office revenue per screen, partially offset by growth in the hybrid revenue sharing network from 111 IMAX theatres in FY2021 to 112 IMAX theatres in FY2022.

IMAX Technology Sales and Maintenance

The gross profit decreased 34.1% from US$45.7 million in FY2021 to US$30.1 million in FY2022. During the same period, our gross profit margin increased slightly from 62.6% to 62.8%. The decrease in gross profit was primarily driven by 18 fewer IMAX theatre systems installations under sales and sales type lease arrangements (including 4 fewer re-deployed system installations) and 7 fewer hybrid revenue sharing arrangements in FY2022 as compared to FY2021.

IMAX Systems

The gross profit from sales of new IMAX theatre systems decreased 54.0% from US$27.2 million in FY2021 to US$12.5 million in FY2022 primarily due to the installation of 18 fewer systems (including 4 fewer re-deployed system installations) in FY2022. Our gross profit margin decreased from 65.7% in FY2021 to 61.0% in FY2022 primarily due to some IMAX Laser installations with lower margin in FY2022, 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 decreased from a profit of US$1.2 million in FY2021 to a loss less than US$0.1 million in FY2022, primarily due to 7 fewer installations under hybrid revenue sharing arrangements and higher gross profit margin of 23.8% in FY2021 compared to a negative gross margin of 3.9% in FY2022 due to the mix of lower margin and theatre marketing expenses for certain existing hybrid theatres.

Management Discussion and Analysis (Continued)

IMAX Maintenance

The gross profit for our theatre system maintenance increased 2.9% from US$17.0 million in FY2021 to US$17.5 million in FY2022 and our gross profit margin increased from 66.4% in FY2021 to 68.5% in FY2022 mainly as a result of an 1.4% increase in the size of the IMAX network, which increased to 794 theatres as at 31 December 2022 from 783 theatres as at 31 December 2021.

All Other

The gross profit for All Other decreased from a profit of US$0.2 million in FY2021 to a loss of US$0.4 million in FY2022 mainly due to the start up of IMAX Enhanced.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased 7.7% from US$16.8 million in FY2021 to US$15.5 million in FY2022, primarily due to a US$1.7 million decrease in share-based compensation expenses, a US$1.6 million decrease in employee salaries and benefits, a US$0.6 million decrease in advertising and marketing, and a US$0.3 million decrease in travel and transportation mainly due to COVID-19 theatre closures in China in FY2022, partially offset by a US$1.4 million foreign exchange loss mainly related to RMB cash held offshore China as compared to a US$1.8 million foreign exchange gain in FY2021.

Other Operating Expenses

Other operating expenses decreased 34.4% from US$6.1 million in FY2021 to US$4.0 million in FY2022, primarily due to a decrease 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 due to lower revenues in FY2022 versus FY2021.

(Provisions) Reversals of Net Impairment Losses on Financial Assets

Net impairment impacts on financial assets for FY2022 and FY2021 were a loss of US$1.3 million and a reversal of US$4.0 million, respectively. The loss of US$1.3 million in FY2022 was primarily due to the provision for current expected credit losses, principally reflecting a reduction in the credit quality of its trade receivables, financing receivables and variable consideration receivables, which is primarily related to the COVID-19 theatre closures in China in FY2022. The reversal of US$4.0 million in FY2021 was driven mainly from subsequent cash collection.

Other Losses

The net fair value losses on financial assets at FVTPL for FY2022 of US$4.5 million is a loss recognized for the film investment in “Mozart from Space”.

Interest Income

Interest income decreased 37.5% from US$1.6 million in FY2021 to US$1.0 million in FY2022 due to the reduced cash balance during the year.

Interest Expense

Interest expense decreased from US$0.5 million in FY2021 to US$0.2 million in FY2022 primarily due to shorter period of time the loans were held during FY2022.

Income Tax Expense

Our income tax expense decreased 63.4% from US$12.3 million in FY2021 to US$4.5 million in FY2022. The decrease in income tax expense was primarily due to a decrease of our operating profit before income tax of US$35.2 million from a profit of US$50.5 million in FY2021 to a profit of US$15.3 million in FY2022.

Profit for the Year

We reported a profit for the year of US$10.8 million in FY2022 as compared to a profit of US$38.2 million in FY2021.

Other Comprehensive (Loss) Income for the Year

We reported a comprehensive loss for the year of US$8.7 million in FY2022 as compared to a comprehensive income of US$47.0 million in FY2021.

The decrease was primarily due to a decrease of US$27.5 million in our profit for the year, and a decrease of US$28.2 million in other comprehensive income.

The decrease in other comprehensive income of US$28.2 million was mainly related to a decrease in foreign currency translation profit of US$23.0 million from a profit of US$3.5 million (2.3% depreciation of RMB relative to USD) in FY2021 to a loss of US$19.5 million in FY2022 (9.2% appreciation of RMB relative to USD), and a decrease in fair value of financial assets at FVOCI of US$5.2 million from a gain of US$5.2 million in FY2021 to US$nil million in FY2022.

Comprehensive profit for the year in FY2022 included a US$2.1 million charge (US$3.8 million in FY2021) for share-based compensation.

Adjusted Profit

Adjusted profit, which consists of profit for the year adjusted for the impact of share-based compensation and the related tax impact, and provisional tax, was US$12.2 million in FY2022 as compared to US$41.7 million in FY2021, a decrease of 70.7%.

LIQUIDITY AND CAPITAL RESOURCES

	As at 31 December	
	2022	2021
	US$'000	US$'000
Current assets		
Other assets	**1,871**	633
Contract acquisition costs	**760**	518
Film assets	**82**	76
Inventories	**4,826**	5,857
Prepayments	**3,099**	3,566
Variable consideration receivable from contracts	**502**	516
Financing receivables	**27,852**	18,278
Trade and other receivables	**60,267**	51,496
Cash and cash equivalents	**74,972**	97,737
Total Current Assets	**174,231**	178,677
Current liabilities		
Trade and other payables	**21,845**	21,107
Accruals and other liabilities	**9,546**	9,669
Income tax liabilities	**5,780**	5,585
Borrowings	**12,871**	3,612
Deferred revenue	**12,777**	18,875
Total Current Liabilities	**62,819**	58,848
Net Current Assets	**111,412**	119,829

As at 31 December 2022, we had net current assets of US$111.4 million compared to net current assets of US$119.8 million as at 31 December 2021. The decrease in net current assets in FY2022 was mainly attributable to a US$22.8 million decrease in cash and cash equivalents, a US$9.3 million increase in borrowings, and a US$1.0 million decrease in inventories. This was offset by a US$9.6 million increase in financing receivables, a US$8.8 million increase in trade and other receivables, and a US$6.1 million decrease in deferred revenue.

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	
	2022	2021
	US$'000	US$'000
Cash and cash equivalents denominated in RMB	**$43,821**	$92,830
Cash and cash equivalents denominated in US$	**$30,914**	$4,423
Cash denominated in Hong Kong dollars	**$237**	$484
	$74,972	$97,737

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.

Management Discussion and Analysis (Continued)

CASH FLOW ANALYSIS

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

	FY2022 US$'000	FY2021 US$'000
Net cash provided by operating activities	**1,158**	30,136
Net cash (used in) provided by investing activities	**(13,744)**	10,187
Net cash used in financing activities	**(5,838)**	(33,374)
Effects of exchange rate changes on cash	**(4,341)**	2,316
(Decrease) Increase in cash and cash equivalents during year	**(22,765)**	9,265
Cash and cash equivalents, beginning of year	**97,737**	88,472
Cash and cash equivalents, end of year	**74,972**	97,737

Cash Provided by Operating Activities

FY2022

Our net cash provided by operations was approximately US$1.2 million in FY2022. We had profit before income tax for the year of US$15.3 million in FY2022 and positive adjustments for depreciation of property, plant and equipment of US$14.0 million, net fair value losses on financial assets at FVTPL of US$4.5 million, amortisation of film assets of US$2.5 million, equity settled and other non-cash compensation of US$2.1 million, allowance of expected credit loss of US$1.3 million, reduced by changes in working capital of US$29.7 million, and taxes paid of US$9.3 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US$16.0 million; (ii) an increase in financing receivables of US$7.4 million; (iii) a decrease in deferred revenue of US$5.5 million; (iv) a increase in film assets of US$2.5 million; and (v) an increase in other assets of US$1.9 million; partially offset by: (i) an increase in trade and other payables of US$2.5 million; and (ii) an increase in accruals and other liabilities of US$0.7 million.

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.

Cash (Used in) Provided by Investing Activities

FY2022

Our net cash used in investing activities was approximately US$13.7 million for FY2022, related to investments in IMAX theatre equipment amounting to US$9.0 million installed in our exhibitor partners' theatres under full revenue sharing arrangements and investment in film of US$4.7 million.

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.

Cash Used in Financing Activities

FY2022

Our net cash used in financing activities was approximately US$5.8 million for FY2022 primarily due to: (i) dividend paid to owners of the Company amounting to US$9.5 million; (ii) repayment of borrowings of US$3.6 million; (iii) payments for shares bought back of US$3.0 million; (iv) settlement of restricted share units and options of US$1.6 million; and (v) principal element of lease payments of US$0.8 million, partially offset by proceeds from borrowings of US$12.8 million.

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.

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 2022, we had capital expenditures contracted but not provided for of US$3.2 million (2021: US$25.6 million). The reduction was the result of an agreement to reduce the Group's ongoing obligations towards a film fund. And we had capital expenditures authorised but not contracted for of US$nil (2021: US$nil).

CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

Capital Expenditures

Our capital expenditures primarily relate to the acquisition of IMAX theatre systems. During FY2022 and FY2021, our capital expenditures were US$9.0 million and US$7.6 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 2022, we had drawn down RMB2.6 million (approximately US$0.4 million) on our bank borrowing facility with Bank of China Limited with an interest rate of 3.85% (2021: 4.15%~4.35%) per annum, and RMB2.8 million (approximately US$0.4 million) on our letter of guarantee facility. We also had drawn down RMB87.0 million (approximately US$12.5 million) on our bank borrowing facility with HSBC Bank (China) Company Limited with an interest rate of 3.85%~4.15% per annum. Except as disclosed above or as otherwise disclosed herein, as at 31 December 2022, 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 2022.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operating activities and working capital loans. Cash flow generated from operating activities was US$1.2 million in FY2022, significantly impacted from the COVID-19 theatre closures in some major cities in China versus the cash flow generated from operating activities of US$30.1 million in FY2021. As the IMAX technology network recovers from the COVID-19 theatre closures 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 June 2022, we renewed an unsecured revolving facility with Bank of China Limited for up to RMB200.0 million (approximately US$29.8 million) to fund ongoing working capital requirement. The total amounts drawn and available under the working capital loan at 31 December 2022 were RMB2.6 million and RMB187.4 million for bank borrowing facility, and RMB2.8 million and RMB7.2 million for letter of guarantee facility, respectively.

In June 2022, we also entered into an unsecured revolving facility with HSBC Bank (China) Company Limited, Shanghai Branch for up to RMB200.0 million (approximately US$29.8 million) to fund ongoing working capital requirement. The total amounts drawn and available under the working capital loan at 31 December 2022 were RMB87.0 million and RMB113.0 million, respectively.

STATEMENT OF INDEBTEDNESS

As at 31 December 2022:

- Except for the drawdown of RMB2.6 million on the bank borrowing facility with Bank of China Limited for up to RMB190 million, the drawdown of RMB2.8 million on the letter of guarantee facility with Bank of China Limited for up to RMB10 million, and the drawdown of RMB87.0 million on the bank borrowing facility with HSBC Bank (China) Company Limited for up to RMB200 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 2022, being the latest date of our audited financial statements, there has been no material adverse change to our indebtedness.

RECENT DEVELOPMENTS

No important event affecting the Group has occurred since 31 December 2022.

OFF BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements as at 31 December 2022.

KEY FINANCIAL RATIOS

The following table lays out certain financial ratios as at the dates and for the years indicated. We presented adjusted 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.

	2022	2021
Gearing ratio(1)	**40.0%**	37.8%
Adjusted profit margin(2)	**16.9%**	36.9%

Notes:
(1) Gearing ratio is calculated by dividing total liabilities by total equity and multiplying the result by 100.
(2) Adjusted profit margin is calculated by dividing adjusted profit for the year by revenue and multiplying the result by 100.

Management Discussion and Analysis (Continued)

Gearing Ratio

Our gearing ratio increased from 37.8% as at 31 December 2021 to 40.0% as at 31 December 2022, primarily due to a decrease in equity of US$20.8 million, an increase in borrowings of US$9.3 million, an increase in accruals and other liabilities of US$0.9 million, and an increase in trade and other payable of US$0.7 million, partially offset by a decrease in deferred revenue of US$10.9 million, and a decrease in deferred income tax liability of US$2.7 million.

Adjusted Profit Margin

Our adjusted profit margin decreased from 36.9% as at 31 December 2021 to 16.9% as at 31 December 2022, primarily due to the temporary theatre closure in several major cities in China as a result of the COVID-19 pandemic.

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 2022 fiscal year, of US$0.015 per share (equivalent to HK$0.117 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, five of which are incorporated in Mainland China, the availability of funds to pay distributions to Shareholders and to service our debts depends on dividends received from these subsidiaries. Our subsidiaries in Mainland China 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 2022, the Company had a total equity in deficit of US$13.1 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 2022, the Company declared and paid a final dividend for financial year 2021 of US$0.027 per share (equivalent to HK$0.210 per share) and an interim dividend for the first half of financial year 2022 of US$0.001 per share (equivalent to HK$0.008 per share).

During the board meeting held on 22 February 2023, the Board recommended a final dividend of US$0.015 per share (equivalent to HK$0.117 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 2022 final dividend is expected to be distributed to shareholders on or around 23 June 2023. There will be no scrip dividend option for the 2022 final dividend.

MATERIAL ACQUISITIONS OR DISPOSALS

We have not undertaken any material acquisition or disposal for the year ended 31 December 2022.

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 2022, the fair value of TCL-IMAX Entertainment was nil (31 December 2021: nil).

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 was released in July 2022. As at 31 December 2022, the estimated fair value of this film investment was nil based on projected box office results and forecasted distribution costs. A fair value loss of US$4.5 million and a foreign exchange loss of US$0.2 million were recognized in FY2022 accordingly.

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[(2)]	Position	Date of Appointment
Richard Lewis Gelfond	67	Non-executive Director and Chairman	27 May 2015
Jiande Chen	67	Executive Director[(1)]	27 May 2015
Jim Athanasopoulos	52	Executive Director	27 May 2015
Mei-Hui (Jessie) Chou	53	Executive Director	27 May 2015
Megan Colligan	50	Non-executive Director	26 February 2019
Yue-Sai Kan	75	Independent Non-executive Director	27 May 2015
John Marshal Davison	64	Independent Non-executive Director	21 September 2015
Dawn Taubin	64	Independent Non-executive Director	21 September 2015
Peter Loehr	55	Independent Non-executive Director	9 October 2019

Note:

(1) Jiande Chen was re-designated from Non-executive Director to Executive Director with effect from 5 August 2022, and Edwin Tan resigned as Executive Director and Chief Executive Officer with effect from 5 August 2022.

(2) Ages are provided as of 31 December 2022.

The biography of each Director is set out below:

Chairman and Non-executive Director

Mr. Richard Gelfond, aged 67, 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. Jiande Chen, aged 67, was an Executive Director of the Company from 27 May 2015 to 28 January 2021 and a Non-executive Director of the Company from 29 January 2021 to 4 August 2022, and has been re-designated from Non-executive Director to Executive Director since 5 August 2022. He is 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 the interim Chief Executive Officer of the Group between 5 August 2022 and 8 January 2023 and has been the Vice Chairman of the Group since 9 December 2019. Furthermore, Mr. Chen holds directorship position in certain subsidiaries of the Company. 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.

Mr. Jim Athanasopoulos, aged 52, 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. Furthermore, Mr. Athanasopoulos holds directorship or legal representative positions in certain subsidiaries of the Company. 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.

Directors and Senior Management (Continued)

Ms. Mei-Hui (Jessie) Chou, aged 53, 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. Furthermore, Ms. Chou holds directorship position in certain subsidiaries of the Company. 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 50, 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.

Directors and Senior Management (Continued)

Independent Non-executive Directors

Ms. Yue-Sai Kan, aged 75, 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 64, 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 was formerly the President and Chief Executive Officer of Four Seasons Holdings Inc., the luxury hotel and resort management company, from which he retired in October 2022 after 20 years with the company. Mr. Davison also joined the board of Four Seasons Holdings Inc. in October 2021 and holds the position of independent non-executive director post his retirement. Prior to that 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 64, 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.

Directors and Senior Management (Continued)

Mr. Peter Loehr, aged 55, 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
Daniel Wade Manwaring(1)	38	Chief Executive Officer
Jiande Chen(2)	67	Vice Chairman
Jim Athanasopoulos	52	Chief Financial Officer and Chief Operating Officer
Mei-Hui (Jessie) Chou	53	Chief Marketing Officer
Yifan (Yvonne) He	38	General Counsel and Joint Company Secretary
Honggen Yuan (Karl)	59	Senior Vice President, Theatre Development

Note:

(1) Daniel Wade Manwaring has been appointed as the Chief Executive Officer of the Company with effect from January 9, 2023.

(2) Jiande Chen was re-designated from Non-executive Director to Executive Director and appointed as the interim Chief Executive Officer of the Company with effect from 5 August 2022, and returned to his full-time position as Vice Chairman and the Executive Director of the Company with effect from January 9, 2023. Edwin Tan resigned as the Executive Director and the Chief Executive Officer of the Company with effect from 5 August 2022.

Senior Management

Mr. Daniel Wade Manwaring, aged 38, has been appointed as the Chief Executive Officer of the Company since 9 January 2023. He will be responsible for the day-to-day management of the business and operations of the Company. Prior to joining the Company, Mr. Manwaring spent nearly 10 years with Creative Artists Agency ("**CAA**"), a well-known talent agency, in various roles, including as Head of Media Finance (Asia) from January 2020 to December 2022, Head of Motion Pictures China from January 2018 to December 2020, and as an agent from January 2013 to December 2018. Mr. Manwaring was the founder of AF Design, an auto parts business for luxury cars which was closed in January 2013, from October 2011 to December 2012. Mr. Manwaring was also a Senior Financial Analyst of China Hydroelectric Corporation (NYSE: CHC) from October 2008 to October 2011 and a Financial Analyst of Friedland Capital Inc. from May 2007 to October 2008. Mr. Manwaring graduated from the University of Florida, the United States, with a Bachelor of Science in Finance and a Bachelor of Arts in Chinese Language and Culture, in May 2008. Mr. Manwaring has been based in China since 2006 and is fluent in Mandarin. He also took Chinese courses at Tsinghua University in China.

