



IMAX CHINA HOLDING, INC.

Incorporated in the Cayman Islands with limited liability
Stock code : 1970



Annual Report 2023

IMAX[®]

Chairman's Statement

Dear Shareholders,

IMAX China achieved a remarkable turnaround in 2023. The Company capitalized on the reopening of its theatre network to deliver strong revenue growth, improved profitability, and several historic milestones for the box office. As we look ahead, we will continue to build upon our momentum with the most diversified content portfolio in the Company's history – reaching new audiences with Chinese and Hollywood blockbusters, marquee concert films, documentaries, and anime films.

In 2023, IMAX China achieved several box office records, including:

- The highest grossing Chinese New Year holiday period ever
- The highest grossing local language film ever with "The Wandering Earth 2"
- The highest grossing summer box office of USD\$100 million, fueled by "Creation of The Gods I: Kingdom of Storms"
- The highest grossing Third Quarter ever, highlighted by "Oppenheimer" – the biggest IMAX opening of a Hollywood film in 2023

Despite accounting for less than 1% of the overall screens in Greater China, IMAX China continues to deliver a strong share of the Chinese box office and key tentpole releases. The Company grew overall box office market share to 3.9% in 2023, up from 3.4% in 2022. IMAX China captured a stunning 30% of the box office for "Oppenheimer" in the Greater China market, and 10% total box office for Wuershan's fantasy epic, "Creation of the Gods I: Kingdom of Storms". We also delivered 10% of the box office for the anime film "The First Slam Dunk", and an unprecedented 45% box office for "Taylor Swift: The Eras Tour" – the first concert film to release on the IMAX network in Mainland China.

As we witness in markets around the world, IMAX's premium brand coupled with its strong box office performance is a catalyst for robust sales activity and continued IMAX network expansion. In 2023, the Company announced a significant expansion of its theatre partnership with Hengdian Films by entering into a long-term business agreement for the installation of twenty-two (22) new IMAX laser systems along with the provision of maintenance service, warranty, and technical support across Mainland China. This new partnership affords IMAX China with the opportunity to ultimately grow the number of IMAX locations in Greater China to more than 1,000 and marks the largest new system installation agreement in the past four years, reinforcing the renewed demand among Chinese theatre exhibitors and audiences for the unique, exciting and immersive IMAX Experience®.



Chairman's Statement (Continued)

We continue to see strong audience demand for local language films – 2023 was IMAX's highest grossing year ever for local content, setting a box office record of RMB1.19 billion (US\$0.17 billion), up 50% from 2019. Looking ahead to 2024, IMAX will continue to debut more local language films in China. We also continue to strengthen our partnerships with local studios and filmmakers, empowering visionary film directors and content creators to deliver their cinematic work with the most amazing visual presentation through our "Filmed for IMAX" program.

We're also pleased to see a steadier and expanding content supply from Hollywood. The number of Hollywood films released into Mainland China in 2023 reached 41, up from 25 in 2022, and we're already seeing a solid pipeline of Hollywood titles gaining entry into China for 2024. These include the epic return of the "Dune" franchise with "Dune: Part Two", "Godzilla vs. Kong: The New Empire", "Kung Fu Panda 4", and "Argylle". The rare re-release of "Oppenheimer" in March 2024 holds significant importance as it highlights Hollywood's pivotal role as a key contributor to the growth of China's film industry. We strongly believe that a more diverse environment – one that fosters both Hollywood and local content – will help further revitalize the Greater China market.

Additionally, we are committed to solidifying IMAX as a premier destination for theatrical entertainment events. In partnership with Paramount China, IMAX China created the very first outdoor pop-up theater in East Asia for the premiere of "Transformers: Rising of the Beasts", setting the franchise-best opening weekend indexing of 15.3%. Most recently, in collaboration with AMC and Alibaba Pictures, we transformed IMAX locations into front rows of a live concert arena for "Taylor Swift: The Eras Tour", with enthusiastic fans enjoying sold-out screenings. Such outstanding box office performance for alternative content not only creates new revenue streams for IMAX, but also further boosts our brand equity and fortifies IMAX China's position as the leading brand of theatrical entertainment with unmatched scale and brand recognition.

On behalf of the Board and management, I would like to thank our shareholders for your unwavering support, trust and confidence. IMAX China is poised to build on our market leadership thanks to our diverse slate of Hollywood and local language films, solid partnerships with local studios, filmmakers, and exhibitors, ever-expanding system network, and unparalleled premium brand. We are on track to continue our great momentum into 2024, and drive growth across the IMAX China network.

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

Unparalleled Brand Equity and Increased Share of Local Content Drives Robust and Sustained Recovery

Driven by the strong post-pandemic industry recovery, increased IMAX share of local language content, and expansive offering of diverse genres to broader audiences, this year saw IMAX China set a string of new records, including the best-ever Chinese New Year and summer holiday, as well as the second highest-ever May Day holiday and the best third – quarter box office.

BOX OFFICE AND MOVIES

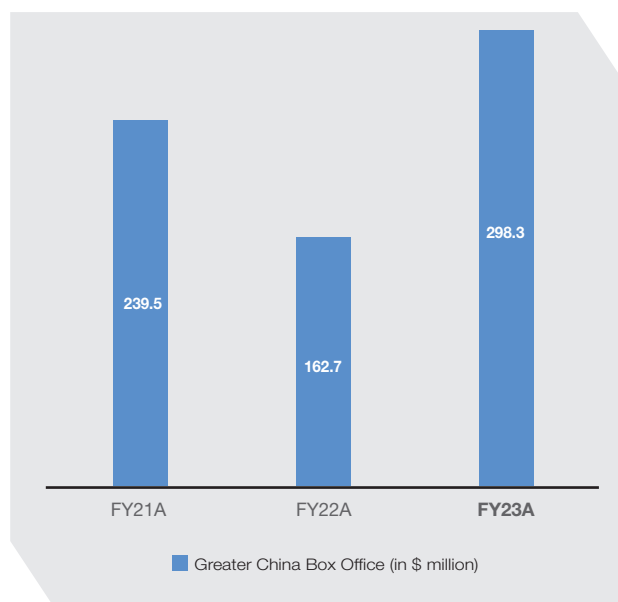
Throughout 2023, we exhibited a total of 80 movies, an all-time high for IMAX China, including 57 in Mainland China as well as 23 in Hong Kong and Taiwan exclusively. Our strategy of expanding IMAX's film slate with local content continued to bear fruit, resulting in a record-high box office for Chinese local language films of RMB1.19 billion (US\$0.17 billion), up 50% from 2019. Throughout the year, IMAX China repeatedly topped multiple box office records. As a result, our overall box office market share increased to 3.9%, up from 3.4% in the previous year.

Our positioning as the premium and preferred choice for theatrical entertainment has been further cemented post-pandemic, demonstrated by our significantly higher market share indexing across both Hollywood and local language tentpoles. For instance, IMAX indexed 30% of the total box office for *“Oppenheimer”* and 27% for *“Avatar: The Way of Water”*. Our strong box office performance in local language films was demonstrated by the fantasy epic *“Creation of The Gods I: Kingdom of Storms”*, in which IMAX China indexed 10% of overall box office of RMB2.63 billion (US\$0.37 billion), making the film the all-time best-performing summer title for IMAX China. *“Wandering Earth II”* rose to become our highest-grossing local language title, with IMAX earning almost 9% of the overall box office. In addition, 2023 saw strong performance across a broadening array of genres, expanding beyond Hollywood and local blockbusters. This included a robust showing of the Japanese anime films *“Suzume”* and *“The First Slam Dunk”* as well as an unprecedented indexing of 45% for the concert film *“Taylor Swift: The Eras Tour”*, demonstrating a strengthening demand for the unique and immersive IMAX Experience across audiences.