Mr. Jiande Chen, aged 67, has been the Vice Chairman of the Group since 9 December 2019, and is responsible for providing key strategic guidance for the Company with a focus on government and industry relations. He was an Executive Director of the Company from 27 May 2015 to 28 January 2021 and a Non-executive Director of the Company from 29 January 2021 to 4 August 2022, and re-designated as an Executive Director with effect from 5 August 2022. Please refer to "Directors and Senior Management – Our Directors" for details of his biography.

Mr. Jim Athanasopoulos, aged 52, 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 53, 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 38, 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 59, 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. Ho Wing Tsz Wendy FCG, HKFCG (PE), was appointed as the joint company secretary on 30 September 2022. She is currently an Executive Director of Corporate Services of Tricor Services Limited, Asia's leading Business Expansion Specialist. Ms. Wendy Ho has been providing corporate secretarial and compliance services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Wendy Ho has over 25 years of experience in the corporate secretarial and compliance service field. Ms. Wendy Ho is currently acting as the company secretary or joint company secretary of a few listed companies on the Stock Exchange. Ms. Wendy Ho is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

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 2022.

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 2022, 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 2022**	**Unused amount as at 31 December 2022**
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	36,717	29,733
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	262,975	180,025

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 2022, and intends to continue to deploy in 2023, 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 2022 are set out in the consolidated statement of comprehensive income on page 168 of this Annual Report. The financial summary for the Group for the most recent five years, as set out on page 253 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 2022 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 2022, the Company declared and paid a final dividend for financial year 2021 of US$0.027 per share (equivalent to HK$0.210 per share) and an interim dividend for the first half of financial year 2022 of US$0.001 per share (equivalent to HK$0.008 per share).

During the board meeting held on 22 February 2023, the Board recommended a final dividend of US$0.015 per share (equivalent to HK$0.117 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 2022 final dividend is expected to be distributed to shareholders on or around 23 June 2023. There will be no scrip dividend option for the 2022 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 2022 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 environmental protection practices and enhancing green office measures. The ESG Report and Corporate Governance Report for the year ended 31 December 2022 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 2022 and up to the date of this report

Executive Directors:

Jiande Chen (Vice Chairman, re-designated from Non-executive Director to Executive Director with effect from 5 August 2022)
Edwin Tan (resigned with effect from 5 August 2022)
Jim Athanasopoulos
Mei-Hui (Jessie) Chou

Non-executive Directors:

Richard Gelfond (Chairman)
Megan Colligan

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. Jim Athanasopoulos, Ms. Yue-Sai Kan and Mr. Jiande Chen 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.

Report of the Directors (Continued)

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 2022.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2022, 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 90 and 91.

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 2022. 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 2022 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 2022.

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 (apart from the Enhanced Business Agreement (as defined below)) 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 below (apart from the Personnel Secondment Agreement and the Enhanced Business 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 (apart from the Enhanced Business Agreement (as defined 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 Greater China DMR 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

During the year ended 31 December 2022, 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 2022, the following non-exempt connected transaction occurred between the Group and IMAX Corporation. Such transaction is subject to the reporting and announcement requirement, but exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules:

One-off Connected Transaction

On 25 July 2022, the Company, IMAX (Shanghai) Culture & Technology Co., Ltd. ("**IMAX Shanghai Culture**") and IMAX Corporation entered into an Enhanced Business Required IMAX China Contribution Agreement pursuant to which the Company agreed to acquire and have the exclusive right to, directly or through any member of the Group, develop and exploit the Enhanced Business (as defined below) in Greater China (the "**Greater China Development Right**"). The business is operated and marketed as "IMAX Enhanced" by IMAX Corporation, which includes the licensing program business conducted in partnership with a third party to combine IMAX digitally remastered 4K HDR content and the third-party partner's audio encoding technologies to streaming platforms and IMAX certified CE devices worldwide (the "**Enhanced Business**").

In consideration for IMAX Corporation granting the Company (and the Group) the Greater China Development Right, IMAX Shanghai Culture or an affiliate designated by IMAX Shanghai Culture (other than IMAX Corporation) shall pay to IMAX Corporation a contribution fee (the "**Required IMAX China Contribution**") no later than thirty (30) business days after the date of the Enhanced Business Required IMAX China Contribution Agreement. The arrangements under the Enhanced Business Required IMAX China Contribution Agreement shall terminate and IMAX Corporation shall be free to conduct the Enhanced Business in Greater China under its own name and mark if the Company (a) decides not to contribute towards any additional costs incurred or estimated to be incurred by IMAX Corporation in the development of the Enhanced Business pursuant to the Unrelated Business Agreement; or (b) fails to use its commercially reasonable efforts to conduct the Enhanced Business in Greater China pursuant to the Unrelated Business Agreement.

As IMAX Corporation is the controlling shareholder of the Company, the acquisition under the Enhanced Business Required IMAX China Contribution Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Group's participation in the development and exploitation of the Enhanced Business pursuant to the acquisition under the Enhanced Business Required IMAX China Contribution Agreement can increase its streaming platform footprint with IMAX enhanced version of Chinese local-language content, expand its business the into new product categories with greater revenue upside and volume, and create demand and revenue from Chinese content providers for use of locally run conversion/remastering services for 4K HDR local-language content.

In view of the above, the Directors are of the view that the acquisition under the Enhanced Business Required IMAX China Contribution Agreement has been conducted in the ordinary and usual course of business of the Group, are on normal commercial terms and on an arm's length basis, and the terms of the Enhanced Business Required IMAX China Contribution Agreement are fair and reasonable and are in the interests of the Company and the shareholders as a whole. As Richard Gelfond and Megan Colligan are members of senior management of, and Richard Gelfond is also a director of, IMAX Corporation, they have a material interest in the transactions under the Enhanced Business Required IMAX China Contribution Agreement, they had abstained from voting on the resolutions of the Board to approve the Enhanced Business Required IMAX China Contribution Agreement and the Enhanced Business Agreement.

Please also refer to the Company's announcement dated 26 July 2022 for further details.

Continuing Connected Transactions Subject to Reporting and Announcement Requirements

During the year ended 31 December 2022, 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 2022. Therefore, the Company did not set an annual cap for 2022 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 2022.

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 Mainland China 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$1,578,000 was charged to the Group by IMAX Corporation under the Trademark License Agreements during the year ended 31 December 2022.

(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 Mainland China 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$2,368,000 was charged to the Group by IMAX Corporation under the Technology License Agreements during the year ended 31 December 2022.

(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 Greater China DMR 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 Greater China DMR 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 Greater China DMR 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 Greater China DMR Films in Greater China and conversion costs over a period of up to 21 years.

For the year ended 31 December 2022, the DMR conversion fees charged to the Group by IMAX Corporation were approximately US$785,000. The number of Greater China DMR Films converted was 15 (including 13 Chinese language films and 2 Other Films).

For the year ended 31 December 2022, no 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$nil. No Greater China Original Films were released outside Greater China, and the distribution fees received/receivable by the Group from IMAX Corporation were US$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, (7) theatre project management services, and (8) theatre support services.

The Services Agreements were subsequently amended on 7 April 2014, 21 September 2015, 23 February 2017 and 19 December 2019, pursuant to which each of them shall have a term of three years expiring on 31 December 2022.

On 22 February 2023, IMAX Corporation (on the one hand) and each of IMAX Shanghai Multimedia and IMAX Hong Kong (on the other hand) have entered into the amended and restated services agreements to amend the term of the Services Agreements to a term of one year commencing from 1 January 2023 and ending on 31 December 2023. Please also refer to the Company's announcement dated 23 February 2023 for further details.

(ii) Term and Termination

Each of the Services Agreements expired on 31 December 2022 was amended and restated and has a one year term commencing on 1 January 2023 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 Agreements by any government, where termination shall be automatic and immediate;

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

(4) expiration or termination of the Trademark License Agreements entered into between the same persons as are parties to the Services Agreements; 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$626,000 was charged to the Group by IMAX Corporation under the Services Agreements during the year ended 31 December 2022.

(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.

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 the year ending 31 December 2023. This annual cap has been calculated on the basis of: (i) the historical transaction amounts under the Services Agreements; (ii) the business development plans of the Group; (iii) the expected increase in the cost of theatre system maintenance; and (iv) the flexibility of having a buffer for the Company to cater for any unexpected increase in the variable service fees payable under the Services Agreements.

As the highest relevant percentage ratio in respect of the Services Agreements, as expected for FY2023, will be, on an annual basis, more than 0.1% but less than 5% and they are on normal commercial terms, the Services Agreements will be exempt pursuant to Rule 14A.76(2)(a) 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 FY2023, 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 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$82,000 was charged to IMAX Corporation by the Group under the IMAX Shanghai Services Agreement during the year ended 31 December 2022.

(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.

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 2023, 2024 and 2025. This annual cap has been calculated on the basis of: (i) the historical 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 usage of the theatre services provided under the IMAX Shanghai Services Agreement.

As the highest relevant percentage ratio in respect of the IMAX Shanghai Services Agreement, as expected for FY2023, FY2024 and FY2025, will be, on an annual basis, more than 0.1% but less than 5% and it is on normal commercial terms, the IMAX Shanghai Services Agreement will be exempt pursuant to Rule 14A.76(2)(a) 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 FY2025, 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.

7. Enhanced Business Agreement

(a) Description of the Enhanced Business Agreement

(i) Subject matter

On 25 July 2022, the Company, IMAX Shanghai Multimedia, IMAX Hong Kong and IMAX Shanghai Culture entered into the Enhanced Business Agreement with IMAX Corporation, pursuant to which the parties agreed that:

(1) IMAX Shanghai Multimedia and IMAX Hong Kong shall be entitled to use the relevant IMAX trademarks (including the "IMAX Enhanced" and "IMAX" marks) (the "**Trademarks**") and the IMAX technology (including the DTS/IMAX format technology) (the "**Technology**") in connection with the development and exploitation of the Enhanced Business;

(2) in consideration for the use of the Trademarks in connection with the Enhanced Business, IMAX Shanghai Culture shall pay certain royalties to IMAX Corporation, comprising in aggregate 5% of certain revenues and other compensation received by IMAX Shanghai Multimedia and IMAX Hong Kong and/or any other member of the IMAX China Group in connection with the Enhanced Business (the "**Enhanced Business Trademark Royalties**");

(3) in consideration for the use of the Technology in connection with the Enhanced Business, IMAX Shanghai Culture shall pay certain royalties to IMAX Corporation, comprising in aggregate 5% of certain revenues and other compensation received by IMAX Shanghai Multimedia and IMAX Hong Kong and/or any other member of the IMAX China Group in connection with the Enhanced Business (the "**Enhanced Business Technology Royalties**", and together with the Enhanced Business Trademark Royalties, the "**Enhanced Business Royalties**");

(4) in consideration for the Group's contribution to the overall development and exploitation of the Enhanced Business worldwide, IMAX Corporation shall pay to IMAX Shanghai Culture a certain percentage of net proceeds to be received by IMAX Corporation from a third-party partner in respect of any agreements entered into with China Domestic OEMs in connection with the Enhanced Business (the "**Revenue Sharing**"); and

(5) the existing DMR Services Agreements and Services Agreements shall apply to the Enhanced Business and IMAX Corporation shall provide DMR conversion services and other services to IMAX Shanghai Multimedia and IMAX Hong Kong for the development of the Enhanced Business in Greater China under equivalent terms as the existing DMR Services Agreements and Services Agreements.

Please refer to the Company's announcement dated 26 July 2022 for further details.

(ii) *Term and Termination*

The Enhanced Business Agreement has a term of three (3) years commencing on 25 July 2022, and shall be renewable by the parties through arm's length negotiations on normal commercial terms.

(iii) *Fees*

The total fees payable under the Enhanced Business Agreement are calculated on the following basis:

(1) Enhanced Business Trademark Royalties: Within thirty (30) days after 31 March, 30 June, 30 September and 31 December of each financial year and for the duration of the term of the Enhanced Business Agreement, IMAX Shanghai Culture shall pay to IMAX Corporation an amount equal to 5% of all revenues and other compensation received by IMAX Shanghai Multimedia and IMAX Hong Kong in connection with the Enhanced Business conducted in their respective territories in such financial year (including New Deal/Renewal Proceeds received from IMAX Corporation but excluding the portion of Existing Agreement Renewal Proceeds received from IMAX Corporation);

(2) Enhanced Business Technology Royalties: Within thirty (30) days after 31 March, 30 June, 30 September and 31 December of each financial year and for the duration of the term of the Enhanced Business Agreement, IMAX Shanghai Culture shall pay to IMAX Corporation an amount equal to 5% of all revenues and other compensation received by IMAX Shanghai Multimedia and IMAX Hong Kong in connection with the Enhanced Business conducted in their respective territories in such financial year (including New Deal/Renewal Proceeds received from IMAX Corporation but excluding the portion of Existing Agreement Renewal Proceeds received from IMAX Corporation); and

(3) Revenue Sharing: Within thirty (30) days after the end of each financial year, IMAX Corporation shall pay to IMAX Shanghai Culture an amount equal to: (a) 25% of all Existing Agreement Renewal Proceeds; and (b) 100% of all New Deal/Renewal Proceeds.

(b) *Annual Caps and Transaction Amounts*

In accordance with Rule 14A.53 of the Listing Rules, the Directors (including the Independent Non-executive Directors but excluding the Directors who have abstained from voting) have agreed to set the annual caps for (1) the aggregate Enhanced Business Trademark Royalties payable under the Enhanced Business Agreement at US$33,750, US$153,750 and US$237,625 for each of the years ending 31 December 2022, 2023 and 2024; (2) the aggregate Enhanced Business Technology Royalties payable under the Enhanced Business Agreement at US$33,750, US$153,750 and US$237,625 for each of the years ending 31 December 2022, 2023 and 2024; and (3) the Revenue Sharing payable under the Enhanced Business Agreement at US$815,625, US$3,215,625 and US$5,086,250 for each of the years ending 31 December 2022, 2023 and 2024.

The annual caps were determined after taking into account the following factors: (a) the business development plans of the Group, (b) the expected renewal of the Existing Agreements, (c) the expected increase of the New Agreements and their renewal, and (d) the flexibility of having a buffer for the Company to cater for any unexpected increase in the fees payable under the Enhanced Business Agreement.

Approximately US$2,000 and US$2,000 were charged to the Group by IMAX Corporation for the Enhanced Business Trademark Royalties and Enhanced Business Technology Royalties under the Enhanced Business Agreement during the year ended 31 December 2022, respectively. Approximately US$37,000 was received/receivable by the Group from IMAX Corporation for the Revenue Sharing under the Enhanced Business Agreement during the year ended 31 December 2022.

(c) *Listing Rules Requirements*

As the highest relevant percentage ratio in respect of the maximum annual cap of the aggregate Enhanced Business Trademark Royalties payable by IMAX Shanghai Culture to IMAX Corporation and the maximum annual cap of the aggregate Enhanced Business Technology Royalties payable by IMAX Shanghai Culture to IMAX Corporation will be, in each case on an annual basis, more than 0.1% but less than 5%, and the transactions thereunder are conducted on normal commercial terms, the Enhanced Business Royalties will be exempt pursuant to Rule 14A.76(2)(a) 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.

As the highest relevant percentage ratio in respect of the maximum annual cap of the Revenue Sharing payable by IMAX Corporation to IMAX Shanghai Culture will be, on an annual basis, more than 0.1% but less than 5%, and the transactions thereunder are conducted on normal commercial terms, the Revenue Sharing will be exempt pursuant to Rule 14A.76(2)(a) 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.

In FY2025, 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 Enhanced Business 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 Mainland China 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 2022 was 28, and the purchase price paid/payable to IMAX Corporation by the Group was approximately US$10,272,000.

(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 Mainland China 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 Mainland China 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 Mainland China 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 Mainland China, 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 2022, 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 Mainland China 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 Mainland China 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 Greater China DMR 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 Greater China DMR 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 2022, 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 10. The conversion fees paid/payable by the Group to IMAX Corporation was approximately US$1,733,000 and the revenue received/receivable by the Group from IMAX Corporation pursuant to the Master Distribution Agreements amounted to US$7,615,000.

For the year ended 31 December 2022, 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 2022 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 2022, the annual caps for the financial year ended 31 December 2022, and the annual caps for the year ending 31 December 2023 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 2022 (USD)	Annual monetary cap for the year ended 31 December 2022 (USD unless otherwise specified)	Annual monetary cap for the year ending 31 December 2023 (USD unless otherwise specified)
Personnel Secondment Agreement	nil	nil	nil
Trademark License Agreements(1)	1,578,000	N/A	N/A
Technology License Agreements(1)	2,368,000	N/A	N/A
DMR Services Agreements(1) – Fees paid/payable to IMAX Corporation for conversion of the Greater China DMR Films	785,000	N/A	N/A
DMR Services Agreements(1) – Revenue received/receivable from IMAX Corporation for exploitation of the Greater China DMR Films	nil	N/A	N/A
– Distribution fees from IMAX Corporation for exploitation of the Greater China Original Films	nil	N/A	N/A
Services Agreements	626,000	HK$6 million	HK$6 million
IMAX Shanghai Services Agreement	82,000	HK$4 million	HK$4 million
Enhanced Business Agreement – Fees paid/payable to IMAX Corporation for the Enhanced Business Trademark Royalties	2,000	33,750	153,750
Enhanced Business Agreement – Fees paid/payable to IMAX Corporation for the Enhanced Business Technology Royalties	2,000	33,750	153,750
Enhanced Business Agreement – Revenue received/receivable from IMAX Corporation for the Revenue Sharing	37,000	815,625	3,215,625
Equipment Supply Agreements(1)	10,272,000	N/A	N/A
Master Distribution Agreements(1) – Revenue	7,615,000	N/A	N/A
Master Distribution Agreements(1) – Conversion and Distribution Fees	1,733,000	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 2022, 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 2022, the Group's five largest suppliers combined and the largest supplier, IMAX Corporation (the Company's controlling Shareholder), accounted for, respectively, approximately 93.4% and approximately 57.2% of Group's total purchases. The five largest suppliers have been suppliers of the Group for an average of 6.61 years.