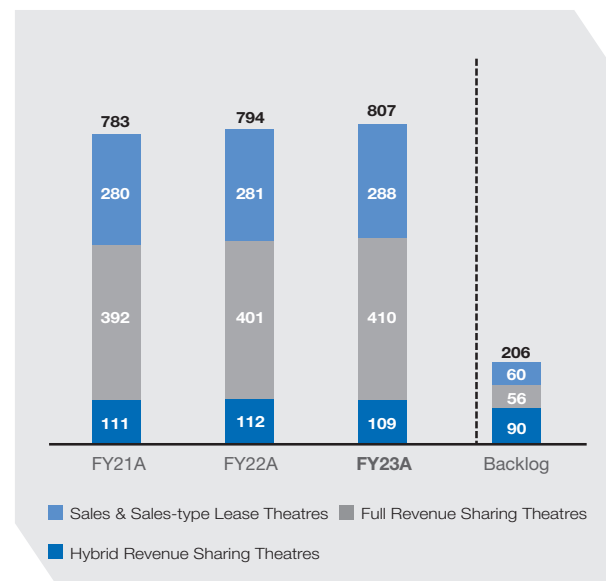
We also continued to see an upward momentum in our market share for Hollywood titles where our average indexing exceeded 14.4%, up from approximately 9.7% in 2019. This increase is particularly significant given that IMAX screens represent only 1% of the total screen count in China. This bodes well for what looks to be a strong slate of Hollywood tentpole titles⁽²⁾ in 2024 including *“Dune: Part Two”*, *“Godzilla vs. Kong The New Empire”*, *“Kung Fu Panda 4”*, *“Despicable Me 4”*, *“Dead Pool 3”*, *“Kingdom of the Planet of the Apes”* and *“Venom 3”*, as well as re-releases of *“Oppenheimer”* and *“Dune Part One”* – which have proven to be great box office performers in China. We also stand to benefit from the release of highly anticipated local language titles including *“Decoded”*.

Unparalleled Brand Equity and Increased Share of Local Content Drives Robust and Sustained Recovery (Continued)

IMAX China Box Office



IMAX China Theatre Network



IMAX NETWORK AND BACKLOG

In 2023, we installed 26 new, upgraded, retrofitted, or relocated systems, as compared to 28 installations in 2022. This figure includes 13 revenue-sharing theatres, 11 sales and sales-type lease theatres, and 2 relocations.

Capitalizing on the strong demand for the unique, exciting and immersive IMAX Experience from both consumers and exhibitors, we completed 28 new theater signings in 2023, including the signing of 22 new laser systems with Hengdian, the biggest system agreement signed in the past four years. As of 31 December 2023, our Greater China network included 807 theatres in over 210 cities as well as a backlog of 206 systems comprising 56 full revenue sharing, 90 hybrid revenue sharing and 60 sales or sales-type lease systems. This brings the total number of IMAX theatre systems (both completed and under contract) in Greater China to 1,013, surpassing the 1,000-theatre milestone.

Note:

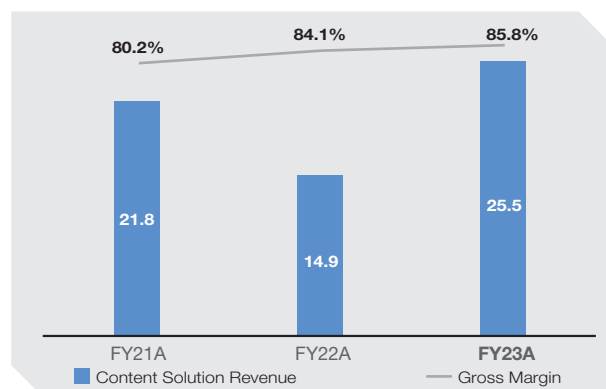
- Some titles have been confirmed to be released in North America but release schedule in China is to be determined.

CONTENT SOLUTIONS

Content Solutions principally includes content enhancement, previously reported within the IMAX DMR films segment.

With a strong recovery and record-breaking content supply, we saw revenue from Content Solutions grow 71.1% to \$25.5 million year-over-year. Gross margin was 85.8%, up from 84.1% in 2022.

Content Solutions



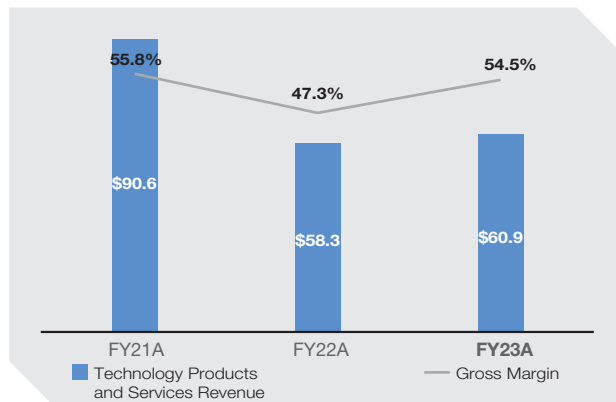
Unparalleled Brand Equity and Increased Share of Local Content Drives Robust and Sustained Recovery (Continued)

TECHNOLOGY PRODUCTS AND SERVICES

Our Technology Products and Services principally includes the sales, lease and maintenance of IMAX Systems, previously reported under the Revenue Sharing Arrangements, IMAX Systems, IMAX Maintenance, and Other Theatre business segments.

Our revenue from Technology Products and Services reached US\$60.9 million, up 4.5% year-over-year, driven by the strong growth in box office.

Technology Products and Services

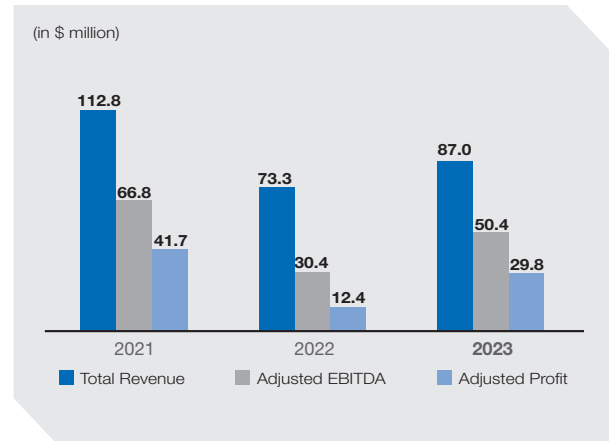


The Group's activities that do not meet the criteria to be considered a reportable segment are reported within All Other segment.

OVERALL PERFORMANCE

Revenue for IMAX China was US\$87 million for FY2023, \$13.7 million higher from 2022, driven by a strong box office recovery, a steady and improved content supply, and a return to full operation across the IMAX theatre network in Greater China. We also recorded US\$29.8 million adjusted profit, up from US\$12.4 million in 2022.