The Group's customers are primarily exhibitors. For the year ended 31 December 2022, the five largest customers combined and the largest customer accounted for, respectively, approximately 60.6% and approximately 28.4% of Group's total revenue. The five largest customers have been customers of the Group for an average of 10.44 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 2022, 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	329,230(L)	Beneficial Owner	0.10%
Yue-Sai Kan	309,812(L)	Beneficial Owner	0.09%
Dawn Taubin	329,230(L)	Beneficial Owner	0.10%
Peter Loehr	203,564(L)	Beneficial Owner	0.06%
Jiande Chen	776,191(L)[(1)]	Beneficial Owner	0.23%
Jim Athanasopoulos	3,990,534(L)[(2)]	Beneficial Owner	1.18%
Mei-Hui (Jessie) Chou	998,100(L)[(3)]	Beneficial Owner	0.29%

(L) Long position

Notes:
(1) Of which 770,254 are options, restricted stock units and/or performance-based restricted share units.
(2) Of which 3,522,510 are options, restricted stock units and/or performance-based restricted share units.
(3) Of which 795,588 are options, 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	4,028,877(L)[(1)]	Beneficial Owner	7.20%
Megan Colligan	IMAX Corporation	468,346(L)[(2)]	Beneficial Owner	0.84%
Jim Athanasopoulos	IMAX Corporation	4,068(L)	Beneficial Owner	0.01%

(L) Long position

Notes:
(1) Of which 3,673,890 are options, restricted stock units and/or performance share units.
(2) Of which 391,039 are options, restricted share units and/or performance-based restricted share units.

Save as disclosed above, as at 31 December 2022, 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 2022, 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 2022, 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)	71.73
IMAX Barbados	Beneficial interest	243,262,600(L)	71.73

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 2022.

REMUNERATION POLICY

As at 31 December 2022, the Group had approximately 99 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 and other Sub-Plans is 35,532,500 Shares, representing approximately 10.463% of the issued shares as of the date of the Annual Report. As of 1 January 2022 and 31 December 2022, the number of options and awards available for grant under the LTIP and other Sub-Plans were 18,674,277 and 15,890,436, respectively. The number of Shares that may be issued in respect of options and awards granted under the LTIP and other Sub-Plans during the year ended 31 December 2022 is 507,328. The dilutive effect of such is 0.1%, being the number of Shares may be issued divided by the weighted average number of Shares for the same period.

During the year ended 31 December 2022, the Company did not grant any options pursuant to the LTIP to any employee participants, related entity participants or service providers. Details regarding the exercise of previously granted options during the year ended 31 December 2022 are set out below:

				Number of share options				
Name of Grantee	Date of Grant	Exercise Price[(2)]	Option Period	Outstanding at January 1, 2022	Granted during the year	Exercised during the year	Expired/ lapsed/ cancelled during the year	Outstanding at December 31, 2022
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	–
Total[(3)]				**4,893,800**	–	–	**3,375,000**	**1,518,800**

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.

(2) The exercise price is determined by the Board, fixed on the date of grant and set out in an award letter, subject to certain adjustments.

(3) No grant has been made to (i) any related entity participant or service provider with options and awards granted in excess of 0.1% of the Company's issued shares over the 12-month period, and (ii) any other participant with options and awards granted in excess of the 1% individual limit, as such terms are used in the Listing Rules.

During FY2022, 3,375,000 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:

$$X = A - B - C$$

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 2022, 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. During the year ended 31 December 2022, the Company did not grant any options pursuant to the Share Option Scheme to any employee participants, related entity participants or service providers. As of 31 December 2022, there were outstanding 1,343,039 Shares (representing approximately 0.396% 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 share options				
Name of Grantee	**Date of Grant**	**Exercise Price**	**Option Period**	**Outstanding at January 1, 2022**	**Granted during the year**	**Exercised during the year**	**Expired/ lapsed/ cancelled during the year**	**Outstanding at December 31, 2022**
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(10)				**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.
(10) No grant has been made to (i) any related entity participant or service provider with options and awards granted in excess of 0.1% of the Company's issued shares over the 12-month period, and (ii) any other participant with options and awards granted in excess of the 1% individual limit, as such terms are used in the Listing Rules.

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 2022, the total number of Shares available for grant under the Share Option Scheme was 15,890,436 representing approximately 4.685% of the issued share capital of the Company as of 31 December 2022 and approximately 4.679% 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**").

Purpose of the Restricted Share Unit Scheme

The purpose of the RSU Scheme is to attract skilled and experienced personnel, to incentivise 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 the Company.

Participants of the Restricted Share Unit Scheme

The Directors (including executive Directors, non-executive Directors and Independent Non-Executive Directors), the directors of the Company's subsidiaries, the employees and consultants of the Group who the Board considers, in its absolute discretion, have contributed or will contribute to the Group.

Total number of Shares available for issue under the Restricted Share Unit Scheme

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

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

where:

X = the maximum aggregate number of Shares that may underlie the RSUs granted pursuant to the RSU Scheme;

A = the total number of Shares that may underlie the RSUs granted pursuant to the RSU Scheme and any other equity-based incentive awards granted under any other equity-based incentive schemes of the Company, being (a) 10 per cent. of the Shares in issue on the Listing, or (b) 10 per cent. of the Shares in issue as at the New RSU Approval Date (as the case may be) (the "**RSU Scheme Mandate Limit**"); and

B = the maximum aggregate number of Shares underlying the RSUs already granted pursuant to the RSU Scheme and any other equity-based incentive plans of the Company and any share options granted under the LTIP which have not yet been exercised.

"**New RSU Approval Date**" means the date of approval of the renewed RSU Scheme Mandate Limit.

For the purposes of determining the maximum aggregate number of Shares that may underlie the RSUs granted pursuant to the RSU Scheme, the following will not be counted:

(i) 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; and

(ii) 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.

At the annual general meeting of the Company held on 23 June 2022, an ordinary resolution was passed to fix the maximum number of new Shares that may underlie the RSUs to be granted pursuant to the RSU at 17,276,877 Shares. As of 31 December 2022, the total number of Shares available for grant under the RSU Scheme was 15,890,436 Shares representing approximately 4.685% of the issued share capital of the Company as of 31 December 2022 and approximately 4.679% as of the date of this Annual Report.

As of 1 January 2022, there were outstanding 2,397,235 Shares (representing approximately 0.701% of the then issued share capital of the Company) underlying RSUs granted pursuant to the RSU Scheme. During the year ended 31 December 2022, the Company had granted RSUs pursuant to the RSU Scheme to directors, senior management and employees of the Group for an aggregate of 2,065,920 RSUs representing 0.609% of the issued share capital of the Company as of 31 December 2022, 601,004 RSUs have been cancelled and no RSU has expired or lapsed. As of 31 December 2022, there were outstanding 2,338,402 Shares (representing approximately 0.689% of the then issued share capital of the Company) underlying RSUs 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 2022**	**Granted during the year**	**Exercised during the year**	**Expired/ lapsed/ cancelled during the year**	**Outstanding at 31 December 2022**
Directors							
Edwin Tan[17]	9 December 2019	Three years from date of grant[1]	24,204	–	24,204	–	–
	12 March 2020	Three years from date of grant[2]	203,956	–	100,456	103,500	–
	9 March 2021	Three years from date of grant[3]	221,499	–	73,094	148,405	–
	9 March 2021	Two years from date of grant[4]	95,051	–	47,525	47,526	–
	7 March 2022	Three years from date of grant[13]	–	269,378	–	269,378	–
Jiande Chen	7 March 2018	Four years from date of grant[5]	25,232	–	25,232	–	–
	7 March 2019	Four years from date of grant[6]	56,779	–	25,808	–	30,971
	12 March 2020	Three years from date of grant[2]	95,180	–	46,879	–	48,301
	6 May 2021	Three years from date of grant[7]	45,596	–	15,198	–	30,398
	23 June 2022	Three years from date of grant[14]	–	95,261	–	–	95,261
	28 September 2022	Three years from date of grant[15]	–	134,415	–	–	134,415
Jim Athanasopoulos	1 August 2019	Three years from date of grant[8]	64,374	–	64,374	–	–
	8 December 2020	32 months from date of grant[9]	170,077	–	83,768	–	86,309
	9 March 2021	Two years from date of grant[4]	38,393	–	19,196	–	19,197
	1 August 2021	Three years from date of grant[12]	335,006	–	110,551	–	224,455
	1 August 2022	Three years from date of grant[16]	–	489,929	–	–	489,929
Mei-Hui (Jessie) Chou	7 March 2018	Four years from date of grant[5]	18,023	–	18,023	–	–
	7 March 2019	Four years from date of grant[6]	40,557	–	18,434	–	22,123
	12 March 2020	Three years from date of grant[2]	67,986	–	33,485	–	34,501
	9 March 2021	Three years from date of grant[3]	92,291	–	30,456	–	61,835
	9 March 2021	Two years from date of grant[4]	38,393	–	19,196	–	19,197
	7 March 2022	Three years from date of grant[13]	–	188,565	–	–	188,565
John Davison	23 June 2022	Vested on 23 June 2022	–	95,261	95,261	–	–
Yue-Sai Kan	23 June 2022	Vested on 23 June 2022	–	95,261	95,261	–	–
Dawn Taubin	23 June 2022	Vested on 23 June 2022	–	95,261	95,261	–	–
Peter Loehr	23 June 2022	Vested on 23 June 2022	–	95,261	95,261	–	–

Name of Grantee	Date of Grant	Vesting Period	Number of Shares under RSUs Outstanding at 1 January 2022	Granted during the year	Exercised during the year	Expired/ lapsed/ cancelled during the year	Outstanding at 31 December 2022
Senior Management							
Karl Yuan	7 March 2018	Four years from date of grant(5)	10,814	–	10,814	–	–
	7 March 2019	Four years from date of grant(6)	24,335	–	11,060	–	13,275
	12 March 2020	Three years from date of grant(2)	40,589	–	20,293	–	20,296
	9 March 2021	Three years from date of grant(3)	55,375	–	18,273	–	37,102
	7 March 2022	Three years from date of grant(13)	–	80,813	–	–	80,813
Yifan (Yvonne) He	9 March 2021	Three years from date of grant(3)	55,375	–	18,273	–	37,102
	7 March 2022	Three years from date of grant(13)	–	80,813	–	–	80,813
Employees	7 March 2018	Four years from date of grant(5)	31,970	–	31,970	–	–
Employees	7 March 2019	Four years from date of grant(6)	89,232	–	40,553	–	48,679
Employees	1 August 2019	Four years from date of grant(10)	13,278	–	6,035	–	7,243
Employees	12 March 2020	Two years from date of grant(11)	65,765	–	64,141	1,624	–
Employees	12 March 2020	Three years from date of grant(2)	239,470	–	119,734	9,021	110,715
Employees	9 March 2021	Three years from date of grant(3)	138,435	–	45,680	–	92,755
Employees	7 March 2022	Three years from date of grant(13)	–	345,702	–	21,550	324,152
Total(18)			**2,397,235(19)**	**2,065,920(20)**	**1,523,749(21)**	**601,004(22)**	**2,338,402(19)**

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 2019, 7 March 2020, 7 March 2021 and 7 March 2022, respectively.
(6) 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.
(7) The vesting schedule is as follows: 33%, 33% and 34% on each of 6 May 2022, 6 May 2023, and 6 May 2024, 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: 33%, 33% and 34% on each of 1 August 2021, 1 August 2022, and 1 August 2023, respectively.
(10) 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.
(11) The vesting schedule is as follows: 100% on 12 March 2022.
(12) The vesting schedule is as follows: 33%, 33% and 34% on each of 1 August 2022, 1 August 2023, and 1 August 2024, respectively
(13) The vesting schedule is as follows: 33%, 33% and 34% on each of 7 March 2023, 7 March 2024, and 7 March 2025, respectively
(14) The vesting schedule is as follows: 33%, 33% and 34% on each of 23 June 2023, 23 June 2024, and 23 June 2025, respectively
(15) The vesting schedule is as follows: 100% on the earlier of (1) the date on which the Company appoints a Chief Executive Officer; (2) the date on which Jiande Chen or the Company terminates the employment agreement pursuant to the termination provision therein, and (3) the date of the annual general meeting of the Company held in 2023.
(16) The vesting schedule is as follows: 33.33%, 33.33% and 33.34% on each of 1 August 2023, 1 August 2024, and 1 August 2025, respectively.
(17) Mr. Edwin Tan resigned as Executive Director and Chief Executive Officer with effect from 5 August 2022.
(18) No grant has been made to (i) any related entity participant or service provider with options and awards granted in excess of 0.1% of the Company's issued shares over the 12-month period, and (ii) any other participant with options and awards granted in excess of the 1% individual limit, as such terms are used in the Listing Rules.
(19) The purchase price for the Shares underlying the RSUs outstanding at 1 January 2022 and 31 December 2022 is nil.
(20) The purchase price for the Shares underlying the RSUs granted during the period is nil; no performance targets are applicable to the RSUs granted during the period; the closing price of the Shares on 4 March 2022, 22 June 2022, 29 July 2022 and 27 September 2022, being the trading date immediately before the relevant date of the grant, was HK$10.6, HK$8.05, HK$7.02 and HK$5.65, respectively; the fair value of the Shares on 7 March 2022, 23 June 2022, 1 August 2022 and 28 September 2022, being the date of grant, was HK$10.20, HK$7.95, HK$6.77 and HK$5.60, respectively. Details of the accounting standard and policy adopted for Shares are set out in Note 2 to the consolidated financial statements.
(21) The purchase price for the Shares underlying the RSUs exercised during the period is nil; the weighted average closing price of the Shares immediately before the date of exercise by the participants was HK$8.68.
(22) The purchase price for the Shares underlying the RSUs cancelled during the period is nil.
(23) The number of Shares under RSUs outstanding at 1 January 2022, granted during the year, exercised during the year, expired/lapsed/cancelled during the year, and outstanding at 31 December 2022 for five highest paid individuals (including four Directors) in aggregate are 1,763,710; 1,258,361; 816,319; 568,809 and 1,636,943, respectively.
(24) The number of Shares under RSUs outstanding at 1 January 2022, granted during the year, exercised during the year, expired/lapsed/cancelled during the year, and outstanding at 31 December 2022 for other grantees (other than the Directors and the five highest paid individuals) in aggregate are 633,525; 426,515; 326,386; 32,195 and 701,459, respectively.

Maximum entitlement of each participant

An individual participant may be granted Shares pursuant to the RSU Scheme which would result in the Shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards lapsed in according with the terms of the scheme) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the Company's total issued shares. Any grant of Shares under the RSUs to an individual participant in excess of this limit is subject to independent shareholders' approval.

Acceptance of an offer

The grant is accepted when the Company receives from the participants the duplicate Notice of Grant duly executed by the participants and, if applicable and as specified in the Notice of Grant, a remittance of the sum of HK$1.00 or such other amount in any other currency as may be determined by the Board as consideration for the grant of the RSU. Such remittance is not refundable in any circumstances. An offer shall remain open for acceptance by the participant for such time to be determined by the Board, provided that no such grant shall be open for acceptance after the expiry of the term of the RSU Scheme or after the participant to whom the grant is made has ceased to be a participant.

Life of the Restricted Share Unit Scheme

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

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.

Purpose of the Performance-based Restricted Share Unit Scheme

The purpose of the PSU Scheme is to drive performance within the Group by focusing on core key performance indicators that align with the Group's overall performance, to engage, attract and retain skilled and experienced personnel, required by the Company within the competitive landscape and with a focus on cost containment and affordability, and to incorporate service provisions to reward dedicated long-service employees so as to incentivise 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 the Company.

Participants of the Performance-based Restricted Share Unit Scheme

The Directors (including executive Directors, non-executive Directors and Independent Non-Executive Directors), the directors of the Company's subsidiaries, the employees and consultants of the Group who the Board considers, in its absolute discretion, have contributed or will contribute to the Group.

Maximum Number of Shares Underlying the Performance-based Restricted Share Unit Scheme

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

$$X = A - B$$

where:

X = the maximum aggregate number of Shares that may underlie the PSUs granted pursuant to the PSU Scheme;

A = the total number of Shares that may underlie the PSUs granted pursuant to the PSU Scheme and any other equity-based incentive awards granted under any other equity-based incentive schemes of the Company, being 35,532,500, 10 per cent. of the Shares in issue on the Listing, or 10 per cent. of the Shares in issue as at the New PSU Approval Date (as the case may be) (the "**PSU Scheme Mandate Limit**"); and

B = the maximum aggregate number of Shares underlying the PSUs already granted pursuant to the PSU Scheme and any other equity-based incentive plans of the Company and any share options granted under the LTIP which have not yet been exercised.

"**New PSU Approval Date**" means the date of approval of the renewed PSU Scheme Mandate Limit.

For the purposes of determining the maximum aggregate number of Shares that may underlie the PSUs granted pursuant to the PSU Scheme, the following will not be counted:

(i) Shares underlying the PSUs cancelled in accordance with the terms of the PSU Scheme (or any other share incentive schemes of the Company) or which have been satisfied by the making of a cash payment; and

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

(iii) 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 settled by the making of a cash payment.

As of 31 December 2022, the total number of Shares available for grant under the PSU Scheme was 15,890,436 Shares representing approximately 4.685% of the issued share capital of the Company as of 31 December 2022 and approximately 4.679% as of the date of this Annual Report.

As of 31 December 2022, there were outstanding 744,011 performance-based restricted stock units ("**PSUs**") (representing approximately 0.219% 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:

Name of Grantee	Date of Grant	Vesting Period	Number of Shares under PSUs				
			Outstanding at 1 January 2022	Granted during the year	Exercised during the year	Expired/ lapsed/ cancelled during the year	Outstanding at 31 December 2022
Directors							
Edwin Tan[5]	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	–
	7 March 2022	Three years from date of grant[3]	–	89,793	–	89,793	–
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
	1 August 2022	27 months from date of grant[3]	–	163,310	–	–	163,310
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
	7 March 2022	Three years from date of grant[3]	–	62,855	–	–	62,855
Senior Management							
Yifan (Yvonne) He	9 March 2021	Three years from date of grant[2]	18,458	–	–	–	18,458
	7 March 2022	Three years from date of grant[3]	–	26,938	–	–	26,938
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
Employees	7 March 2022	Three years from date of grant[3]	–	67,345	–	–	67,345
Total[6]			598,867[7]	410,241[8]	–	265,097[9]	744,011[7]

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) 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 2024 based on fulfillment of relevant performance conditions over a three-year performance period commencing on 1 January 2022 and ending on 31 December 2024.
(4) 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.
(5) Mr. Edwin Tan resigned as Executive Director and Chief Executive Officer with effect from 5 August 2022.
(6) No grant has been made to (i) any related entity participant or service provider with options and awards granted in excess of 0.1% of the Company's issued shares over the 12-month period, and (ii) any other participant with options and awards granted in excess of the 1% individual limit, as such terms are used in the Listing Rules.
(7) The purchase price for the Shares underlying the PSUs outstanding at 1 January 2022 and 31 December 2022 is nil.
(8) The purchase price for the Shares underlying the PSUs granted during the period is nil; the closing price of the Shares on 4 March 2022 and 29 July 2022, being the trading date immediately before the relevant date of the grant, was HK$10.6 and HK$7.02, respectively; the fair value of the Shares on 7 March 2022 and 1 August 2022, being the date of grant, was HK$10.20 and HK$6.77, respectively. Details of the accounting standard and policy adopted for Shares are set out in Note 2 to the consolidated financial statements.
(9) 265,097 PSUs have been cancelled and no PSU has expired or lapsed during the period. The purchase price for the Shares underlying the PSUs cancelled during the period is nil.
(10) The number of Shares under PSUs outstanding at 1 January 2022, granted during the year, exercised during the year, expired/lapsed/cancelled during the year, and outstanding at 31 December 2022 for five highest paid individuals (including four Directors) in aggregate are 483,529; 315,958; 0; 265,097 and 534,390, respectively.
(11) The number of Shares under PSUs outstanding at 1 January 2022, granted during the year, exercised during the year, expired/lapsed/cancelled during the year, and outstanding at 31 December 2022 for other grantees (other than the Directors and the five highest paid individuals) in aggregate are 115,338; 94,283; 0; 0 and 209,621, respectively.

Maximum entitlement of each participant

Under the PSU Scheme, an individual participant may be granted Shares pursuant to the PSU Scheme which would result in the Shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards lapsed in according with the terms of the scheme) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the Company's total issued shares. Any grant of Shares under the PSUs to an individual participant in excess of this limit is subject to independent shareholders' approval.

Acceptance of an offer

A grant is accepted or deemed to be accepted when the Company delivers to the grantee the Notice of Grant duly executed by the Company unless it is expressly declined by the grantee. A grant shall remain open for acceptance by the participant for such time to be determined by the Board, provided that no such grant shall be open for acceptance after the expiry of the term of the PSU Scheme or after the participant to whom the grant is made has ceased to be a participant.

Life of the Performance-based Restricted Share Unit Scheme

Subject to the early termination of the PSU Scheme pursuant to the terms thereof, the PSU Scheme is effective for a period of 10 years commencing on the date of adoption on 12 March 2020.

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 2022.

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 2022.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the year ended 31 December 2022, the Company conducted share repurchases of 2,961,800 listed Shares on the Stock Exchange pursuant to a general mandate granted by the shareholders to the Directors during the Annual General Meeting. 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$
March 2022	1,448,000	10.30	9.51	9.89	14,327,179.80
September 2022	1,513,800	6.49	5.81	6.20	9,380,162.60
Total	**2,961,800**				**23,707,342.40**

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, 37,200 listed Shares, 34,400 listed Shares, 82,800 listed Shares, 261,967 listed Shares, 54,500 listed Shares, 54,500 listed Shares, 54,500 listed Shares, 54,500 listed Shares, 54,500 listed Shares, 54,500 listed Shares, 54,044 listed Shares, 133,500 listed Shares, 133,500 listed Shares, 133,500 listed Shares, 133,500 listed Shares and 37,342 listed Shares were purchased through Computershare Hong Kong Trustees Limited, the trustee engaged by the Company for administering its restricted share unit scheme, on 25 February 2022 at an average price per share of HK$10.9924, on 28 February 2022 at an average price per share of HK$10.7675, on 1 March 2022 at an average price per share of HK$11.0356, on 2 March 2022 at an average price per share of HK$10.9657, on 2 August 2022 at an average price per share of HK$6.8625, on 3 August 2022 at an average price per share of HK$6.5945, on 4 August 2022 at an average price per share of HK$6.8989, on 5 August 2022 at an average price per share of HK$6.8794, on 8 August 2022 at an average price per share of HK$7.3108, on 9 August 2022 at an average price per share of HK$7.1435, on 10 August 2022 at an average price per share of HK$6.9770, on 12 December 2022 at an average price per share of HK$9.4489, on 13 December 2022 at an average price per share of HK$9.6301, on 14 December 2022 at an average price per share of HK$9.4562, on 15 December 2022 at an average price per share of HK$8.8425 and on 16 December 2022 at an average price per share of HK$9.0622, 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 2022.

CHARGES ON GROUP ASSETS

At 31 December 2022, 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 2022.

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 of more than 25% of the issued share capital required 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 2022. The Group did not have any material litigation outstanding as at 31 December 2022.

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 2022.

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 23 June 2022 due to other important business commitments. Mr. Gelfond appointed Ms. Mei-Hui (Jessie) Chou, an Executive Director and the Chief Marketing 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.

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 9 members, consisting of three Executive Directors, two Non-executive Directors and four Independent Non-executive Directors as follows:

- Executive Directors: Mr. Jiande Chen, Mr. Jim Athanasopoulos and Ms. Mei-Hui (Jessie) Chou;
- Non-executive Directors: Mr. Richard Gelfond (Chairman) and Ms. Megan Colligan; 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 48 to 52 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.

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

The Board reviews the implementation and effectiveness of the Board Independence Evaluation Mechanism at least annually.

Chairman and Chief Executive Officer

From 1 January 2022 to 4 August 2022, the positions of Chairman and Chief Executive Officer are held by Mr. Richard Gelfond and Mr. Edwin Tan, respectively; and from 5 August 2022 to 31 December 2022, the positions of Chairman and interim Chief Executive Officer are held by Mr. Richard Gelfond and Mr. Jiande Chen, 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 2022, 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.

Gender Diversity

As at 31 December 2022, the Group's global workforce (including senior management) is more than 40% female, among which, around 40% of the Group's senior management roles are held by women. The chart below summarizes the share of women at different position levels across the Group as at 31 December 2022.

Gender	Level				
	Senior Management	Vice President	Director	Manager	Employee
Male	3	3	5	13	35
Female	2	5	6	15	12

Note: The above data is calculated based on the number of total employees of the Group as of 31 December 2022 and does not include Mr. Daniel Wade Manwaring who has been appointed as the Chief Executive Officer of the Company with effect from 9 January 2023.

The Board considers that the gender diversity is achieved in respect of the Board. The Board intends that female directors should continue to comprise at least one-third of the total members of the Board. Accordingly, the Board considers that the current composition of the Board has met the Board's objectives with respect to gender diversity. In considering the Board's succession and to ensure diversity at the Board level, the Nomination Committee will engage an executive search firm to help identify suitable candidates for consideration as Non-Executive Directors as and when appropriate.

The Company considers that it has met the objective in gender diversity to achieve gender balance in key roles. The Company intends that it shall continue to maintain at least one-third of the Group's management roles at the level of director and above be held by women.

Corporate Governance Report (Continued)

Attendance Records of Directors

During the Reporting Period, the Company convened eight 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. Jiande Chen[2]	5/8	1/8[1]
Mr. Edwin Tan[3]	4/5	0/5
Mr. Jim Athanasopoulos	5/8	1/8[1]
Ms. Mei-Hui (Jessie) Chou	5/8	2/8[1]
NON-EXECUTIVE DIRECTORS		
Mr. Richard Gelfond	5/8	3/8[1]
Ms. Megan Colligan	5/8	3/8[1]
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Ms. Yue-Sai Kan	6/8	2/8[1]
Mr. John Davison	5/8	2/8[1]
Ms. Dawn Taubin	5/8	3/8[1]
Mr. Peter Loehr	6/8	2/8[1]

Notes:

(1) 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.

(2) Mr. Jiande Chen was re-designated from Non-executive Director to Executive Director with effect from 5 August 2022.

(3) Mr. Edwin Tan resigned as Executive Director and Chief Executive Officer with effect from 5 August 2022.

All directors except for Mr. Richard Gelfond, namely, Mr. Jiande Chen, Mr. Edwin Tan, Mr. Jim Athanasopoulos, Ms. Mei-Hui (Jessie) Chou, Ms. Megan Colligan, Mr. John Davison, Ms. Yue-Sai Kan, Ms. Dawn Taubin and Mr. Peter Loehr, attended the annual general meeting held on 23 June 2022. Mr. Richard Gelfond, the Chairman of the Company, was unable to attend the annual general meeting of the Company convened on 23 June 2022 due to other important business commitments. Mr. Gelfond appointed Ms. Mei-Hui (Jessie) Chou, an Executive Director and the Chief Marketing 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 C.5.1 of the CG Code and expects to continue to do so in the future.

According to code provision C.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.

Corporate Governance Report (Continued)

During the Reporting Period, the Directors attended a training provided by a Hong Kong law firm on the latest updates to Hong Kong corporate governance practices on 3 November 2022. The Directors have provided records of their training during the Reporting Period as follows:

Name of Director	Attending training
Executive Directors:	
Jiande Chen[(1)]	1/1
Edwin Tan[(2)]	0/1
Jim Athanasopoulos	1/1
Mei-Hui Chou (Jessie)	1/1
Non-executive Directors:	
Richard Gelfond	1/1
Megan Colligan	1/1
Independent Non-executive Directors:	
John Davison	1/1
Yue-Sai Kan	1/1
Dawn Taubin	1/1
Peter Loehr	1/1

Notes:

(1) Mr. Jiande Chen was re-designated from Non-executive Director to Executive Director with effect from 5 August 2022.

(2) Mr. Edwin Tan resigned as Executive Director and Chief Executive Officer with effect from 5 August 2022.

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 2022
- 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 2022 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/or approving incentive schemes and Directors' service contracts (as the case may be) 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 2022 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 2022 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.

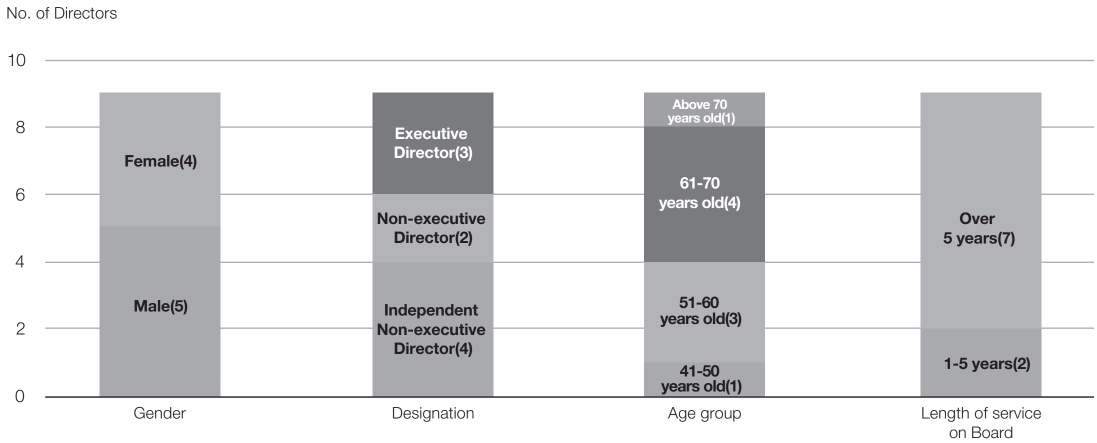
In November 2018, the Company adopted a Director Nomination Policy and a Board Diversity Policy. The Director Nomination Policy ensures that the Board has a balance of skills, experience and diversity of perspectives and ensures Board continuity and appropriate leadership at the Board Level. The Board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

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, especially the principal objective to increase the gender diversity, 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.

Corporate Governance Report (Continued)

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. Jim Athanasopoulos, Ms. Yue-Sai Kan and Mr. Jiande Chen 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 2022. Accordingly, the Directors have prepared the Financial Statements for the year ended 31 December 2022 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 160 to 167 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 2022 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 2022 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 2022 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 2022 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 2022, 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

Ms. Yifan (Yvonne) He, our General Counsel, and Ms. Ho Wing Tsz Wendy 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. Ho Wing Tsz Wendy 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.

No changes were made to the Company's shareholders' communication policy during 2022. The Board reviewed the Company's shareholders engagement and communication activities conducted in 2022 and was satisfied with the implementation and effectiveness of the shareholders' communication policy of the Company.

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 23 June 2022. 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.

Whistleblower Policy and System

The Company has established a Protocol for Reporting Suspected Violations of the IMAX Corporation Code of Business Conduct and Ethics ("**Code**") ("**Whistle Blower Program**") for all officers, directors, employees and independent contractors of the Company to raise concern related to a suspected violation of the Code, in confidence and anonymity. The Company maintains its secure website to facilitate reporting relating to financial or accounting matters or fraud, or suspected violations of the Code. Reports of violation of the Code can also be made at any time directly to the General Counsel, the Chief Executive Officer or the Chair of the Audit Committee of the Company. During 2022, the Company has not received any report of violation of the Code under the Whistle Blower Program.

2022 Risk Management and Internal Control Process

During 2022, 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 2022, 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.

Corporate Governance Report (Continued)

Significant Risks Facing the Company

The Company's 2022 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 2022, 45 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 2022, 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 2022 is set out in the Environmental, Social and Governance Report on Page 129.

2022 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 2022 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 2022 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, 2022. There are no significant changes in the scope of this ESG report from that of the 2021 ESG report published in March 2022. 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.

2022 Environmental, Social and Governance Report (Continued)

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 2022, which have been reviewed and approved by the Board of Directors on 22 February 2023.

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; IMAX China's official website.	Multiple times per year

Stakeholders	Expectations and concerns	Communication channels	Communication frequency
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
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:

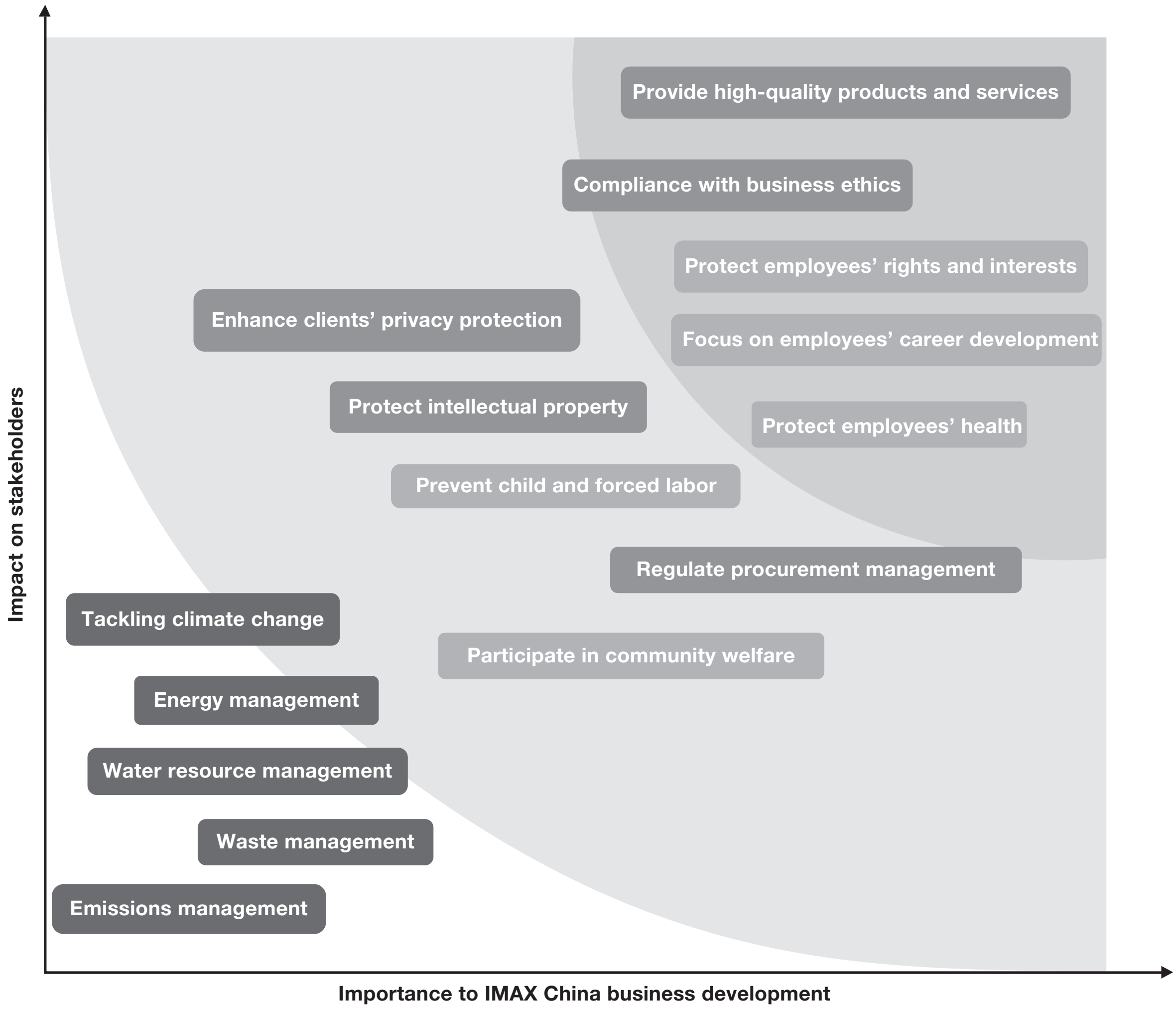
Step 1: Identifying ESG issues: According to the requirements of the ESG Guide and the actual business and industrial characteristics of the Group, we identified 15 ESG issues relevant to the Group and classified them as social, economic and environmental issues;

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	• 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 employees' health, protecting employees' rights and interests as well as providing high-quality products and services.

In 2022, 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

2022 Environmental, Social and Governance Report (Continued)

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 2022, 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 2022, IMAX Fan Fest had held nearly 20 offline activities in dozens of cities of China.

A variety of offline activities

In the first IMAX “Fan Fest” in 2022, we collaborated with PlayStation to set up the scene characterised with the elements of the film and game “Uncharted”. The game “Uncharted” was played on the IMAX big screen for the first time, presenting many significant scenes from the film with exclusive IMAX frames. We also added interactive activities such as Q&A and treasure hunts which brought the audience a very stress-relieving experience.

In addition, we also launched an offline activity of “The Magic Night of Premiere” in the “Different Muggles” Fan Fest for fans of “Fantastic Beasts: The Secrets of Dumbledore”, to build a stylish and high-end movie-watching experience by setting up magic-themed scenes, dressing in related elements, issuing customised posters and other exclusive gifts. The activity included a series of activities such as “tongue twister spell” imitation challenge, lucky draw, and invitation for fans to raise the “no-boundary magic wand”.

- **Online communication:** We are committed to providing a dedicated online community for film enthusiasts. We engaged around 100,000 IMAX core fans in greater depth through the IMAX Squad WeChat groups in 81 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 used by 420,000 fans, through which we held a variety of activities, and launched IMAX environmental merchandise on a daily basis. We also added live-streaming and invited guests from different fields to share cultural and technological insights on films, facilitating the exchange of ideas among fans and to enrich their cultural life. We have carried out live streaming on 5 live-broadcasting platforms in 2022, with 700,000 online viewers cumulatively.

  In 2022, we participated in the 20th China Digital Entertainment Expo & Conference (also known as “ChinaJoy”) online exhibition. “IMAX Virtual Exhibit Hall” showcased in a virtual exhibit hall with technological and futuristic features and provided fans with diverse interesting interactive experience and exclusive benefits, bringing the audience on a journey integrated with technology, entertainment, and interaction.