Overall Performance



Note: all numbers in charts are based on company data

IMAX CHINA'S GROWING INDEXING ACROSS HOLLYWOOD, LOCAL LANGUAGE BLOCKBUSTERS AND ALTERNATIVE CONTENT



The Wandering Earth II
(Jan 2023)

- A Filmed-for-IMAX title
- RMB 4 billion box office with IMAX indexing of 8.83%
- Highest-grossing IMAX local language release
- Third highest-grossing IMAX China film of all-time



Creation of the Gods I: Kingdom of Storms
(July 2023)

- RMB 2.63 billion box office with IMAX indexing of 10%
- Highest grossing IMAX summer release



The First Slam Dunk
(April 2023)

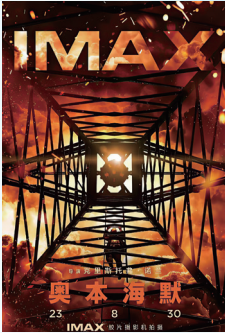
- Second highest-grossing Japanese anime title ever in China
- Biggest IMAX opening weekend for a foreign anime title, indexing 10%



SUZUME (Mar 2023)

- Highest-grossing Japanese anime title in China
- Highest-grossing IMAX Japanese movie in China
- RMB 800m box office with IMAX indexing of 6.7%

IMAX CHINA'S GROWING INDEXING ACROSS HOLLYWOOD,
LOCAL LANGUAGE BLOCKBUSTERS AND ALTERNATIVE CONTENT
(Continued)



OPPENHEIMER
(Aug 2023)

- Shoot with IMAX film camera
- RMB 450m box office with IMAX indexing of 30%
- Highest-grossing film directed by Nolan and highest IMAX index in China (first run)



Taylor Swift: The Eras Tour
(Dec 2023)

- Highest opening IMAX index for a foreign title, indexing 43%
- YTD indexing 45%
- First IMAX concert movie in China's mainland

9 OUT OF THE TOP 10 TITLES IN THE INDUSTRY ARE AVAILABLE IN IMAX FORMAT



1. *Full River Red*



2. *The Wandering Earth II*



3. *No More Bets*



4. *Lost in the Stars*



5. *Creation of the Gods I: Kingdom of Storms*

9 OUT OF THE TOP 10 TITLES IN THE INDUSTRY ARE AVAILABLE IN IMAX FORMAT (Continued)



6. *Never Say Never*



7. *Chang An*



8. *Bonnie Bears: Guardian Code*



9. *Under the Light*



10. *Godspeed*

Board of Directors & Experienced Management Team



Richard Gelfond
*Non-executive Director
and Chairman*

Experience

- 29 years at IMAX and industry experience



John Davison
*Independent
Non-executive Director*

Experience

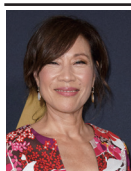
- Former President and Chief Executive Officer of Four Seasons Holdings Inc.



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



Janet Yang
*Independent
Non-executive Director*

Experience

- President of Academy of Motion Picture Arts and Sciences



Peter Loehr
*Independent
Non-executive Director*

Experience

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



Robert Lister
Non-executive Director

Experience

- 24 years at IMAX and 24 years of industry experience



Daniel Manwaring
*Chief Executive Officer
and Executive Director*

Experience

- Joined IMAX China in January 2023 and 11 years of industry experience



Jiande Chen
*Executive Director
and Vice Chairman*

Experience

- 12 years at IMAX and 23 years of industry experience



Jim Athanasopoulos
Executive Director

Experience

- 23 years at IMAX and industry experience



Jenny Jianing Chen
*Chief Financial Officer
and Chief Operating
Officer*

Experience

- Joined IMAX China in August 2023



Yifan (Yvonne) He
*General Counsel
and Joint Company
Secretary*

Experience

- Joined IMAX China in December 2020 and 3 years of industry experience



Honggen Yuan (Karl)
*Senior Vice President,
Theatre Development*

Experience

- 22 years at IMAX and industry experience

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IMAX CHINA HOLDING, INC.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Daniel Manwaring, *Chief Executive Officer*
 Jiande Chen, *Vice Chairman*
 Jim Athanasopoulos

Non-executive Directors

Richard Gelfond, *Chairman*
 Robert Lister

Independent Non-executive Directors

John Davison
 Yue-Sai Kan
 Janet Yang
 Peter Loehr

AUDIT COMMITTEE

John Davison (Chair)
 Janet Yang
 Richard Gelfond

REMUNERATION COMMITTEE

Yue-Sai Kan (Chair)
 John Davison
 Robert Lister

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

CORPORATE HEADQUARTERS

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 Huangpu District, Shanghai
 People's Republic of China

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 Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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

IMAX China Holding, Inc. (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 2023, there were 807 IMAX theatres in Greater China, including 791 in commercial locations, and additional 206 theatres in backlog. On 8 October 2015, the Company completed a Global Offering and the Company’s Shares were listed on Hong Kong Stock Exchange.

IMAX China Holding, Inc. and its subsidiaries (the “**Group**”) is a key participant in the Greater China film industry with wide-spread recognition and consumer loyalty through its early entry and historical successes. A significant majority of the Group’s revenue is generated in Mainland China, and Mainland China represents the principal source of the Group’s growth in the future. The Group’s goal is to deliver *The IMAX Experience* to an even broader audience in Greater China, the largest cinema market in the world by number of screens.

In 2023, the Group revised its internal segment reporting to include two reportable segments: (i) Content Solutions, which principally includes content enhancement, previously reported within the IMAX DMR films segment, and (ii) Technology Products and Services, which principally includes the sales, lease, and maintenance of IMAX Systems, previously reported within the Revenue Sharing Arrangements, IMAX Systems, IMAX Maintenance, and Other Theatre Business segments. The Group’s activities that do not meet the criteria for a reportable segment are reported within All Other. Prior period comparatives have been revised to conform with the current period presentation.

Management Discussion and Analysis (Continued)



Content Solutions

Content Solutions involves the digital re-mastering of Hollywood films, Chinese language films and Other films for the IMAX theatre network in Greater China.

The Group generates revenue by sharing certain percentages of IMAX box office received by its studio partners for the conversion and release of Hollywood films, Chinese language films and Other films to the IMAX theatre network. This arrangement enables the Group to share in the box office success of a film while limiting its exposures to the significant capital investment required in making a film and the regulatory requirements governing the production and distribution of films in Greater China.

Prior to 2020, a majority of the Group's Content Solutions revenue was derived from Hollywood films. This was mainly due to the nature of the Hollywood films programmed by the Group; the big budget blockbusters that lend themselves to the IMAX experience. Since 2020, due to the pandemic, the Group saw Hollywood film release dates delayed in Greater China. The Group also witnessed certain Hollywood films not securing a release date in Mainland China in 2021 and 2022 under the quota system. In 2023, both the dates and number of Hollywood films released in Mainland China normalized after the lifting of pandemic restrictions. However, the majority of the Group's Content Solutions revenue had shifted to Chinese language films, with the percentage of Chinese language box office year over year amounting to 31.4%, 66.3%, 60.1%, 58.8% and 61.5% in FY2019, FY2020, FY2021, FY2022 and FY2023, respectively. While Hollywood films remain an important part of the Group's programming schedule, Chinese consumers' association of the IMAX brand and their experience with IMAX blockbusters has extended beyond Hollywood films and into Chinese language films. As local filmmakers start to develop their content into franchises, much like their Hollywood counterparts, the Group is actively working with local directors to create and deliver their cinematic work with the most amazing visual presentation by leveraging IMAX certified cameras and expanded aspect ratios. Films with such unique IMAX DNA are referred to as "Filmed for IMAX". The Group believes such Hollywood and Chinese language films help drive higher market share for IMAX. The Group remains strategically focused on Chinese language films given their importance in the market and the fact that the Group earns a higher take rate on such films. Chinese language films continue to

Management Discussion and Analysis (Continued)

improve with growing production budgets and clearly resonate with local audiences, especially in small to medium-size Chinese cities where the Group has seen significant IMAX theatre expansion. The Group continues to deploy a flexible programming strategy whereby multiple Chinese language films within the same release window are programmed to offer more flexibility to theatre operators. The Group delivered a record number of Chinese language films in FY2023. The Group's partnership with local filmmakers has driven a deeper penetration of IMAX technology in content production, and this strategic effort delivered the most ever "Filmed for IMAX" local language films in the Group's history in 2023. The Group will continue to focus on this strategy in 2024 and beyond.

Technology Products and Services

The Group's Technology Products and Services involves the design, procurement and provision of premium digital theatre systems at its exhibitor partners' movie theatres, as well as the provision of related project management, ongoing maintenance services, warranty and aftermarket sales. Technology Products and Services revenue includes sales and sales-type lease arrangements, revenue sharing arrangements, IMAX maintenance, and other theatre.

Under sales and sales-type lease arrangements, the Group charges upfront payments and annual minimum payments. In addition, contingent rent under sales arrangements is estimated for the term of the contract and recognized upon the completion of the system installation. Under revenue sharing arrangements, it is further categorized into two sub-types: i) full revenue sharing arrangements; ii) hybrid revenue sharing arrangements. Under full revenue sharing arrangements, the Group leases theatre systems to exhibitor partners in exchange for future revenue sharing based on certain percentage of the IMAX box office with no or limited upfront payment. Under hybrid revenue sharing arrangements, the Group leases theatre systems to exhibitor partners in exchange for future revenue sharing based on certain percentage



Management Discussion and Analysis (Continued)

of IMAX box office and charges a relatively small upfront payment for the system. The percentages of future revenue sharing are typically lower in hybrid revenue sharing arrangements as compared to full revenue sharing arrangements. The full revenue sharing arrangements enable our exhibitor partners to expand their IMAX theatre network more rapidly by reducing their upfront capital investment, while aligning our interests with their interests and allowing IMAX to share in the box office they generate. Both arrangements create a recurring revenue stream from the theatre business for the term of the agreement without IMAX having to incur the capital expenditures required to build and operate movie theatres. IMAX maintenance includes annual maintenance revenue derived from theatre operators with initial contract terms of 10 to 12 years and subsequent contract renewal terms of 5 to 10 years. Under other theatre, revenue is generated from aftermarket sales of 3D glasses, screen sheets, sound system, parts and other miscellaneous items.

IMAX Technology

IMAX theatre systems bring together IMAX DMR conversion technology, advanced projection systems, curved screens and proprietary auditorium geometry as well as specialised sound systems to create a more intense, immersive and exciting viewing experience than a conventional movie theatre. The IMAX theatre systems are the result 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, the Group has full access to the most advanced IMAX theatre systems built upon proprietary technology and 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. Starting in late 2021, the Group began offering new laser-based theatre systems to a broader array of customers to upgrade their existing IMAX Xenon theatre systems. The Group believes that the expanded IMAX laser offerings deliver enhanced resolution, sharper and brighter images, deeper contrast as well as the widest range of colors to filmmakers, which can help facilitate the next major lease renewal and upgrade cycle for the commercial IMAX network in Greater China.

The IMAX Laser network currently stands at 127 theatres in Greater China.

Management Discussion and Analysis (Continued)

Our Partnerships

The Group has strong and successful partnerships with a number of key players across the Greater China film industry. These partnerships comprise over 90 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.), Beijing Bona International Cineplex Investment and Management Co., Ltd., Guangzhou Jinyi Media Corporation, and Omnijoi Cinema Development Co., Ltd.. The Group has access to IMAX Corporation's exceptional Hollywood relationships with Disney, Warner Brothers, Universal, Sony and Paramount. The Group also works with leading producers, directors and studios in Greater China such as China Film, Beijing Maoyan, Alibaba Pictures, Beijing Enlight Picture, and Beijing Super Lion to convert Chinese language films into the IMAX format for the release to the IMAX theatre network. In addition, the Group works with large commercial real estate developers to identify potential exhibitor partners and new locations for IMAX theatres.

Our Competitive Strengths

The Group believes that our success to date, and the 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, blockbuster Hollywood and Chinese language films that favor *The IMAX Experience*;
- Relationships with top filmmakers in Hollywood and Greater China, who embrace the IMAX technology and platform for the production and distribution of their films;
- An unparalleled theatre network in top locations throughout Greater China;
- Leading IMAX theatre system built upon laser-based technology, delivering a unique and immersive 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

The Group's goal is to deliver *The IMAX Experience* to an even broader audience in Greater China through the following strategies:

- Increasing the number of Chinese language film releases per year and the percentage of annual box office generated from these films;

Management Discussion and Analysis (Continued)

- Strengthening the Group's cooperation with studios and filmmakers in Mainland China, including the incorporation of IMAX DNA within local films by using IMAX certified cameras and expanded aspect ratios as done previously with certain Hollywood films;
- Expanding the IMAX theatre network in Greater China through the rollout of IMAX laser technology by offering new laser-based systems to replace the existing IMAX Xenon systems;
- Increasing the number of strategic revenue sharing arrangements that deliver reasonable returns with the Group's exhibitor partners;
- Maintaining the Group's market leading position as a provider of a premium cinematic experience;
- Continuing to invest in the IMAX brand in Greater China; and
- Leveraging the global IMAX brand and relationships to develop and invest in the continued evolution of the Group's businesses.

The Management Discussion and Analysis is based on the Group's consolidated financial statements for FY2023 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 Pandemic

As the theatrical exhibition industry continues to recover from the pandemic, normal operations have resumed in theatre operators throughout the IMAX network in Mainland China in FY2023. Management is further encouraged by the return of the prevalence of exclusive theatrical windows and the strong pipeline of movies scheduled to be released for theatrical exhibition in Mainland China throughout FY2023. However, the lingering impact of the pandemic on the Company's business and financial results will likely continue and are dependent upon numerous evolving factors. There remains uncertainty around whether and when movie-going will return to historical levels. The timing and extent of a recovery of consumer behavior and willingness to spend discretionary income on movie-going may delay the Group's ability to derive significant revenue from box office generated by its exhibitor customers until consumer behavior normalizes and consumer spending fully recovers.

As a result of the financial difficulties faced by certain of the Group's exhibitor customers, 2023 saw 14 theatre closures within the IMAX theatre network in Greater China. The Group's exhibitor partners may continue to experience operational and/or financial difficulties post pandemic, which would further increase the risks associated with payments due under existing agreements with the Group. The ability of such partners to make payments cannot be guaranteed and is subject to changing economic circumstances. Furthermore, the Group has had to delay certain IMAX system installations from the backlog and may be required to further delay or cancel such installations in the future. As a result, the Group's future revenues and cash flows have been, and in the future, may continue to be adversely affected.

Management Discussion and Analysis (Continued)

Given the dynamic nature of the circumstances, it is difficult to predict the full extent of the adverse impact of the pandemic on the Group's financial condition, liquidity, business and results of operations in future reporting periods. The extent and duration of such impact on the Group will depend on future developments, including, but not limited to, the potential emergence, spread and severity of any health epidemics and the resulting government response, the solvency of the Group's exhibitor partners and their ability to make timely payments, any potential construction or installation delays involving the Group's exhibitor partners, and the continuing impact of the pandemic on economic conditions. Such events are highly uncertain and cannot be accurately forecasted.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Group believes that the 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

The Group's 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. The Group sources films produced by Hollywood and local studios and filmmakers and convert those films into the IMAX format using IMAX Digital Remastering (DMR) conversion technology developed by IMAX Corporation. In FY2022 and FY2023, 25 and 57 IMAX films, respectively, were released and generated revenue for the Group in Mainland China. The number of Hollywood films released in Mainland China in FY2023 was 22, as compared to 10 in FY2022. The Group believes the higher number of Hollywood film releases was due to the lifted pandemic controls and the relaxed importation in FY2023. 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 FY2024. 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, the Group cannot be assured that these IMAX format Hollywood films will be made available in Mainland China.

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 IMAX film slate is also pivotal for maintaining the ticket price premium commanded by IMAX theatres. The Group selects films which are best suited for local audiences for conversion into the IMAX format, and then works closely with the studios and filmmakers to enhance the viewing experience by leveraging the IMAX format including expanded 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 conventional theatres in Mainland China. The average box office per screen of IMAX theatres was US\$0.39 million in FY2023 compared to the average box office per screen of approximately US\$0.10 million for all screens in Mainland China, according to Beacon. Higher average box office per screen for IMAX theatres makes them more attractive to exhibitors, which enables the Group to grow the IMAX theatre network and generate revenue from new installations.