- **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 2022, we received a total of 5,710 complaints from different channels, about 0.034% of attendance, 100% of which were properly dealt with.

ChinaJoy

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. When contractors undertake high-altitude operations, our on-site engineers supervise and guide the whole operation process to ensure personnel safety. In 2022, we upgraded most of our laser system devices, replacing the original xenon lamp system with the XT laser system, which is more energy-saving and safer to install than before.

- **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 2022, 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 2022, considering the normalisation of pandemic prevention and control, we conducted online technical training for theatre customers to explain in detail IMAX equipment maintenance, basic troubleshooting and daily operation and maintenance, 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 2022, 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 continued to practice the data security principle of "instant data transmission" and fully implemented the "virtual desktop" rule for work 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. The Group conducted three phishing drills and one disaster recovery drills in 2022, and all the drills demonstrated that our system could meet the business requirements.

3. In order to implement the newly issued Personal Information Protection Law of the People's Republic of China, the Group sent a letter of notice to all staff to clarify the personal information collected and the purpose of collection, and explain in detail the use, sharing and storage policy on staff's personal information and cross-border data transmission. The Group also enhanced its physical, management and technical security measures to protect employees' personal information from unauthorised access, use, disclosure, modification, damage or loss and other forms of illegal handling, and notified all staff of the internal contact information for personal information protection to ensure that they could fully understand and adequately protect their rights.

- **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

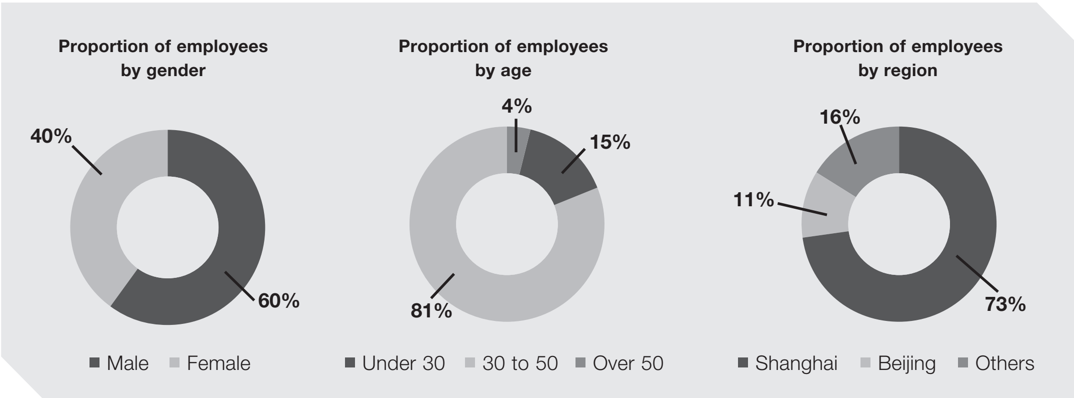
IMAX China strives to create a fair, comfortable and diverse workplace for its employees. We provide employees with competitive employee benefits and an inclusive working environment to encourage employees to achieve their full potential; we provide systematic programs for learning and training to build 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 2022, there were no confirmed non-compliance incidents in relation to employment, labour standards, working environment, workplace safety and human rights.

Employment and Labour Standards

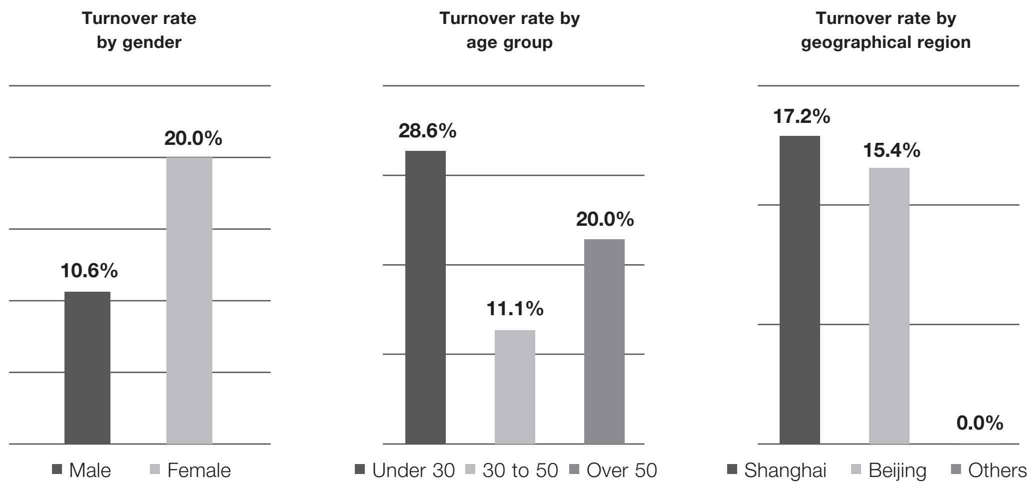
In accordance with the *Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China* and other relevant laws and regulations, the Group has adopted the IMAX China Employee Handbook, which contains information regarding compensation, resignation and dismissal, recruitment 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.

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 2022, the Group had 99 full-time employees.



We strictly implement the departure process in accordance with employment contracts and laws and regulations. As of 31 December 2022, the turnover of staff was 14.7%.



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 staffs. 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 staffs with outstanding performance, and developed short-term incentive plans to attract and retain talents in 2022.

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 2022, we have never had a workplace fatality. In 2022, there was no lost day due to work injury.

- **Pandemic Care:** In order to enhance all staff's confidence, based on the Global COVID-19 Guidelines of IMAX Corporation, we implemented a series of measures to ensure their well-being physical and mental health:

  - During Shanghai's lockdown in the first half of 2022, we handed out supplies three times, delivering meat, milk, eggs, vegetables and fruits to our staff in Shanghai. Likewise, we prepared supplies for our colleagues in Beijing.

  - Carried out "online karaoke" and "online fitness" activities to relieve the pandemic pressure, enrich employees' leisure life, and enhance team cohesion.

  - With the aim of protecting employees' mental health, the Group arranged online courses themed on physical and mental care, including yoga, healthy cooking, mindfulness meditation, aerobics, etc. At the same time, the Group continued to operate the Employee Assistance Plan (EAP), and strengthened the publicity of the Plan during the pandemic prevention and control, providing employees with free "online + offline" expert consulting services, and offering practical care and support to employees by actively listening to them to understand their difficulties in life and work.

- 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.

Pandemic Care

- **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 Install an IMAX Digital Projection System and Client & Contractor Guide to Install an IMAX Commercial Laser ("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 October 2022, we conducted fire drills to enhance our employees' awareness of fire safety and 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 insurance plans to cover their spendings on inpatient treatment, outpatient treatment, maternity care and health examination, other insurance plans covering accidents, critical illnesses, and children's health, and various commercial insurances and welfare subsidies including dental care benefits, maternity allowance, holiday benefits, and children's welfare. In addition, we also place significant importance on our staff's mental and psychological health and offer our staff psychological courses, psychological counselling, traditional Chinese medicine therapy etc., 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, we held fun activities such as the Lantern Festival in 2022 to create a pleasant working atmosphere.

Lantern Festival

Meanwhile, the Group continued to strengthen communication with its employees, and held four town hall meetings in China in the second half of 2022, striving to actively listen to employees' voice and boost their confidence and morale through sincere and timely communication, to enhance their confidence and sense of 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.

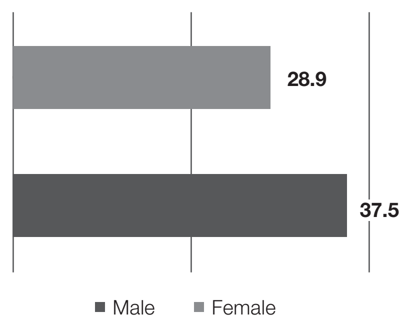
- **Pre-job Trainings:** For technical posts such as technical support and projection system installation, every newly-hired employee would accept pre-job training to enhance the professional skills necessary for the job. Training sessions are also accessible on both online and offline platforms to ensure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

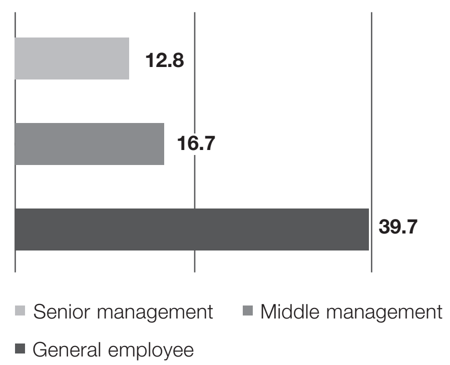
- **E-learning Platform:** To provide training which is more flexible and broader in scope, IMAX China launched a program called IMAX Learning Series. The purpose of the program is to make available to employees training materials covering topics focused on development of key competencies and skills that can contribute to employees' 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 2022, the percentage of employees who received training provided by the Group was 100% and the total training hours of the whole year were 3,364.

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 2022, 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 2022, 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 2022 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.

Promotion of Film Culture

IMAX China actively promoted the development of Chinese film culture and the improvement of China's film industry system.

We continued to carry out the resident artist initiative, exploring closer and deeper cooperation with more Chinese film talents to seek more investments in IMAX technology and instil IMAX DNA in Chinese films, promoting IMAX technology education to professionals and assisting more professional cinematographers and post-production talents in creating high-quality films to be recognised worldwide. 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 scenes through systematic professional courses, benefiting film lovers.

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 August 2022, we presented 13 classic films at the 12th Beijing International Film Festival. Taking into account the diversity of subjects and public education value, we selected films including the classic animated film "Ghost in the Shell", the "Harry Potter" series which leads the audience back to the magic world, and science and education films such as "International Space Station", "Deep Sea", "Under the Sea" and "Born to Be Wild", all of which were shared with the public through non-commercial screening.

As a special screening film in the "Golden Rooster Hong Kong Classic Film Exhibition" unit of Golden Rooster and Hundred Flowers Film Festival, 4K-restored version of "In the Mood for Love" was shown five consecutive times in Xiamen Huli Wanda IMAX Cinema. The film was converted via IMAX Digital Re-Mastering (DMR) technology, which was highly recognised across the industry and received enthusiastic response from fans.

4K-restored IMAX version of “In the Mood for Love” was unveiled at the Golden Rooster and Hundred Flowers Film Festival

Free viewing

We continued to hold offline, non-commercial film-watching activities to give back to the community. In 2022, “Home Coming”, filmed with IMAX cinematography about the evacuation of overseas Chinese, was released on the National Day. At the premiere hosted by IMAX Cinema, diplomatic staff were invited to watch the film, and IMAX technology was used to present the real evacuation behind the scenes to pay tribute to diplomats. In addition, we cooperated with the Shanghai Huangpu District People’s Government to invite students in Huangpu District to watch films for free.

We use film as a window to popularize scientific knowledge to the public. On the World Rare Animal Protection Day, IMAX cooperated with the “Nature History” magazine, a well-known science communication media, to hold the IMAX special viewing event of “Fantastic Beasts Open Day”. We specially invited “Nature History” experts to popularize the prototype of the fantastic beasts based on the film “Fantastic Beasts and Where to Find Them 3: The Secrets of Dumbledore”, and convey to participants the theme of protecting animals, maintaining curiosity and desire to explore.

During the release of “Jurassic World: Dominion”, we cooperated with palaeontologists and science popularisation experts to produce special videos about dinosaur species in the film and their size compared to the size of the IMAX big screen, providing over 6.6 million people with knowledge about dinosaurs and IMAX. At the same time, we took the IMAX dinosaur fossil gift box as the core item, and invited many parents, children and popular science bloggers to “dig for dinosaur fossils”, to achieve science popularisation by means of education in entertainment.

“Home Coming” film-watching activity

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 does 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 2022, 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.

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.

The Group's total emission of greenhouse gases decreased from 272.22 tCO_2e/employee in 2021 to 166.82 tCO_2e/employee in 2022. The energy indirect greenhouse gas emission (Scope 2) and the indirect greenhouse gas emission (Scope 3) from air travel of employees showed a downward trend. The Group's total emission of greenhouse gases per capita decreased from 2.62 tCO_2e/employee in 2021 to 1.69 tCO_2e/employee in 2022. The total energy consumption has decreased slightly compared with 2021. However, the total emission of greenhouse gases per capita increased from 1.64 MWh/employee in 2021 to 1.69 MWh/employee in 2022 owing to the reduction in the number of employees.

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:

	2022	2021	2020
Total emission of greenhouse gases (Scope 2 and Scope 3) (in tCO_2e)	**166.82**	272.22	209.57
Energy indirect greenhouse gas emission (Scope 2) (in tCO_2e)	**70.43**	119.99	102.61
Including: purchased electricity in tCO_2e)	**70.43**	119.99	102.61
Other indirect greenhouse gas emissions (Scope 3) (in tCO_2e)	**96.38**	152.23	106.96
Including: air travels of employee (in tCO_2e)	**96.38**	152.23	106.96
Total emission of greenhouse gases per capita (tCO_2e/employee)	**1.69**	2.62	2.02
Total energy consumption (MWh)	**167.69**	170.56	145.85
Total indirect energy consumption (MWh)	**167.69**	170.56	145.85
Including: purchased electric power (MWh)	**167.69**	170.56	145.85
Total energy consumption per capita (MWh/employee)	**1.69**	1.64	1.40

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.

APPENDIX: INDEX FOR ESG REPORTING GUIDE

KPI	Description	Disclosed or not	Note
A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Disclosed	P149
A1.1	The types of emissions and respective emissions data.	Without substantial effect	P151
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	P151
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Irrelevant	P151
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Without substantial effect	P151
A1.5	Description of emission target(s) set and steps taken to achieve them.	Disclosed	P149-150
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.	Without substantial effect	P151

KPI	Description	Disclosed or not	Note
A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Disclosed	P150
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	P151
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Without substantial effect	P152
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Disclosed	P150
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.	Without substantial effect	P152
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Irrelevant	P152
A3 The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer’s significant impacts on the environment and natural resources.	Irrelevant	P152
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Irrelevant	P152

KPI	Description	Disclosed or not	Note
A4 Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact the issuer.	Disclosed	P151
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	Disclosed	P151
B1 Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Disclosed	P140
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Disclosed	P141
B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	P141

2022 Environmental, Social and Governance Report (Continued)

KPI	Description	Disclosed or not	Note
B2 Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Disclosed	P142
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Disclosed	P142
B2.2	Lost days due to work injury.	Disclosed	P142
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Disclosed	P142-143
B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	P144
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	P145
B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	P145

KPI	Description	Disclosed or not	Note
B4 Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Disclosed	P140
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	P140
B4.2	Description of steps taken to eliminate violations when discovered.	Disclosed	P140
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	P146
B5.1	Number of suppliers by geographical region.	Disclosed	P147
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Disclosed	P146
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	P146
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	P146

KPI	Description	Disclosed or not	Note
B6 Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Disclosed	P135
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Irrelevant	P135
B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	P137
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	P139
B6.4	Description of quality assurance process and recall procedures.	Disclosed	P138
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Disclosed	P138-139

KPI	Description	Disclosed or not	Note
B7 Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	P145
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	P145
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	P145
B7.3	Description of anti-corruption training provided to directors and staff.	Disclosed	P146
B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	P147
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	P147-148
B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	P147-148

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 168 to 252, comprise:

- the consolidated statement of comprehensive (loss) income for the year ended 31 December 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of changes in equity for the year ended 31 December 2022;
- the consolidated statement of cash flows for the year ended 31 December 2022; 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 2022, 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 upon installation
- Provision of expected credit losses for receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of theatre systems upon installation *Refer to Notes 2(o), 6(c) and 7(a) to the consolidated financial statements.* For the year ended 31 December 2022, the Group recognised revenue of US$21,492 thousand for the installations of theatre systems. The accounting of such arrangements is complex and involves management's judgements and estimates in consideration of the following: • consideration of whether the theatre system arrangement involves either a lease (finance lease or operating lease) or a sale of theatre system; • determination of performance obligations which generally comprise of system deliverable and maintenance service; • determination of transaction prices in a theatre system installation, which consists of initial payment and discounted present value of ongoing fixed payments throughout a period of time as specified in the arrangement 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;	We performed the following procedures in relation to management's assessment on revenue recognition of theatre systems upon installation: • we understood, evaluated and tested the relevant key controls on management's assessment on revenue recognition of theatre system upon installation; • we evaluated the Group's revenue recognition policies against with the requirements of the IFRS for the different theatre system arrangements entered into with the customers; • for theatre systems newly installed 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 system deliverable and maintenance service; – determination of transaction prices 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
• 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 theatre systems newly installed and related revenue being recognised upon installation 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 discount 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 service. We checked the accuracy of calculation for the allocation of total transaction prices among separate obligations (system deliverable and maintenance service) and the proper recognition of revenue or deferral of revenue in connection with the respective obligations 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 theatres were 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. Based on our audit procedures, we found the accounting estimates and judgements adopted by management in determining revenue recognition of theatre systems upon installation is supported by available evidence.

Independent Auditor's Report (Continued)

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) and 6(f) to the consolidated financial statements.* As of 31 December 2022, the carrying value receivables which comprise of trade and other receivables, financing receivables and variable consideration receivable from contracts were with approximately aggregate gross amount of US$153,447 thousand, with expected credit loss provisions balance amounted to US$9,454 thousand. During the year ended 31 December 2022, the Group accrued an expected credit losses provisions of US$1,319 thousand for receivables. The accounting of provision of expected credit losses for receivables involves management's estimations and judgements in consideration of the following: • classification of the Group's customers into different categories with different credit risk characteristic based on analysis of credit quality worthiness, operating results and financial positions of the customers, collection 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 worthiness, 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 assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors involved in the provision of expected credit losses such as the subjectivity of management judgements; • on sample basis, we evaluated the reasonableness of basis for the grouping of receivables with reference to analysis of credit quality worthiness, operating results and financial positions of the customers, collection history and aging; • for historical default rates, we evaluated management's consideration of historic experience and the customers' credit quality worthiness in making the assessment of the loss provision and the reasonableness of period of data used in the assessment. We checked the accuracy, on a sample basis, of the key data inputs in calculating the historic default rates; • for forward looking factors, with the assistance of our valuation specialist, we evaluated the appropriateness of key assumptions and data used in adjustments for forward looking factors to historical default rates, including agreeing to supporting evidence; • we tested 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.