Management Discussion and Analysis (Continued)

In addition, because the number of IMAX theatres under revenue sharing arrangements included 519 theatres plus 146 in backlog as of 31 December 2023, strong box office performance of films will continue to weigh significantly on revenues generated from IMAX DMR films and revenue sharing arrangements. In FY2023, the Group attempted to mitigate box office highs and lows by deploying a portfolio approach to film selection. The Group believes that a key factor in the box office success of films is not only selecting blockbuster Hollywood and Chinese language films, but more importantly, securing more “*Filmed for IMAX*” film releases and ensuring the right balance of Hollywood and Chinese language films for the slate.

Film Release Date and Film Mix

Censorship rules and film quotas restrict the number of Hollywood films that can be released in Mainland China each year. Accordingly, balancing the release dates for IMAX films as well as the mix of Chinese language films versus Hollywood films in Mainland China is a key success factor for our business. Historically, the regulatory bodies in Mainland China have supported gradual liberalisation of the film industry and introduced many government initiatives to foster the growth of the film industry, including a 2012 agreement with the United States to permit additional fourteen (14) 3D or IMAX films to be released in Mainland China each year beyond the previous annual quota of twenty (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. The scope of the renegotiation may include the quota of Hollywood films to be released in Mainland China and Hollywood studios’ take rate on these films. As it currently stands, there is ongoing uncertainty surrounding the renewal of the agreement.

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 of 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 deliver strong box office performance. According to Beacon, as of 31 December 2023, all top 10 box office films in Mainland China during the year were Chinese language films. In 2023, nine (9) Chinese language films, a part of the top 10 performing box office films for the industry, *Full River Red*, *The Wandering Earth 2*, *No More Bets*, *Lost in the Stars*, *Creation of the Gods I*, *Never Say Never*, *Chang’An*, *Under the Light*, and *Godspeed* were in the IMAX slate for 2023. The Group shares a higher percentage of box office for Chinese language films as 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, accounting for 83.5% in FY2023 and 84.4% in FY2022, according to Beacon. Pre pandemic, the percentage shares of box office were in the range of 60-65%. Chinese language films in the IMAX format as a percentage of the Group’s box office in Mainland China was 61.5% for FY2023 and 58.8% for FY2022.

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 the Group's success. In particular, the rate at which the Group is able to expand the IMAX theatre network has been, and will continue to be, an important driver of its operating results and growth.

Network Expansion

Under Content Solutions segment, the Group derives revenue through box office generated from IMAX films from the studio partners in the IMAX theatres network. Under Technology Products and Services segment, the Group generates revenue primarily from exhibitor partners through either sales and sales-type lease arrangement or revenue sharing arrangements, maintenance services, and aftermarket sales. As a result, the larger the IMAX theatre network, the more opportunities the Group will have to increase revenue and profit across business segments.

The larger the IMAX theatre network grows, the greater the value proposition becomes to studios in terms of overall IMAX box office potential for their films and the resulting additional revenue derived from the IMAX platform. This, in turn, helps the Group continue to attract top Hollywood and Chinese language films from studios that value the IMAX economic proposition and the differentiated IMAX platform for the release of their films. As the Group attracts top IMAX films from Hollywood and local studios, 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, immersive viewing experience. This, in turn, helps the Group win over new exhibitor partners as well as encourage repeat business with existing exhibitor partners. Such efforts resulted in the creation of a robust and self-reinforcing revenue cycle driving revenue increases from sales or sales-type lease arrangements, revenue sharing arrangements, and the rapid expansion of the IMAX theatre network in Greater China.

The Group believes the IMAX network business is largely scalable because conversion costs for delivering IMAX films are fixed per film. As the IMAX theatre network grows, revenue derived from the expanded network is expected to increase without a proportional increase in variable costs, enabling the Group to deliver increased operating profit through greater economies of scale.

The number of IMAX theatres in Greater China increased from 794 IMAX theatres as of 31 December 2022 to 807 IMAX theatres as of 31 December 2023.

Backlog

The Group's ability to expand the IMAX theatre network is driven by its ability to sign new theatre system agreements with exhibitor partners and replenish its backlog as theatre systems are installed. The installation of theatre systems in newly-built or 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 the Group's control. Revenue from the Group's backlog is recognised upon the completion of the installation of IMAX theatre systems. Continuously replenishing our backlog underpins the continued growth of the IMAX theatre network. The number of IMAX systems in the Group's backlog slightly increased from 204 as of 31 December 2022 to 206 as of 31 December 2023, but the carrying value of our backlog decreased from US\$147.1 million as of 31 December 2022 to US\$131.9 million as of 31 December 2023 primarily due to higher proportion of revenue sharing arrangements in the backlog for FY2023 than FY2022. For the number of systems in the backlog, approximately 29% is sales and sales-type lease arrangements, 27% is full revenue sharing arrangements, and 44% is hybrid revenue sharing arrangements.

Management Discussion and Analysis (Continued)

The total value of the backlog represents all signed sale or lease agreements of IMAX theatre systems, which are expected to be recognized as revenue in the future including initial payments and the estimated present value of ongoing contractual fees due over the term, but excludes amounts allocated to maintenance revenue. Notwithstanding the legal obligation to do so, some of the Group's customers with 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 the backlog could adversely affect the Group's future revenues and cash flows. In addition, customers with theatre system purchase or lease obligations in backlog may request that the Group to modify such purchase or lease obligations, which in some cases the Group has agreed to do in the past under certain circumstances. Customer-requested delays in the installation of IMAX theatre systems in the backlog remain a recurring and unpredictable part of the Group's business operations.

As part of the Group's strategy to expand the IMAX theatre network, a number of "IMAX zones" across Greater China have been mapped out. Each zone represents an area in which, based on the Group's analysis, an exhibitor could potentially open a new IMAX theatre without negatively affecting the business and financial results of the adjacent existing IMAX theatre. With few exceptions, it is estimated that each IMAX zone will typically contain only one IMAX theatre based on the zone location and any carve-outs in the agreements the Group has entered into with its 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 the Group to add new IMAX zones. As of 31 December 2023, the Group had identified approximately 1,400 IMAX zones across Greater China.

Proportion of Revenue Sharing Arrangements

The Group generates revenue through sales or lease of IMAX theatre systems to theatre exhibitors. Under sales arrangements with exhibitor partners, most payments are made at the time of installation of the IMAX theatre system. Substantially all revenue from such sales is recognised at the completion of the installation. Under revenue sharing arrangements, the Group either charges a small upfront payment or does not require any upfront payment at the time of the IMAX theatre system installation.

The Group's revenue sharing arrangements provide a percentage of recurring box office generated from the exhibitor partners for IMAX films over the 10- to 12-year term of the agreement and allow the Group to benefit from future growth in the box office of IMAX theatres in Greater China. However, as the percentages the Group can share from the exhibitor partners' box office vary among exhibitors and may fluctuate from contract to contract, the Group's ability to share additional revenue from having more revenue sharing arrangements may be affected.

The Group requires increased working capital to continue to fund the purchase and installation of IMAX theatre systems leased to the exhibitor partners under full revenue sharing arrangements. However, as the network of IMAX theatres continues to grow, such increased working capital needs will be offset by an increase in recurring revenue received by the Group under full revenue sharing arrangements.

Management Discussion and Analysis (Continued)

Impact on the Group's Profitability

While an increasing number of revenue sharing arrangements will allow the Group to earn recurring revenue, it also makes the Group more susceptible to fluctuations in box office performance as the amount of revenue that the Group generates under revenue sharing arrangements is dependent upon the box office performance of the films exhibited at the particular theatre. As a result, the Group's 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 the Group receives would be reduced.