Independent Auditor's Report (Continued)

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, 22 February 2023

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME

(In thousands of U.S. dollars)

	Notes	Years Ended 31 December 2022	2021
Revenues	7	73,330	112,801
Cost of sales	8	(33,633)	(44,613)
Gross profit	7	39,697	68,188
Selling, general and administrative expenses	8	(15,530)	(16,820)
Other operating expenses	8	(3,968)	(6,062)
(Provisions) reversals of net impairment losses on financial assets	8	(1,319)	3,997
Other losses	13	(4,470)	–
Operating profit		14,410	49,303
Interest income		1,040	1,643
Interest expense	9	(169)	(458)
Profit before income tax		15,281	50,488
Income tax expense	10	(4,523)	(12,271)
Profit for the year, attributable to owners of the Company		10,758	38,217
Other comprehensive (loss) income:			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		(19,470)	3,538
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
Other comprehensive (loss) income:		(19,470)	8,757
Total comprehensive (loss) income for the year, attributable to owners of the Company		(8,712)	46,974
Profit per share attributable to owners of the Company – basic and diluted (expressed in U.S. dollars per share):			
From profit for the year – basic	11	0.03	0.11
From profit for the year – diluted	11	0.03	0.11

(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 2022	As at 31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	12	86,689	100,200
Other assets	13	3,414	510
Deferred tax assets	14	6,697	6,899
Variable consideration receivables from contracts		2,045	2,791
Financing receivables	15	53,327	60,681
		152,172	171,081
Current assets			
Other assets	13	1,871	633
Contract acquisition costs		760	518
Film assets	17	82	76
Inventories	18	4,826	5,857
Prepayments		3,099	3,566
Variable consideration receivables from contracts		502	516
Financing receivables	15	27,852	18,278
Trade and other receivables	19	60,267	51,496
Cash and cash equivalents	20	74,972	97,737
		174,231	178,677
Total assets		326,403	349,758

Consolidated Financial Statements (Continued)

	Notes	As at 31 December 2022	2021
LIABILITIES			
Non-current liabilities			
Accruals and other liabilities	23	1,042	–
Deferred revenue	21	14,570	19,390
Deferred tax liabilities	14	14,900	17,642
		30,512	37,032
Current liabilities			
Trade and other payables	22	21,845	21,107
Accruals and other liabilities	23	9,546	9,669
Income tax liabilities		5,780	5,585
Borrowings	24	12,871	3,612
Deferred revenue	21	12,777	18,875
		62,819	58,848
Total liabilities		93,331	95,880
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	34	34
Share premium and reserves	25	226,047	257,611
Retained profits (Accumulated deficit)		6,991	(3,767)
Total equity		233,072	253,878
Total equity and liabilities		326,403	349,758

(The accompanying notes are an integral part of these consolidated financial statements.)

The financial statements on pages 168 to 252 were approved by the board of directors on 22 February 2023 and were signed on its behalf.

Jiande Chen
Director

Jim Athanasopoulos
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands of U.S. dollars)

	Share Capital	Share Premium	Treasury Shares	Capital Reserves	Statutory Surplus Reserves	FVOCI Reserve	Retained Earnings (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

Consolidated Financial Statements (Continued)

	Share Capital	Share Premium	Treasury Shares	Capital Reserves	Statutory Surplus Reserves	FVOCI Reserve	Retained Earnings (Accumulated Deficit)	Exchange Reserve	Total Equity
Balance as at 1 January 2022	34	277,123	(529)	(25,566)	5,631	(4,000)	(3,767)	4,952	253,878
Comprehensive income (loss)									
Profit for the year	–	–	–	–	–	–	10,758	–	10,758
Foreign currency translation	–	–	–	–	–	–	–	(19,470)	(19,470)
Total comprehensive income (loss)	–	–	–	–	–	–	10,758	(19,470)	(8,712)
Dividends recognised as distribution (note 33)	–	(9,507)	–	–	–	–	–	–	(9,507)
Restricted share units vested and settled	–	1,305	1,420	(2,725)	–	–	–	–	–
Acquisition of shares for settlement of restricted share units	–	–	(1,613)	–	–	–	–	–	(1,613)
China long-term incentive plan	–	–	–	2,075	–	–	–	–	2,075
Shares buy-back	–	–	(3,026)	–	–	–	–	–	(3,026)
Shares buy-back transaction costs	–	–	(23)	–	–	–	–	–	(23)
Shares cancelled	–	(3,049)	3,049	–	–	–	–	–	–
Total transactions with owners, recognised directly in equity	–	(11,251)	(193)	(650)	–	–	–	–	(12,094)
Balance as at 31 December 2022	34	265,872	(722)	(26,216)	5,631	(4,000)	6,991	(14,518)	233,072

(The accompanying notes are an integral part of these consolidated financial statements.)

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of U.S. dollars)

		Years Ended 31 December	
	Notes	2022	2021
Cash flows from operating activities			
Cash provided by operations	28	10,533	43,335
Income taxes paid		(9,294)	(12,738)
Interest paid		(81)	(461)
Net cash provided by operating activities		1,158	30,136
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		(8,952)	(7,312)
Investment in interest in a film classified as financial assets at fair value through profit or loss ("FVTPL")		(4,706)	–
Purchase of property, plant and equipment		(86)	(273)
Net cash (used in) provided by investing activities		(13,744)	10,187
Cash flows from financing activities			
Dividends paid to owners of the Company		(9,507)	(16,566)
Repayment of borrowings		(3,600)	(7,609)
Payments for shares buy-back		(3,049)	(10,061)
Settlement of share-based payments		(1,613)	(1,848)
Principal elements of lease payments		(832)	(890)
Proceeds from borrowings		12,763	3,600
Net cash used in financing activities		(5,838)	(33,374)
Effects of exchange rate changes on cash		(4,341)	2,316
(Decrease) Increase in cash and cash equivalents during year		(22,765)	9,265
Cash and cash equivalents, beginning of year		97,737	88,472
Cash and cash equivalents, end of year		74,972	97,737

(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 (loss) income and closing rate for the statement of financial position. Foreign currency gains and losses are recorded in the consolidated statement of comprehensive (loss) income.

(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 (loss) income are translated at average exchange rates; and

- all resulting exchange differences are recognised in other comprehensive (loss) income

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 (loss) income. 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 (loss) income.

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 (loss) income. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive (loss) income 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 (loss) income 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 classified as financial assets at FVOCI, financial assets at FVTPL, prepayments to IMAX Corporation, contribution to Enhanced Business, deposits and others. 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

Note:

(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 (loss) income 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

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)

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)

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 lease 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 that are classified as operating leases, initial payments are recognised as revenue on a straight-line basis over the lease term. 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.

Contingent revenues are 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 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)

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, 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)

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)

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 (loss) income, 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.

2. Summary of significant accounting policies (Continued)

(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.

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 (loss) income.

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 (loss) income 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.

2. Summary of significant accounting policies (Continued)

(u) Share-based payments (Continued)

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.

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.

2. Summary of significant accounting policies (Continued)

(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 (loss) income. 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.

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 2022. 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
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

Certain new accounting standards and interpretations have been published that are not mandatory for the financial reporting periods commencing on or after 1 January 2022 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 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 (Amendments) and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024

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 these theatre closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many of the films scheduled to be shown in IMAX theatres, while several other films were released directly or concurrently to streaming platforms. Beginning in the third quarter of 2020, stay-at-home orders and capacity restrictions were lifted in many key markets and movie theatres throughout the IMAX network gradually reopened. However, following the emergence of the Omicron variant and the rise of COVID-19 cases in Mainland China in the first quarter of 2022, the Chinese government reinstituted capacity restrictions and safety protocols on large public gatherings, which led to the temporary closure of theatres in several cities. When theatres were not closed, customer concerns surrounding such discretionary public gatherings included the requirement to show a negative Covid test, the potential of being in close contact with a positive case and the possible risk of a centralised quarantine. As a result, during this time, cinema admissions and film industry revenues were significantly impacted.

In early December 2022, in a significant easing of Covid controls, the Chinese government announced people no longer needed to show negative virus tests or health codes in order to travel between different parts of the country or enter most venues which included shopping malls and movie theatres. Chinese authorities also formalised other changes to Covid controls, such as allowing more people to quarantine at home. COVID-19 was subsequently downgraded to a Class B infectious disease in Mainland China and in early January 2023, the Chinese government removed the centralised quarantine requirement for inbound travelers to Mainland China.

As a result of these easing of Covid controls, on 31 December 2022, approximately 97% of the IMAX theatres in Greater China were open at various capacities.

Notwithstanding the recent easing of Covid controls, 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 and that will vary by jurisdiction and market.

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 2022 would have been approximately $0.3 million worse/better (2021: $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 $3,000 for the year ended 31 December 2022 (2021: $7,000).

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 2022, 38.9% (2021: 37.2%) 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 2022, the Group had concentration of credit risk as 41.8% (2021: 20.8%) of the total trade and other receivables due from the Group's largest two (2021: 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.

5. Financial risk (Continued)

(a) Market risk (Continued)

Credit risk (Continued)

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".

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 2022, the Group recorded an allowance for expected credit losses of $1.3 million (2021: a net recovery of allowance for expected credit losses of $4.0 million), reflecting a reduction of the credit quality of its theatre and studio related trade and other receivables, financing receivables and variable consideration receivables from contracts as a result of the 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, its effect on the Group's customers and their ability to meet their financial obligations to the Group is difficult to predict. As a result, the Group's judgments 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	Financing receivables	Variable consideration receivables from contracts	Total
As at 1 January 2021	7,818	4,396	378	12,592
Decrease in allowance for expected credit losses	(3,021)	(828)	(148)	(3,997)
Write-off	–	–	(27)	(27)
Exchange differences	147	95	7	249
As at 31 December 2021	4,944	3,663	210	8,817
Increase in allowance for expected credit losses	1,143	22	154	1,319
Exchange differences	(395)	(278)	(9)	(682)
As at 31 December 2022	5,692	3,407	355	9,454

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 2022 and 31 December 2021 was determined as follows for trade receivables:

31 December 2022	0 – 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
Expected loss rate	**3.06%**	**3.80%**	**3.99%**	**9.02%**	
Gross carrying amount – trade receivables	6,560	2,474	2,180	48,341	59,555
Loss allowance	201	94	87	4,362	4,744

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

The Group recorded an allowance for expected credit losses of $1.1 million for the year ended 31 December 2022 (2021: a net recovery of allowance for expected credit losses of $3.0 million), reflecting a reduction of the credit quality of its theatre and studio related trade receivables, which management believes is primarily related to the COVID-19 global pandemic.

Accrued trade receivables

The gross amount of accrued trade receivables as of 31 December 2022 was $5.9 million (31 December 2021: $5.7 million). Management recorded an allowance for expected credit losses of $nil for the year ended 31 December 2022 (2021: a net recovery of allowance for expected credit losses of less than $0.1 million).

Other receivables (including loan and interest receivables from related parties)

The gross amount of other receivables as of 31 December 2022 was $0.5 million (31 December 2021: $0.6 million). Management recorded expected credit losses provision of $nil for the year ended 31 December 2022 (2021: $nil).

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 amounts due from related companies is limited and the Group does not expect any losses from non-performance by the counterparties of amounts 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 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
Investment in finance leases:		
Gross carrying amount	26,831	25,543
Expected loss rate	1.10%	1.26%
Loss allowance	295	322
Financed sales receivables:		
Gross carrying amount	57,755	57,079
Expected loss rate	5.39%	5.85%
Loss allowance	3,112	3,341

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.

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 an allowance for expected credit losses of less than $0.1 million for financing receivables for the year ended 31 December 2022 (2021: a net recovery of allowance for expected credit losses of $0.8 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)

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. The gross amount of variable consideration receivables as of 31 December 2022 was $2.9 million (31 December 2021: $3.5 million). Based on management's assessment, the Group recorded an allowance for expected credits losses for variable consideration receivables of $0.2 million for the year ended 31 December 2022 (2021: a net recovery of allowance for expected credit losses of $0.1 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, borrowings 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, 23 and 24.

(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).

(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 (loss) income 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 2(k).

6. Critical accounting estimates and judgements (Continued)

(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).

(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, other operating expenses, (provisions) reversals of net impairment losses on financial assets, other losses, interest income, interest expense and income tax expense are not allocated to the segments.

During the year ended 31 December 2022, the Group's internal reporting was updated to reclassify the results of IMAX Enhanced out of the New Business Initiatives and Other segment and into All Other for segment reporting purposes. IMAX Enhanced was the only component of the New Business Initiatives segment. It does not have impact on prior period comparatives.

The Group now has five operating and reportable segments: IMAX DMR films, Revenue Sharing Arrangements, IMAX Systems, IMAX Maintenance and Other Theatre Business.

The Group's reportable segments are organised under two 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. The Group's activities that do not meet the criteria to be considered a reportable segment are disclosed within All Other.

Inter-segment profits are eliminated upon consolidation, as well as for the disclosures below.

Transactions between the other segments are not significant.

In the first quarter of 2023, the Group has updated its internal reporting and will have two primary groups: (i) Technology Products and Services, which will principally include the sale, lease, and maintenance of IMAX Systems, previously included within the Revenue Sharing Arrangements, IMAX Systems, IMAX Maintenance, Other Theatre Business segments, and (ii) Content Solutions, which will principally include content enhancement, previously included within the IMAX DMR films segment. The Group's activities that do not meet the criteria to be considered a reportable segment will be reported within All Other.

Consolidated Financial Statements (Continued)

7. Revenue and segment information (Continued)

(a) Operating segments

	Years Ended 31 December	
	2022	2021
Revenue		
IMAX Technology Network		
IMAX DMR films	14,908	21,750
Revenue Sharing Arrangements – contingent rent	10,399	17,623
	25,307	39,373
IMAX Technology Sales and Maintenance		
IMAX Systems	20,479	41,413
Revenue Sharing Arrangements – upfront fees	1,013	5,150
IMAX Maintenance	25,539	25,581
Other Theatre Business	855	858
	47,886	73,002
All Other	137	426
Total	73,330	112,801
Gross profit (loss)		
IMAX Technology Network		
IMAX DMR films	12,550	17,436
Revenue Sharing Arrangements – contingent rent	(2,538)	4,860
	10,012	22,296
IMAX Technology Sales and Maintenance		
IMAX Systems	12,483	27,214
Revenue Sharing Arrangements – upfront fees	(40)	1,225
IMAX Maintenance	17,505	16,996
Other Theatre Business	111	234
	30,059	45,669
All Other	(374)	223
Total gross profit	39,697	68,188
Selling, general and administrative expenses	(15,530)	(16,820)
Other operating expenses	(3,968)	(6,062)
(Provisions) reversals of net impairment losses on financial assets	(1,319)	3,997
Other losses	(4,470)	–
Interest income	1,040	1,643
Interest expense	(169)	(458)
Profit before income tax	15,281	50,488

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	
	2022	2021	2022	2021
Revenue				
IMAX Technology Network				
IMAX DMR films	14,908	21,750	–	–
Revenue Sharing Arrangements – contingent rent	–	–	10,399	17,623
	14,908	21,750	10,399	17,623
IMAX Technology Sales and Maintenance				
IMAX Systems	16,947	30,704	3,532	10,709
Revenue Sharing Arrangements – upfront fees	–	–	1,013	5,150
IMAX Maintenance	25,539	25,581	–	–
Other Theatre Business	855	858	–	–
	43,341	57,143	4,545	15,859
All Other	137	426	–	–
Total	58,386	79,319	14,944	33,482

Of the revenue from IMAX systems, finance income was approximately $3.4 million for the year ended 31 December 2022 (2021: $3.8 million).

Of the Revenue Sharing Arrangements – contingent rent, approximately $9.0 million for the year ended 31 December 2022 (2021: $15.0 million) were from revenues under operating leases and approximately $1.4 million for the year ended 31 December 2022 (2021: $2.6 million) were from revenues under finance leases.

The selling profit for the Group's finance leases was approximately $1.4 million for the year ended 31 December 2022 (2021: $6.7 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 $20.8 million in 2022 (2021: $30.3 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 $7.7 million in 2022 (2021: $9.4 million) are derived from a related party. These revenues are attributable to IMAX DMR films, IMAX Maintenance and Other Theatre Business.

Customer C

Revenues of approximately $3.5 million in 2022 (2021: $11.7 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 2022 or 2021.

Supplemental Information

(b) *Depreciation and amortisation*

	Years Ended 31 December	
	2022	2021
Revenue Sharing Arrangements	13,010	12,551
IMAX DMR films	878	1,492
IMAX Maintenance	77	307
Corporate and other non-segment specific assets	877	871
Total	14,842	15,221

7. Revenue and segment information (Continued)

(c) Loss on disposal of property, plant and equipment

	Years Ended 31 December	
	2022	2021
Revenue Sharing Arrangements	90	172
Corporate and other non-segment specific assets	–	2
Total	90	174

8. Expenses by nature

A breakdown of the Group's expenses is provided in the table below:

	Years Ended 31 December	
	2022	2021
Depreciation, including joint revenue sharing arrangements and film costs	14,842	15,221
Cost of theatre system sales and finance leases	9,240	17,459
Employee salaries and benefits	9,478	11,308
Theatre maintenance fees	5,731	6,006
Technology and trademark fees	3,951	6,032
Advertising and marketing expenses	2,954	4,989
Share-based compensation expenses	2,075	3,773
Increase (Decrease) in allowance for expected credit losses	1,319	(3,997)
Foreign exchange losses (gains)	1,393	(1,871)
Professional fees	1,225	1,174
Travel and transportation expenses	286	571
Lease expenses	261	231
Utilities and maintenance expenses	107	88
Other employee expenses	74	1,294
Other film costs (recoveries)	38	(109)
Recoveries of write-downs	(36)	(18)
Other expenses	558	790
Other costs	531	21
Auditor's remuneration		
– Audit services	367	394
– Non-audit services	56	142
Total costs of sales, selling, general and administrative expenses, other operating expenses and (provisions) reversals of net impairment losses on financial assets	54,450	63,498

9. Interest expense

	Years Ended 31 December	
	2022	2021
Interest on bank borrowings	133	410
Interest on lease liabilities	36	48
Total	169	458

10. Income tax expense

	Years Ended 31 December	
	2022	2021
Current income tax:		
Current tax on profits for the year	4,723	10,420
Dividend withholding tax paid	2,742	2,039
Adjustments in respect of prior years	78	980
Total current income tax	7,543	13,439
Deferred income tax (note 14):		
Origination of temporary differences	(3,020)	(1,715)
Withholding tax on historical profits	–	547
Total deferred income tax	(3,020)	(1,168)
Income tax expense	4,523	12,271

10. Income tax expense (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

	Years Ended 31 December	
	2022	2021
Profit before tax	15,281	50,488
Tax calculated at domestic tax rates applicable to profits in all respective countries	3,794	11,455
Tax effects of:		
Income not subject to tax	(1,174)	(843)
Expenses not deductible for tax purposes	565	233
Unrecognised tax losses	1,274	–
Withholding tax on historical profits	–	547
Withholding taxes	259	172
Other	(273)	(273)
Adjustment in respect of prior years	78	980
Tax charge	4,523	12,271

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 $0.5 million for the year ended 31 December 2022 (2021: $1.2 million).