The proportion of IMAX theatre systems the Group installs under hybrid revenue sharing arrangements also has an impact on the gross profit and gross profit margin of the Group. Under hybrid revenue sharing arrangements, the Group recognises revenue on the upfront payment and also recognizes all the associated costs at the time of system installation. Such upfront payments typically cover only the costs related to the theatre system installation. While the Group records minimal gross profit and gross profit margin for the hybrid revenue sharing arrangement at the time of system installation, the Group records all revenues in subsequent periods with virtually no corresponding theatre system cost, resulting in substantially higher gross profit and gross profit margin in the subsequent periods. As the Group's base of hybrid theatres grows, the percentage box office revenue earned by these theatres is expected to increase with no corresponding cost of the respective systems.

Revenue sharing arrangements increased from 513 arrangements in FY2022 to 519 arrangements in FY2023. As the level of the Group's involvement and capital commitment is much greater with a revenue sharing arrangement, the Group can provide more input in the exhibitor's marketing campaigns for an IMAX film or an IMAX theatre launch. Going forward, the Group plans to continue to promote revenue sharing arrangements with exhibitors that can roll out their theatre network rapidly and have a portfolio of quality theatres with great box office potential or a proven track record of success with IMAX theatres. Notwithstanding the Group's interest in additional revenue sharing arrangements, the exhibitor partners may have other commercial considerations or 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 the revenue generated from existing IMAX Systems and the demand for new IMAX Systems. The Greater China market faces a number of risks, including but not limited to, changes in laws and regulations, currency fluctuations, increased competition, and changes in economic conditions such as 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 Canada, which may be impacted by tariffs or trade embargoes.

Continued growth in the Group's business depends on urbanisation and rising standards of living in Mainland China, which drives the demand for premium entertainment. The Group's success depends in part on general political, social and economic conditions and the willingness of consumers to purchase tickets to experience IMAX movies. If movie-going becomes less popular in Greater China, the Group's business could be adversely affected. In addition, the

Management Discussion and Analysis (Continued)

Group's operations could be adversely affected if consumers' discretionary income falls as a result of an economic downturn or recession arising from geopolitical tensions, sustained increase in inflation and interest rates, supply chain disruptions, public health epidemics 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 revenue from Content Solutions and Technology Products and Services via revenue sharing arrangements, and indirectly promote new system signings and installations. Accordingly, a decline in attendance within the IMAX theatre network could materially and adversely affect several key revenue streams for the Group.

The Group also depends on the sale and lease of IMAX Systems to theatre exhibitors to generate revenue. Theatre exhibitors generate revenue from consumer attendance at their theatres, which depends on the willingness of consumers to spend discretionary income on movie-going. In the event of declining box office and concession revenues, theatre exhibitors may be less willing to invest capital in installing new IMAX Systems, 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 pandemic, Israel-Palestine war, Ukraine-Russia war, and military conflicts at the Red Sea, could materially increase the cost of the Group's goods, services and personnel, which could cause an increase in the operating costs of the Group.

Our Ability to Maintain Pricing and Profit Margins

A significant portion of the Group's operating costs are relatively fixed for Content Solutions and Technology Products and Services under revenue sharing arrangements, such as DMR conversion costs per film and theatre system depreciation. As a result, the Group has been able to maintain pricing and profit margin to deliver financial results. As the Group expands the IMAX theatre network and engages with additional exhibitor partners, the Group may be asked to offer pricing or volume discounts to existing exhibitors that are committed to install a large number of new IMAX theatre systems. The Group may strategically offer discounts or concessions to certain exhibitors to maintain or gain its market share. Given the relatively fixed cost base of the Group, any material decreases in revenue due to adjustments in pricing are expected to have an adverse impact on the profitability of the Group.

Seasonality Effects

The Group's business is seasonal which skews the profitability of its Technology Products and Services towards the second half of the year. Most of the 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, the Group typically records higher levels of revenue and profit under Technology Products and Services during the second half of the year.

Currency Fluctuations

The Group generates a majority of its revenues in local currency RMB. However, the Group purchases 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 the Group's costs and negatively affect its profitability. The Group has not entered, and currently does not intend to enter into any forward contracts to hedge its exposures to exchange rate fluctuations.

Management Discussion and Analysis (Continued)

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 the Group prepares its financial statements. Foreign currency transactions are translated into the U.S. dollar using the exchange rates prevailing at the annual average rate for its Statement of Comprehensive Income/(Loss) and the closing rate for its Statement of Financial Position. Foreign currency gains and losses are recorded in the Consolidated Statement of Comprehensive Income/(Loss) of the Group.

DESCRIPTION OF SELECTED LINE ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

Revenue

The Group derives a majority of its revenue from two primary segments – Content Solutions and Technology Products and Services. The Group's activities that do not meet the criteria to be considered a reportable segment are reported within All Other.

Content Solutions

Content Solutions derives revenue from a certain percentage of IMAX box office received by the studio partners for the conversion and release of Hollywood and Chinese language films to the IMAX theatre network. IMAX DMR film revenue is recognized when reported by the exhibitor partners of the Group.

Technology Products and Services

Technology Products and Services derives revenue from exhibitor partners through sales and sales-type lease, revenue sharing arrangements, maintenance services, and other theatre.

- Sales and sales-type lease arrangements consist of the design, manufacture and installation of IMAX theatre system for upfront payments and ongoing fees, which may include stipulated minimum payment per annum and contingent rent in excess of minimum payment. The upfront payments vary depending on the system configuration and the location of the theatre. Upfront payments for installation are paid according to the contractual terms. In addition, the present value of future minimum payments and contingent rent on sales arrangement is recognized as revenue upon the completion of installation and exhibitor acceptance of the IMAX theatre system;
- Revenue sharing arrangements are categorized into two sub-types: 1) full revenue sharing arrangements; 2) hybrid revenue sharing arrangements. Under full revenue sharing arrangements, the Group leases IMAX theatre systems to its exhibitor partners and provides related maintenance and technical support services in exchange for future revenue sharing based on certain percentages of the IMAX box office from the IMAX theatre. Under full revenue sharing arrangements, the Group receives no or limited upfront payments for the system installation. Contingent rent based on a percentage of IMAX box office is recognized as revenue when reported by theatre exhibitors. Under hybrid revenue sharing arrangements, the Group receives a reduced upfront payment for the system installation. Contingent rent based on a percentage of IMAX box office is recognized as revenue when reported by theatre exhibitors;

Management Discussion and Analysis (Continued)

- IMAX Maintenance generates revenue from the provision of ongoing maintenance, warranty, and technical support services. The revenue recognized primarily comprises annual maintenance fee due to the Group by theatre exhibitors under all sales and sales-type lease arrangements and revenue sharing arrangements; and
- Other theatre revenue derived from theatre operators for aftermarket sales of 3D glasses, screen sheets, parts and other items that fall into this category.

All Other

The Company's activities that do not meet the criteria to be considered a reportable segment will be reported within All Other.

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

	FY2023		FY2022	
	US\$'000	%	US\$'000	%
Content Solutions	25,522	29.4%	14,908	20.3%
Technology Products and Services	60,898	70.0%	58,285	79.5%
Subtotal for reportable segments	86,420	99.4%	73,193	99.8%
All Other	562	0.6%	137	0.2%
Total	86,982	100.0%	73,330	100.0%

Cost of Sales

The Group's cost of sales primarily comprises the costs for the rights of all digital re-mastered films purchased under its 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, marketing costs for IMAX theatre launches, sales commissions and the cost for providing any maintenance and technical support services during a warranty period.