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	
	2022	2021
Profit for the year	10,758	38,217
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of year	341,743	348,063
Weighted average number of shares decreased during the year	(1,555)	(1,369)
Weighted average number of shares used in computing basic earnings per share	340,188	346,694
Adjustments for:		
Stock options	–	830
Restricted share units	1,605	1,319
Performance stock units	393	169
Weighted average number of shares used in computing diluted earnings per share	342,186	349,012

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 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 1 January 2022						
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
Year ended 31 December 2022						
Opening net book amount	95,627	542	548	3	3,480	100,200
Exchange differences	(7,534)	(52)	(53)	(1)	(47)	(7,687)
Additions	–	58	2,090	28	6,054	8,230
Transfers	4,620	144	–	–	(4,764)	–
Disposals	(90)	–	–	–	–	(90)
Depreciation charge	(13,010)	(206)	(745)	(3)	–	(13,964)
Closing net book amount	79,613	486	1,840	27	4,723	86,689
As at 31 December 2022						
Cost	156,346	2,978	2,064	1,766	4,723	167,877
Accumulated depreciation and impairment	(76,733)	(2,492)	(224)	(1,739)	–	(81,188)
Net book amount	79,613	486	1,840	27	4,723	86,689

12. Property, plant and equipment (Continued)

Depreciation charges of the amounts below were included in the following categories in the consolidated statement of comprehensive (loss) income:

	Years Ended 31 December	
	2022	2021
Cost of sales	13,027	12,563
Selling, general and administrative expenses	937	1,166
	13,964	13,729

During the year ended 31 December 2022, the Group recorded a loss on disposal of less than $0.1 million (2021: $0.2 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	
	2022	2021
Prepayments to IMAX Corporation (note 31(b))	728	–
Contribution to Enhanced Business (note i)	1,066	–
Deposits	77	582
Interest in a film classified as financial assets at fair value through profit or loss (note ii)	–	–
Others	–	51
Other assets, current	1,871	633
Deposits over one year	253	297
Prepayments to IMAX Corporation (note 31(b))	1,505	213
Contribution to Enhanced Business (note i)	1,656	–
Investment in an equity security (note iii)	–	–
Other assets, non-current	3,414	510
Other assets	5,285	1,143

13. Other assets (Continued)

Notes:

(i) On 25 July 2022, the Company, IMAX (Shanghai) Culture and Technology Co., Ltd. ("IMAX Shanghai Culture"), a wholly-owned subsidiary of the Company and IMAX Corporation entered into an Enhanced Business Required IMAX China Contribution Agreement pursuant to which IMAX Shanghai Culture agreed to acquire and have the exclusive right to, directly or through any member of the Group, develop and exploit the Enhanced Business in Greater China in consideration for payment to IMAX Corporation of the Required IMAX China Contribution. Enhanced Business operated and marketed as "IMAX Enhanced" by IMAX Corporation, which includes the licensing program business conducted in partnership with a third party to combine IMAX digitally remastered 4K HDR content and the third-party's audio encoding technologies to streaming platforms and IMAX certified CE devices worldwide. The total contribution paid by the Group for the Enhanced Business in Greater China is $3.3 million and amortised on straight-line basis during the agreement period, i.e. 3 years.

(ii) On 10 January 2022, IMAX Shanghai Culture entered into a joint film investment agreement with Wanda Film (Horgos) Co., Ltd. to invest RMB30.0 million (approximately $4.7 million) in the movie "Mozart from Space", which was released on 15 July 2022. Pursuant to the investment agreement, IMAX Shanghai Culture has the right to receive share of the profits or losses of the film distribution. IMAX Shanghai Culture's commitment is limited to its RMB30.0 million (approximately $4.7 million) investment and has no further investment obligation if the actual movie production cost exceeds the original budget.

The investment was classified as financial assets at FVTPL. As at 31 December 2022, the estimated fair value of the interest in a film was $nil and a decrease in fair value of $4.5 million was recorded in net fair value losses on financial assets at FVTPL within other losses during the year ended 31 December 2022.

(iii) On 4 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 $15.1 million at the final offer price pursuant to the global offering of the share capital of Maoyan. During the year ended 31 December 2022, IMAX China (Hong Kong), Limited 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.

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 2021	136	1,852	6,155	(1,054)	7,089
Credited (charged) to profit or loss	19	(16)	(1,125)	798	(324)
Exchange differences	(12)	(148)	238	56	134
As at 31 December 2021	143	1,688	5,268	(200)	6,899
Credited (charged) to profit or loss	55	(658)	881	–	278
Exchange differences	(20)	(61)	(399)	–	(480)
As at 31 December 2022	178	969	5,750	(200)	6,697

Deferred tax liabilities	Withholding tax on undistributed dividends
As at 1 January 2021	19,134
Credited to profit or loss	(1,492)
As at 31 December 2021	17,642
Credited to profit or loss	(2,742)
As at 31 December 2022	14,900

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

At the end of the reporting period, the Group has unused tax losses of $5.1 million (2021: $nil) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profits streams. The tax losses will expire in year 2027.

14. Deferred income tax (Continued)

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, 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.

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	
	2022	2021
Gross minimum finance lease payments receivable	27,054	25,800
Unearned finance income	(223)	(257)
Present value of minimum finance lease payments receivable	26,831	25,543
Allowance for expected credit losses	(295)	(322)
Net investment in finance leases	26,536	25,221
Gross financed sales receivables	69,165	71,828
Unearned finance income	(11,410)	(14,749)
Present value of financed sales receivables	57,755	57,079
Allowance for expected credit losses	(3,112)	(3,341)
Net financed sales receivables	54,643	53,738
Total financing receivables	81,179	78,959

15. Financing receivables (Continued)

	As at 31 December	
	2022	2021
Gross investment in finance leases may be analysed as follows:		
No later than one year	5,548	3,446
Later than one year and no later than five years	10,402	10,051
Later than five years	11,104	12,303
Total gross investment in finance leases	27,054	25,800
Gross financed sales receivables may be analysed as follows:		
No later than one year	25,316	18,349
Later than one year and no later than five years	31,341	36,060
Later than five years	12,508	17,419
Total financed sales receivables	69,165	71,828
Net investment in finance leases may be analysed as follows:		
No later than one year	5,508	3,523
Later than one year and no later than five years	10,276	9,853
Later than five years	11,047	12,167
Present value of investment in finance leases	26,831	25,543
Allowance for expected credit losses	(295)	(322)
Total net investment in finance leases	26,536	25,221
Net financed sales receivables may be analysed as follows:		
No later than one year	22,344	14,755
Later than one year and no later than five years	24,550	27,335
Later than five years	10,861	14,989
Present value of financed sales receivables	57,755	57,079
Allowance for expected credit losses	(3,112)	(3,341)
Total net financed sales receivables	54,643	53,738

As at 31 December 2022, the financed sales receivables had a weighted average effective interest rate of 8.0% (2021: 8.1%).

16. Interests in a joint venture

A joint venture was established in 2017. As at 31 December 2022, no capital has been injected to the joint venture yet.

Details of the Group's joint venture at 31 December 2022 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 and released films
As at 1 January 2021	
Cost	49,608
Accumulated amortisation	(49,428)
Net book amount	180
Year ended 31 December 2021	
Opening net book amount	180
Exchange differences	8
Additions	3,885
Amortisation charge	(3,997)
Closing net book amount	76
Year ended 31 December 2022	
Opening net book amount	76
Exchange differences	(18)
Additions	2,547
Amortisation charge (note below)	(2,523)
Closing net book amount	82
As at 31 December 2022	
Cost	55,559
Accumulated amortisation	(55,477)
Net book amount	82

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 2022, the amortisation charge of $1.6 million (2021: $2.5 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	
	2022	2021
Finished goods	4,826	5,857

There were less than $0.1 million reversals of 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 2022 (2021: less than $0.1 million provisions).

The costs of inventories recognised as an expense and included in "cost of sales" amounted to $9.0 million for the year ended 31 December 2022 (2021: $17.7 million).

19. Trade and other receivables

	As at 31 December	
	2022	2021
Trade receivables:		
Trade receivables from third parties	38,654	33,914
Less: allowance for expected credit losses of trade receivables from third parties	(4,744)	(3,938)
Trade receivables from third parties – net	33,910	29,976
Trade receivables from IMAX Corporation (note 31(b))	20,901	16,266
Accrued trade receivables	5,890	5,698
Less: allowance for expected credit losses of accrued trade receivables	(556)	(577)
Accrued trade receivables – net	5,334	5,121
Total trade receivables	60,145	51,363
Other receivables:		
Loan and interest receivable from related parties (note 31(b))	514	562
Less: allowance for expected credit losses of loan and interest receivables	(392)	(429)
Loan and interest receivables from related parties – net	122	133
Total other receivables	122	133
Total trade and other receivables	60,267	51,496

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	
	2022	2021
0 – 30 days	6,560	4,462
31 – 60 days	2,474	4,505
61 – 90 days	2,180	6,481
Over 90 days	48,341	34,732
	59,555	50,180

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2022	2021
RMB	46,901	41,042
US$	13,283	10,369
Other currencies	83	85
	60,267	51,496

During the year ended 31 December 2022, the Group recorded an allowance for expected credit losses of $1.1 million (2021: a net recovery of allowance for expected credit losses of $3.0 million) related to trade and other receivables in the consolidated statement of comprehensive (loss) income.

20. Cash and cash equivalents

	As at 31 December	
	2022	2021
Cash at bank and on hand	60,595	38,697
Short-term bank deposits with maturity less than 3 months	14,377	59,040
Cash and cash equivalents	74,972	97,737

20. Cash and cash equivalents (Continued)

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	
	2022	2021
RMB	43,821	92,830
US$	30,914	4,423
Hong Kong dollars	237	484
	74,972	97,737

21. Deferred revenue

	As at 31 December	
	2022	2021
Theatre system deposits	17,721	27,728
Maintenance prepayments	9,626	10,537
	27,347	38,265
Deferred revenue, current	12,777	18,875
Deferred revenue, non-current	14,570	19,390
	27,347	38,265

The following table shows the amount of revenue recognised in the consolidate statements of comprehensive (loss) income for the years ended 31 December 2022 and 2021 relating to deferred revenue brought forward:

	Years Ended 31 December	
	2022	2021
Upfront revenue	8,600	13,715
Maintenance revenue	6,213	6,696
Total	14,813	20,411

The unsatisfied performance obligations out of the carrying value of the Group's backlog as at 31 December 2022 were approximately $156.7 million (2021: $176.6 million).

22. Trade and other payables

	As at 31 December	
	2022	2021
Trade payables to third parties	996	1,025
Payables to IMAX Corporation (note 31(b))	20,110	18,857
Other payables	739	1,225
	21,845	21,107

The aging analysis of trade and other payables based on recognition date is as follows:

	As at 31 December	
	2022	2021
0 – 30 days	5,143	8,346
31 – 60 days	778	1,688
61 – 90 days	909	901
Over 90 days	15,015	10,172
	21,845	21,107

As at 31 December 2022 and 2021, 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	
	2022	2021
RMB	13,525	14,293
US$	8,186	6,730
Other currencies	134	84
	21,845	21,107

23. Accruals and other liabilities

	As at 31 December	
	2022	2021
Value added tax payable	2,893	2,183
Accrued marketing and advertising expenses	1,787	1,907
Lease liabilities	1,774	552
Accrued professional fees	681	778
Other tax payable	520	272
Withholding individual income tax	102	181
Accrued selling expenses	75	53
Accrued salaries and benefits	29	1,695
Accrued legal fees	23	2
Other accrued expenses	2,704	2,046
Accruals and other liabilities, total	10,588	9,669
Accruals and other liabilities, current	9,546	9,669
Accruals and other liabilities, non-current	1,042	–
	10,588	9,669

Maturity analysis of lease liabilities

	As at 31 December	
	2022	2021
Not later than one year	732	552
Later than one year and not later than five years	1,042	–
Lease liabilities, total	1,774	552

24. Borrowings

	As at 31 December	
	2022	2021
Unsecured short-term bank loans	12,871	3,612

The bank loans as at 31 December 2022 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/twelve month. The ranges of the effective interest rates on the Group's borrowings are from 3.85% to 4.15% per annum (2021: 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 and letter of guarantee facilities as described below. The facility is subject to annual review.

	As at 31 December	
	2022	2021
Unsecured bank borrowing facilities	43,127	26,189
Unsecured letter of guarantee facilities	1,027	1,122
	44,154	27,311

Bank of China Facility

In June 2022, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("IMAX Shanghai Multimedia"), one of the Company's wholly-owned subsidiaries in the PRC, renewed its unsecured revolving facility for up to RMB200.0 million (approximately $29.8 million), including RMB10.0 million (approximately $1.5 million) for letters of guarantee, to fund ongoing working capital requirements (the "Bank of China Facility"). The Bank of China Facility expires in September 2023. As at 31 December 2022, the outstanding borrowings under the Bank of China Facility were RMB2.6 million (approximately $0.4 million) and outstanding letters of guarantee were RMB2.8 million (approximately $0.4 million). As at 31 December 2022, the amount available for future borrowings under the Bank of China Facility was RMB187.4 million (approximately $26.9 million) and the amount available for letters of guarantee was RMB7.2 million (approximately $1.0 million). The amount available for future borrowings under the Bank of China Facility is not subject to a standby fee.

24. Borrowings (Continued)

HSBC Facility

In June 2022, IMAX Shanghai Multimedia entered into an unsecured revolving facility for up to RMB200.0 million (approximately $29.8 million) with HSBC Bank (China) Company Limited, Shanghai Branch to fund ongoing working capital requirements (the "HSBC Facility"). As at 31 December 2022, the outstanding borrowings under the HSBC Facility were RMB87.0 million (approximately $12.5 million) and the amount available for future borrowings under the HSBC Facility was RMB113.0 million (approximately $16.2 million).

25. Share capital and reserves

(a) Share capital

	Number of shares		Share capital	
	2022	2021	2022 US$	2021 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	
	2022	2021	2022 US$	2021 US$
Issued and fully paid				
At beginning of 1 January	342,082,805	348,063,015	34,208.28	34,806.30
Shares issued for vested restricted share units	27,803	684,490	2.78	68.45
Share cancellation (note 25(b))	(2,961,800)	(6,664,700)	(296.18)	(666.47)
Number of shares as at 31 December	339,148,808	342,082,805	33,914.88	34,208.28

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 2022	Number of shares 2021	US$'000 2022	US$'000 2021
Treasury shares					
At beginning of year		722,739	–	529	–
Acquisition of shares by the Trust	(i)	1,368,753	1,025,957	1,613	1,848
Shares issued for vested restricted share units		27,803	684,490	–	–
Vested restricted share units settled from treasury shares		(1,112,719)	(686,445)	(1,420)	(1,319)
Vested restricted share units settled from issued shares		(411,030)	(301,263)	–	–
Shares bought back on-market	(ii)	2,961,800	6,664,700	3,026	9,998
Buy-back transaction costs	(ii)	–	–	23	63
Shares cancelled	(ii)	(2,961,800)	(6,664,700)	(3,049)	(10,061)
At end of year		595,546	722,739	722	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 2022, 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.

During the year ended 31 December 2022, the Company purchased 2,961,800 (2021: 6,664,700) shares of the Company on-market and 2,961,800 (2021: 6,664,700) shares were cancelled. The shares were acquired at an average price of $1.02 (2021: $1.50), with prices ranging from $0.75 to $1.30 (2021: $1.29 to $1.65).

(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 (loss) income for these plans were $2.1 million during the year ended 31 December 2022 (2021: $3.8 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 2022, the Group recorded an expense of less than $0.1 million (2021: $0.1 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	
	2022	2021	2022	2021
Options outstanding, beginning of year	4,893,800	5,163,800	1.43	1.45
Expired	(3,375,000)	(270,000)	1.54	1.81
Options outstanding, end of year	1,518,800	4,893,800	1.19	1.43
Options exercisable, end of year	1,518,800	4,893,800	1.19	1.43

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 2022, the expiry date of 1,518,800 shares was extended from 25 October 2022 to 25 October 2023. The Group recorded an incremental expense of less than $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 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.

No China IPO Option was exercised during the year ended 31 December 2022 and 2021. As at 31 December 2022, the weighted average remaining contractual life of options outstanding is 0.8 years (2021: 0.8 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 2022, the Group recorded an expense of less than $0.1 million (2021: $0.1 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	
	2022	2021	2022	2021
Options outstanding, beginning and end of year	1,343,039	1,343,039	3.23	3.23
Options exercisable, end of year	1,237,117	1,002,086	3.28	3.43

As at 31 December 2022, the weighted average remaining contractual life of options outstanding is 2.4 years (2021: 3.4 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 $1.8 million for the year ended 31 December 2022 (2021: $3.0 million) related to China RSU grants granted to employees in the plan. The annual termination probability assumed for the year ended 31 December 2022 was nil (2021: 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	
	2022	2021	2022	2021
RSUs outstanding, beginning of year	2,397,235	2,102,349	1.98	2.18
Granted	2,065,920	1,297,798	1.09	1.92
Vested and settled	(1,523,749)	(987,708)	1.79	2.32
Forfeited	(601,004)	(15,204)	1.67	1.86
RSUs outstanding, end of year	2,338,402	2,397,235	1.41	1.98

(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 2022, the Group recorded an expense of $0.3 million (2021: $0.6 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	
	2022	2021	2022	2021
PSUs outstanding, beginning of year	598,867	317,998	1.82	1.81
Granted	410,241	280,869	1.13	1.82
Forfeited	(265,097)	–	1.73	–
PSUs outstanding, end of year	744,011	598,867	1.47	1.82

(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.

25. Share capital and reserves (Continued)

(d) Reserves (Continued)

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 $9.5 million out of share premium for the year ended 31 December 2022 (31 December 2021: $16.6 million).

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. During the year ended 31 December 2022, $nil statutory surplus reserves were appropriated (31 December 2021: $5.6 million).

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 investment 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 2022 and 2021 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	Financial assets at FVTPL	Total
31 December 2022			
Assets as per statement of financial position			
Net financed sales receivable	54,643	–	54,643
Net investment in finance leases	26,536	–	26,536
Variable consideration receivables from contracts	2,547	–	2,547
Interest in a film classified as financial assets at FVTPL	–	–	–
Trade and other receivables	60,267	–	60,267
Cash and cash equivalents	74,972	–	74,972
	218,965	–	218,965

	Liabilities at amortised cost	Total
Liabilities as per statement of financial position		
Trade and other payables	21,845	21,845
Borrowings	12,871	12,871
Lease liabilities	1,774	1,774
	36,490	36,490

26. Financial instruments (Continued)

(a) Financial instruments (Continued)

	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

	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

(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.