Management Discussion and Analysis (Continued)

The following table sets out the cost of sales for the Group's respective reportable segments for the years indicated, as well as the percentage of respective revenue they each represent:

	FY2023		FY2022	
	US\$'000	%	US\$'000	%
Content Solutions	3,614	14.2%	2,364	15.9%
Technology Products and Services	27,686	45.5%	30,738	52.7%
Subtotal for reportable segments	31,300	36.2%	33,102	45.2%
All Other	1,149	204.4%	531	387.6%
Total	32,449	37.3%	33,633	45.9%

Gross Profit and Gross Profit Margin

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

	FY2023		FY2022	
	US\$'000	%	US\$'000	%
Content Solutions	21,908	85.8%	12,544	84.1%
Technology Products and Services	33,212	54.5%	27,547	47.3%
Subtotal for reportable segments	55,120	63.8%	40,091	54.8%
All Other	(587)	(104.4)%	(394)	(287.6)%
Total	54,533	62.7%	39,697	54.1%

Selling, General and Administrative Expenses

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

	FY2023		FY2022	
	US\$'000	%	US\$'000	%
Employee salaries and benefits	8,510	9.8%	7,176	9.8%
Share-based compensation expenses	2,992	3.4%	2,075	2.8%
Travel and transportation	446	0.5%	286	0.4%
Advertising and marketing	979	1.1%	849	1.2%
Professional fees	2,746	3.2%	1,648	2.2%
Other employee expense	335	0.4%	239	0.3%
Facilities	342	0.4%	328	0.5%
Depreciation	947	1.1%	977	1.3%
Foreign exchange and other expenses	841	1.0%	1,952	2.7%
Total	18,138	20.9%	15,530	21.2%

Management Discussion and Analysis (Continued)

Other Operating Expenses

Other Operating Expenses primarily include the annual license fees payable to IMAX Corporation in respect of the trademark and technology license under the Technology License Agreements and the Trademark License Agreements, at an aggregate of approximately 5% of the Group's revenue. The Group's other operating expenses for FY2023 and FY2022 were US\$3.9 million and US\$4.0 million, respectively.

Provisions of Net Impairment Losses on Financial Assets

Net impairment losses on financial assets for FY2023 and FY2022 were US\$1.2 million and US\$1.3 million, respectively. The losses were primarily due to the provision for current expected credit losses, principally reflecting a reduction in the credit quality of the Group's trade receivables, financing receivables and variable consideration receivables.

Other Income

Other income of US\$0.7 million mainly includes subsidy received in FY2023 (FY2022: nil).

Other Gains/(Losses) – Net

Other net gain of US\$0.2 million for FY2023 is a recovery of US\$0.3 million from the loss recognized for film investment in "Mozart from Space" in FY2022, partly offset by the loss of US\$0.1 million recognized from the impairment assessment performed on IMAX Private Theatre (IPT) system in FY2023. The net fair value losses 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 longer than 90 days. The Group's interest income for FY2023 and FY2022 was US\$1.9 million and US\$1.0 million, respectively.

Income Tax Expenses

The Group is subject to Mainland China and Hong Kong income tax. The Group is also subject to withholding taxes in Taiwan. The enterprise income tax ("EIT") rate generally levied in Mainland China is 25%. The entities incorporated in Hong Kong are subject to Hong Kong income tax at a rate of 8.25% on assessable profits up to HK\$2 million and 16.5% on any part of assessable profits over HK\$2 million. For the years presented, the Group's effective tax rate differs from the statutory tax rate and varies from year to year primarily due to 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 its recoverability assessments of deferred tax assets.

The income tax expense of the Group for FY2023 and FY2022 was US\$6.2 million and US\$4.5 million, respectively.

Management Discussion and Analysis (Continued)

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Consolidated Statement of Comprehensive Income

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

	FY2023		FY2022	
	US\$'000	%	US\$'000	%
Revenues	86,982	100.0%	73,330	100.0%
Cost of sales	(32,449)	(37.3)%	(33,633)	(45.9)%
Gross profit	54,533	62.7%	39,697	54.1%
Selling, general and administrative expenses	(18,138)	(20.9)%	(15,530)	(21.2)%
Other operating expenses	(3,889)	(4.5)%	(3,968)	(5.4)%
Provisions of net impairment losses on financial assets	(1,187)	(1.4)%	(1,319)	(1.8)%
Other income	721	0.8%	–	–
Other gains/(losses) – net	187	0.2%	(4,470)	(6.1)%
Operating profit	32,227	37.1%	14,410	19.7%
Interest income	1,858	2.1%	1,040	1.4%
Interest expense	(412)	(0.5)%	(169)	(0.2)%
Profit before income tax	33,673	38.7%	15,281	20.8%
Income tax expense	(6,172)	(7.1)%	(4,523)	(6.2)%
Profit for the year, attributable to owners of the Company	27,501	31.6%	10,758	14.7%
Other comprehensive loss:				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	(2,819)	(3.2)%	(19,470)	(26.6)%
Other comprehensive loss:	(2,819)	(3.2)%	(19,470)	(26.6)%
Total comprehensive income (loss) for the year, attributable to owners of the Company	24,682	28.4%	(8,712)	(11.9)%

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 the Group's cash requirements or whether the Group's 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 share-based compensation, as well as the related tax impact of the adjustments.

The Group believes that these adjustments allow management and users of the Group's financial statements to review operating trends and analyze controllable operating performance metrics 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 Group's employee and executive compensation packages, it is a non-cash expense and is excluded from certain internal business performance measures.

The following table sets out the Group's adjusted profits for the years 2023 and 2022:

	FY2023 US\$'000	FY2022 US\$'000
Profit for the year	27,501	10,758
Adjustments:		
Share-based compensation	2,992	2,075
Tax impact on item listed above	(662)	(475)
Adjusted profit	29,831	12,358

FY2023 COMPARED WITH FY2022

Revenue

The Group's revenue increased 18.7% from US\$73.3 million in FY2022 to US\$87.0 million in FY2023 driven by an increase of US\$10.6 million in Content Solutions revenue, an increase of US\$2.6 million in Technology Products and Services revenue, and an increase of US\$0.5 million in All Other revenue, as further explained below.

Content Solutions

Revenue from Content Solutions increased 71.1% from US\$14.9 million in FY2022 to US\$25.5 million in FY2023 driven by an increase in box office revenue. The box office revenue generated by IMAX formatted films increased 83.3% from US\$162.7 million in FY2022 to US\$298.3 million in FY2023 primarily due to the reopening of theatres in Mainland China post pandemic and a greater number of film releases during the year.

Management Discussion and Analysis (Continued)

Box office revenue per screen increased 85.7% from US\$0.21 million in FY2022 to US\$0.39 million in FY2023 for the reasons listed above.

The following table sets out the number of films in the IMAX format released in Greater China for the years 2023 and 2022:

	FY2023	FY2022
Hollywood films	22	10
Hollywood films (Hong Kong, Taiwan and Macau only)	19	14
Chinese language films	30	13
Other films	5	2
Other films (Hong Kong, Taiwan and Macau only)	4	6
Total IMAX films released	80	45

Technology Products and Services

Revenue from Technology Products and Services increased 4.5% from US\$58.3 million in FY2022 to US\$60.9 million in FY2023, driven by an increase of US\$9.7 million in revenue sharing arrangements, partially offset by a decrease of US\$4.4 million in sales and sales-type lease arrangements, a decrease of US\$2.1 million in IMAX maintenance, and a decrease of US\$0.6 million in aftermarket sales, as explained further below.

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		
	2023	2022	Growth (%)
Commercial			
Mainland China ⁽¹⁾	774	762	1.6%
Hong Kong	5	5	–
Taiwan	11	10	10.0%
Macau	1	1	–
	791	778	1.7%
Institutional ⁽²⁾	16	16	–
Total	807	794	1.6%

Notes:

- (1) Fourteen (14) theatres in Mainland China were closed in FY2023, one of which was relocated to another site.
- (2) Institutional IMAX theatres include museums, zoos, aquaria and other destination entertainment sites that do not exhibit commercial films.

Management Discussion and Analysis (Continued)

The following table sets out the number of IMAX theatre systems installed by business arrangements in FY2023 and FY2022:

	FY2023	FY2022
Sales and sales-type lease arrangements	12	8
Revenue sharing arrangements	14	16
IMAX with Laser upgrades	–	4
Total theatre systems installed	26⁽¹⁾	28⁽²⁾

Notes:

- (1) Includes 2 relocations (1 sales and sales-type lease and 1 revenue sharing) in FY2023.
- (2) Includes 5 relocations (2 sales and sales-type lease and 3 revenue sharing) and 4 upgrades (sales and sales-type lease) in FY2022.