26. Financial instruments (Continued)

(b) Fair value measurements (Continued)

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 2022, the fair value of investment in an equity security was $nil (31 December 2021: $nil). Please refer to note 13 for details.

The interest in a film is classified as financial asset at fair value through profit or loss under IFRS 9 and this investment is classified as Level 3 financial instruments with the fair value determined based on GBO results and distribution costs at the end of the reporting period. As of 31 December 2022, the fair value of interest in a film classified as financial assets at FVTPL was $nil (31 December 2021: $nil). 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 2022 and 2021, respectively.

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 2022 and 2021, respectively.

	As at 31 December 2022		As at 31 December 2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Net financed sales receivable	54,643	54,685	53,738	53,673
Net investment in finance leases	26,536	26,660	25,221	25,221
Variable consideration receivables from contracts	2,547	2,547	3,307	3,307
Interest in a film classified as financial assets at FVTPL	–	–	–	–
Borrowings	12,871	12,871	3,612	3,612
Lease liabilities	1,774	1,774	552	552

26. Financial instruments (Continued)

(b) Fair value measurements (Continued)

There were no significant transfers between Level 1 and Level 2 during the year ended 31 December 2022 (2021: 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	
	2022	2021
Wages and salaries	7,997	10,256
Social security costs	437	398
Share-based compensation expenses	2,075	3,773
Termination benefits	350	–
Pension and other costs	694	654
	11,553	15,081

27. Employee benefit expense (Continued)

(b) Directors' emoluments

The remuneration of the directors for the year ended 31 December 2022 are set out below:

	Year Ended 31 December 2022						
	Fee	Salaries	Bonus	Share-based compensation	Pension	Other[1]	Total
Executive Directors							
Jiande Chen[2]	–	151	–	216	–	43	410
Edwin Tan[3]	–	366	–	(451)	–	497[4]	412
Jim Athanasopoulos	–	334	–	683	18	339	1,374
Mei-Hui Chou (Jessie)	–	371	–	360	9	210	950
Non-executive Directors							
Richard Gelfond	–	–	–	–	–	–	–
Megan Colligan	–	–	–	–	–	–	–
Jiande Chen[2]	45	–	–	58	–	–	103
Independent Non-executive Directors							
Yue-Sai Kan	75	–	–	96	–	–	171
John Davison	75	–	–	96	–	–	171
Dawn Taubin	60	–	–	96	–	–	156
Peter Loehr	60	–	–	96	–	–	156

27. Employee benefit expense (Continued)

(b) Directors' emoluments (Continued)

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[3]	–	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[2]	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

1 Includes perquisites such as educational reimbursements of minor children, housing, car, and relocation allowances.

2 Jiande Chen was re-designated from a Non-executive Director to an Executive Director with effect from 5 August 2022. He was re-designated from an Executive Director to a Non-executive Director with effect from 29 January 2021.

3 Edwin Tan resigned as an Executive Director with effect from 5 August 2022. He was appointed as an Executive Director with effect from 29 January 2021.

4 Includes termination benefits of $0.3 million.

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.

27. Employee benefit expense (Continued)

(b) Directors' emoluments (Continued)

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 2022, the five individuals whose emoluments were the highest in the Group include 4 directors (2021: 3) whose emoluments are reflected in the analysis above. The emoluments to the remaining 1 (2021: 2) individuals during the year are as follows:

	Years Ended 31 December	
	2022	2021
Basic salaries and allowances	140	384
Bonus	262	830
Share-based compensation	120	205
Other[1]	29	72
Pension	9	18
	560	1,509

1 Includes perquisites such as educational reimbursements of minor children, housing, car, and relocation allowances.

The emoluments fell within the following bands:

	Number of individuals Years Ended 31 December	
	2022	2021
In HK$		
3,000,001 – 3,500,000	–	1
4,000,001 – 4,500,000	1	–
8,000,001 – 8,500,000	–	1
	1	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.

27. Employee benefit expense (Continued)

(d) ***Senior management remuneration by band***

The emoluments of the senior management fell within the following band:

	Number of individuals Years Ended 31 December	
	2022	2021
In HK$		
2,500,001 – 3,000,000	1	–
3,000,001 – 3,500,000	1	1
4,000,001 – 4,500,000	2	–
7,000,001 – 7,500,000	1	–
8,000,001 – 8,500,000	–	2
10,500,001 – 11,000,000	1	–
14,000,001 – 14,500,000	–	1
15,000,001 – 15,500,000	–	1
	6	5

28. Statement of cash flow supplemental information

Cash provided by operations

	Notes	Years ended 31 December 2022	2021
Profit before income tax for the year		15,281	50,488
Adjustments for:			
Depreciation of property, plant and equipment	12	13,964	13,729
Net fair value losses on financial assets at FVTPL		4,470	–
Amortisation of film assets	17	2,523	3,997
Equity settled and other non-cash compensation		2,075	3,773
Allowance for (Reversals of) expected credit losses		1,319	(3,997)
Reversals of write-downs		(36)	(18)
Loss on disposal of property, plant and equipment		90	174
Interest expense		169	458
Foreign exchange losses (gains)		427	(4)
Changes in working capital			
Trade and other receivables		(16,009)	(6,077)
Financing receivables		(7,444)	(11,085)
Variable consideration receivables from contracts		404	64
Film assets		(2,547)	(3,885)
Inventories		458	279
Trade and other payables		2,491	(510)
Accruals and other liabilities		687	(729)
Deferred revenue		(5,472)	(2,853)
Prepayments		90	(556)
Contract acquisition assets		(496)	798
Other assets		(1,911)	(711)
Cash provided by operations		10,533	43,335

28. Statement of cash flow supplemental information (Continued)

Net debt reconciliation

	As at 31 December 2022	2021
Cash and cash equivalents	74,972	97,737
Short-term borrowings	(12,871)	(3,612)
Lease liabilities	(1,774)	(552)
Net debt	60,327	93,573

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents	Borrowings	Leases	Total
As at 1 January 2021	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 differences	2,316	22	(11)	2,327
As at 31 December 2021	97,737	(3,612)	(552)	93,573
Cash flows	(18,424)	(9,163)	832	(26,755)
New leases	–	–	(2,090)	(2,090)
Interest expense	–	–	(36)	(36)
Exchange differences	(4,341)	(96)	72	(4,365)
As at 31 December 2022	74,972	(12,871)	(1,774)	60,327

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	
	2022	2021
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	3,182	553
Capital injection to a film fund	–	25,000

(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	
	2022	2021
Within one year	88	134

30. Contingencies and guarantees

As of 31 December 2022, 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 71.73% of the Company's shares as at 31 December 2022.

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	
	2022	2021
Purchase of goods:		
IMAX Corporation (theatres systems)	10,272	18,660
Purchase of services:		
IMAX Corporation (film related transactions) (Note)	2,518	3,837
IMAX Corporation (management fees – legal and administration services)	626	623
Other transactions:		
IMAX (Barbados) Holding, Inc. (dividends paid to)	6,811	11,677
IMAX Corporation (paid/payable of trademark and technology fees)	3,950	6,032
IMAX Corporation (contribution fee paid for Enhanced Business)	3,298	–
Gross revenue earned from film services through IMAX Corporation (Note)	7,615	9,281
Revenue earned from Enhanced Business through IMAX Corporation	37	–
Revenue earned from maintenance services provided to IMAX Corporation	82	91

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 2022, conversion cost of $1.6 million (2021: $2.5 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 (loss) income.

31. Related party transactions (Continued)

(b) Year-end balances

	As at 31 December	
	2022	2021
Prepayments to related parties (note 13):		
IMAX Corporation	2,233	213
Receivables from related parties (note 19):		
IMAX Corporation	20,901	16,266
Loan and interest receivables from related parties (note 19):		
IMAX Fei Er Mu	207	227
Suzhou IMAX Fei Er Mu	307	335
Payables to related parties (note 22):		
IMAX Corporation	20,110	18,857

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	
	2022	2021
Salaries and other short-term employee benefits	1,833	3,071
Post-employment benefits	45	45
Termination benefits	324	–
Other benefits[1]	832	846
Share-based compensation	1,050	2,414
	4,084	6,376

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 (loss) income:

	Years Ended 31 December	
	2022	2021
Cost of sales	581	1,202
Selling, general and administrative expenses	205	229
	786	1,431

33. Dividends

	Years Ended 31 December	
	2022	2021
Dividends recognised as distribution during the year:		
2021 Final – HK$0.210 (2020: HK$0.155) per share	9,173	6,964
2022 Interim – HK$0.008 (2021: HK$0.217) per share	334	9,602
	9,507	16,566

As approved by the shareholders at the Annual General Meeting held on 23 June 2022, 2021 final dividend of $0.027 per share (equivalent to HK$0.210 per share) was distributed to shareholders on 11 July 2022. As approved by the shareholders at the Annual General Meeting held on 6 May 2021, 2020 final dividend of $0.020 per share (equivalent to 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 2022, of $0.001 per share (equivalent to HK$0.008 per share), was distributed to shareholders on 26 August 2022. As approved by the Board, an interim dividend for the six months ended 30 June 2021, of $0.028 per share (equivalent to HK$0.217 per share), was distributed to shareholders on 27 August 2021.

During the board meeting held on 22 February 2023, the Board recommended a final dividend of $0.015 per share (equivalent to HK$0.117 per share) for the year ended 31 December 2022 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 2022 final dividend is expected to be distributed to shareholders on or around 23 June 2023. There will be no scrip dividend option for the 2022 final dividend. The proposed dividend has not been provided for in the consolidated financial statement for the year ended 31 December 2022.

34. Balance sheet and reserve movement of the Company

(a) Balance sheet

	As at 31 December	
	2022	2021
ASSETS		
Non-current assets		
Investment in subsidiaries	32,538	32,538
	32,538	32,538
Current assets		
Prepayments	389	1,190
Trade and other receivables	18,846	17,218
Cash and cash equivalents	3,076	1,712
	22,311	20,120
Total Assets	54,849	52,658
LIABILITIES		
Current liabilities		
Trade and other payables	12,907	9,586
Accrued and other liabilities	55,038	39,381
	67,945	48,967
Total Liabilities	67,945	48,967
EQUITY		
Share capital	34	34
Share premium and reserves	(13,130)	3,657
Total Equity	(13,096)	3,691
Total Equity and Liabilities	54,849	52,658

Balance sheet of the Company was approved by the board of directors on 22 February 2023 and was signed on its behalf

Jiande Chen
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 2021	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
Comprehensive loss						
Loss for the year	–	–	–	–	(4,693)	(4,693)
Total comprehensive loss	–	–	–	–	(4,693)	(4,693)
Dividends recognised as distribution	–	(9,507)	–	–	–	(9,507)
Restricted share units vested and settled	–	1,305	1,420	(2,725)	–	–
Acquisition of shares for settlement of restricted share units	–	–	(1,613)	–	–	(1,613)
China long-term incentive plan	–	–	–	2,075	–	2,075
Shares buy-back	–	–	(3,026)	–	–	(3,026)
Shares buy-back transaction costs	–	–	(23)	–	–	(23)
Shares cancelled	–	(3,049)	3,049	–	–	–
Total transactions with owners, recognised directly in equity	–	(11,251)	(193)	(650)	–	(12,094)
Balance as at 31 December 2022	34	265,872	(722)	6,603	(284,883)	(13,096)

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 HK$39,000,001 12 ordinary shares for US$27,538,341	2 ordinary shares for HK$39,000,001 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%

Consolidated Financial Statements (Continued)

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%
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%

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) 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; 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).	Registered capital of RMB40,000,000	Paid up capital of $nil	–	100%

Note: None of the subsidiaries had issued any debt securities at the end of the year.

FINANCIAL SUMMARY

	FY2022 US$'000	FY2022 %	FY2021 US$'000	FY2021 %	FY2020 US$'000	FY2020 %	FY2019 US$'000	FY2019 %	FY2018 US$'000	FY2018 %
Revenues	**73,330**	**100.0%**	112,801	100.0%	52,331	100.0%	124,294	100.0%	117,520	100.0%
Cost of sales	**(33,633)**	**(45.9%)**	(44,613)	(39.6%)	(32,984)	(63.0%)	(47,647)	(38.3%)	(42,269)	(36.0%)
Gross profit	**39,697**	**54.1%**	68,188	60.4%	19,347	37.0%	76,647	61.7%	75,251	64.0%
Selling, general and administrative expenses	**(15,530)**	**(21.2%)**	(16,820)	(14.9%)	(14,381)	(27.5%)	(16,465)	(13.2%)	(16,105)	(13.7%)
Restructuring expenses and associated impairments	**–**	**–**	–	–	–	–	–	–	(112)	(0.1%)
Other operating expenses	**(3,968)**	**(5.4%)**	(6,062)	(5.4%)	(3,900)	(7.5%)	(6,534)	(5.3%)	(6,702)	(5.7%)
(Provisions) reversals of net impairment losses on financial assets	**(1,319)**	**(1.8%)**	3,997	3.5%	(10,892)	(20.8%)	(483)	(0.4%)	–	–
Other losses	**(4,470)**	**(6.1%)**	–	–	–	–	–	–	–	–
Operating profit (loss)	**14,410**	**19.7%**	49,303	43.7%	(9,826)	(18.8%)	53,165	42.8%	52,332	44.5%
Interest income	**1,040**	**1.4%**	1,643	1.5%	1,330	2.5%	1,771	1.4%	1,622	1.4%
Interest expense	**(169)**	**(0.2%)**	(458)	(0.4%)	(108)	(0.2%)	(93)	(0.1%)	–	–
Profit (Loss) before income tax	**15,281**	**20.8%**	50,488	44.8%	(8,604)	(16.4%)	54,843	44.1%	53,954	45.9%
Income tax expense	**(4,523)**	**(6.2%)**	(12,271)	(10.9%)	(18,135)	(34.7%)	(11,950)	(9.6%)	(11,189)	(9.5%)
Profit (Loss) for the year, attributable to owners of the Company	**10,758**	**14.7%**	38,217	33.9%	(26,739)	(51.1%)	42,893	34.5%	42,765	36.4%
Other comprehensive (loss) income:										
Items that may be subsequently reclassified to profit or loss:										
Change in foreign currency translation adjustments	**(19,470)**	**(26.6%)**	3,538	3.1%	14,139	27.0%	(2,898)	(2.3%)	(8,273)	(7.0%)
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	**–**	**–**	5,219	4.6%	(2,084)	(4.0%)	(3,400)	(2.7%)	(2,018)	(1.7%)
Other comprehensive (loss) income, net of tax	**(19,470)**	**(26.6%)**	8,757	7.8%	12,055	23.0%	(6,298)	(5.1%)	(10,291)	(8.8%)
Total comprehensive (loss) income for the year, attributable to owners of the Company	**(8,712)**	**(11.9%)**	46,974	41.6%	(14,684)	(28.1%)	36,595	29.4%	32,474	27.6%

	2022 US$'000	2021 US$'000	2020 US$'000	2019 US$'000	2018 US$'000
Total assets	326,403	349,758	334,794	328,267	329,343
Total liabilities	93,331	95,880	103,188	69,236	75,666
Total equity	233,072	253,878	231,606	259,031	253,677

Definitions

In this Annual Report, unless the context otherwise requires, the following expressions shall have the following meanings.

"Annual Minimum Guaranteed Payment Commitment"	the annual minimum royalty commitment given by the relevant China Domestic OEM under an Existing Agreement for each year of the applicable license term, with any shortfall to be paid by the China Domestic OEM as directed under the applicable Existing Agreement
"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 laserbased 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

Definitions (Continued)

"Existing Agreements"	any "Product License Agreement" entered into by a third-party partner with any China Domestic OEM before the date of the Enhanced Business Agreement
"Existing Agreement Renewal Proceeds"	the sum of all net proceeds received by IMAX Corporation from a third party partner in respect of any renewed Existing Agreement on or after the date on which such Existing Agreement is renewed, other than any New Deal/Renewal Proceeds
"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 Mainland China, Hong Kong, Macau and Taiwan
"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

Definitions (Continued)

"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 Mainland China, 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
"New Agreements"	any "Product Licence Agreement" entered into by a third-party partner with any China Domestic OEM on or after the date of the Enhanced Business Agreement
"New Deal/Renewal Proceeds"	all net proceeds received by IMAX Corporation from a third party partner for (1) any New Agreement, and (2) any renewed Existing Agreement on or after the date on which that Existing Agreement is renewed where: (a) any member of the IMAX China Group participates in the negotiations of such renewal; (b) the renewal results in a new Annual Minimum Guaranteed Payment Commitment which is higher than the Annual Minimum Guaranteed Payment Commitment under the relevant Existing Agreement (prior to its renewal); and (c) the renewal includes the licensing of a new product category which is not covered under the relevant Existing Agreement
"Prospectus"	the prospectus of the Company dated 24 September 2015

Definitions (Continued)

"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$0.0001 each in the share capital of the Company and a "**Share**" means any of them
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TCL-IMAX Entertainment"	TCL-IMAX Entertainment Co., Limited, a company incorporated in Hong Kong with limited liability on 3 January 2014, being the joint venture company jointly owned by IMAX Hong Kong Holding and Sino Leader (Hong Kong) Limited, which is wholly owned by TCL Multimedia Technology Holdings Limited
"Unrelated Business Agreement"	the unrelated business agreement entered into by the Company, IMAX Shanghai Multimedia, IMAX Hong Kong and IMAX Corporation on 28 October 2011, as amended on 21 September 2015 in contemplation of the Listing, details of which are set out in "*Relationship with our Controlling Shareholder — Competition — Unrelated Business Agreement*" in the Prospectus
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"USD" or "US$" 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
"China Domestic OEMs"	any original equipment manufacturers that are ultimately owned or otherwise controlled by companies that are organized and primarily headquartered in Greater China
"Chinese language film"	a motion picture approved for theatrical release in Greater China which was produced by one or more Chinese producer(s) or jointly produced by one or more Chinese producer(s) and one or more foreign producer(s) and was converted into IMAX format and released to IMAX theatres in Greater China pursuant to a DMR production services agreement entered into by a distributor with IMAX Shanghai Multimedia or IMAX Hong Kong in their respective territories, and meets the requirements of the relevant laws and regulations of Greater China
"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 Mainland China, 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
"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 or Other Film, which was converted into IMAX format and released to IMAX theatres in Greater China
"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 global network which has been produced by one or more foreign producer(s) and was converted into IMAX format and released to IMAX theatres pursuant to a DMR production services agreement entered into between IMAX Corporation and a distributor and the importation and release of such motion picture has been permitted in accordance with the relevant laws and regulations of Greater China
"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

Glossary (Continued)

"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
"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
"Other Film"	a motion picture which was converted into IMAX format and released to IMAX theatres in Greater China, excluding all Hollywood films or Chinese language 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 Mainland China must be affiliated with a theatre circuit

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