Sales and Sales-Type Lease Arrangements

Revenue from sales and sales-type lease arrangements decreased 21.5% from US\$20.5 million in FY2022 to US\$16.1 million in FY2023 primarily due to: (i) an installation mix of more XT laser systems at lower average price per system in FY2023; (ii) one (1) high revenue GT laser system installation in FY2022; (iii) lower finance income as a result of depreciation of RMB to USD in FY2023; and (iv) partially offset by one (1) additional sales and sales-type lease arrangement in FY2023. The Group recognized sales and sales-type lease revenue on eleven (11) theatre system installations with a total value of US\$13.1 million in FY2023 compared to ten (10) theatre system installations with a total value of US\$17.1 million in FY2022.

Under sales and sales-type lease arrangements, the average revenue per system, excluding GT laser and re-deployed systems, decreased from US\$1.3 million in FY2022 to US\$1.0 million in FY2023 due to a mix of more XT laser systems in FY2023.

Revenue Sharing Arrangements

Revenue from revenue sharing arrangements includes upfront payment from hybrid revenue sharing arrangements as well as contingent rent from both full revenue sharing and hybrid revenue sharing arrangements.

Upfront revenue from hybrid revenue sharing arrangements in FY2023 was similar to FY2022 at US\$1.0 million.

Contingent rent from revenue sharing arrangements increased 93.3% from US\$10.4 million in FY2022 to US\$20.1 million in FY2023 primarily due to increased box office. This included: (i) contingent rent from full revenue sharing arrangements that increased 90% from US\$9.0 million in FY2022 to US\$17.1 million in FY2023; and (ii) contingent rent from hybrid revenue sharing arrangements that increased 107.1% from US\$1.4 million in FY2022 to US\$2.9 million in FY2023. There were 513 theatres operating under revenue sharing arrangements at the end of FY2022 as compared to 519 at the end of FY2023 within the IMAX network.

Management Discussion and Analysis (Continued)

IMAX Maintenance

IMAX maintenance revenue decreased 8.2% from US\$25.5 million in FY2022 to US\$23.4 million in FY2023. The decrease was primarily due to one-time maintenance fee concessions negotiated with certain exhibitor customers post pandemics, partially offset by an increase in the size of the IMAX network, which increased from 794 theatres as of 31 December 2022 to 807 theatres as of 31 December 2023.

All Other

Revenue from All Other increased from US\$0.1 million in FY2022 to US\$0.6 million in FY2023 mainly related to revenue generated from the Enhanced Business, which started in the second half of FY2022.

Cost of Sales

The Group's cost of sales decreased 3.6% from US\$33.6 million in FY2022 to US\$32.4 million in FY2023. The cost reduction was driven by a decrease of US\$3.0 million in Technology Products and Services, partly offset by an increase of US\$1.2 million in Content Solutions and an increase of \$0.6 million in All Other, as explained below.

Content Solutions

The cost of sales for Content Solutions increased 50.0% from US\$2.4 million in FY2022 to US\$3.6 million in FY2023 driven by an increase in DMR conversion and film marketing costs resulting from 57 films exhibited in Mainland China in FY2023 compared to 25 films in FY2022.

Technology Products and Services

The cost of sales for Technology Products and Services decreased 9.8% from US\$30.7 million in FY2022 to US\$27.7 million in FY2023, mainly driven by a decrease of US\$4.0 million in sales and sales-type lease arrangements, a decrease of \$0.6 million in aftermarket sales, partly offset by an increase of US\$1.4 million in IMAX maintenance, and a cost increase of US\$0.2 million in revenue sharing arrangements, as explained below.

Sales and Sales-Type Lease Arrangements

Cost of sales under sales and sales-type lease arrangements decreased 50.0% from US\$8.0 million in FY2022 to US\$4.0 million in FY2023 due to: (i) an installation mix of more XT laser systems with lower average cost per system in FY2023; (ii) one (1) high revenue GT system installation in FY2022; (iii) partly offset by a cost increase due to one (1) additional system installation in FY2023 compared to FY2022; eleven (11) system installations in FY2023 vs. ten (10) system installations in FY2022.

Revenue Sharing Arrangements

Cost of sales from installation of hybrid revenue sharing arrangements decreased 25.0% from US\$0.8 million in FY2022 to US\$0.6 million in FY2023 primarily due to a slightly lower average cost per system. The cost of sales for contingent rent from revenue sharing arrangements increased from US\$13.2 million in FY2022 to US\$13.6 million in FY2023, primarily due to increased depreciation costs associated with a larger full revenue sharing network. There were 410 theatres as of FY2023 year-end versus 401 theatres as of FY2022 year-end under full revenue sharing agreements within the IMAX network.

Management Discussion and Analysis (Continued)

IMAX Maintenance

Cost of sales with respect to theatre system maintenance increased 17.5% from US\$8.0 million in FY2022 to US\$9.4 million in FY2023 as a result of: (i) the resumption of regular maintenance services that were delayed/suspended due to the pandemic in FY2022; and (ii) an increase in the size of the IMAX network, which increased to 807 theatres as of 31 December 2023 from 794 theatres as of 31 December 2022.

All Other

Cost from All Other increased from US\$0.5 million in FY2022 to US\$1.1 million in FY2023 mainly related to the cost of Enhanced Business, with full-year amortisation expense in FY2023 versus half-year amortisation expense in FY2022.

Gross Profit and Gross Profit Margin

The Group's gross profit was US\$54.5 million in FY2023, or 62.7% of total revenue compared to US\$39.7 million in FY2022, or 54.1% of total revenue. The increase in gross profit was largely attributable to an increase of US\$9.4 million of gross profit in Content Solutions and an increase of US\$5.7 million of gross profit in Technology Products and Services, partly offset by a decrease of US\$0.2 million in All Other, as explained further below.

Content Solutions

The gross profit from Content Solutions increased from US\$12.5 million in FY2022 to US\$21.9 million in FY2023, and the gross profit margin increased from 84.1% in FY2022 to 85.8% in FY2023. The increase in gross profit was primarily due to an increase of 83.3% in overall box office revenue from US\$162.7 million in FY2022 to US\$298.3 million in FY2023. The increase of gross profit margin was primarily due to higher local language box office driving a higher take rate and higher margin.

Technology Products and Services

The gross profit increased 20.7% from US\$27.5 million in FY2022 to US\$33.2 million in FY2023. During the same period, gross profit margin increased from 47.3% to 54.5%. The increase in gross profit was primarily driven by higher box office revenue partially offset by increased depreciation costs associated with continued growth in the IMAX theatre network under revenue sharing arrangements. The increase is partially offset by lower gross profit on sales and sales-type lease arrangements as well as lower gross profit in maintenance in FY2023 as compared to FY2022. The increase in gross profit margin is mainly related to higher margin on sales and revenue sharing arrangements, partly offset by lower maintenance margin in FY2023 as explained further below.

Sales and Sales-Type Lease Arrangements

The gross profit from sales of IMAX theatre systems decreased 2.4% from US\$12.5 million in FY2022 to US\$12.2 million in FY2023 primarily due to lower finance income as a result of depreciation of RMB to USD in FY2023. Gross profit margin increased from 61.0% in FY2022 to 75.7% in FY2023 primarily due to a larger portion of IMAX XT Laser installations with higher margin in FY2023.

Revenue Sharing Arrangements

The gross profit from upfront fees derived from hybrid revenue sharing arrangements increased from a profit of US\$0.2 million in FY2022 to a profit of US\$0.4 million in FY2023, primarily due to a slightly lower average cost of the hybrid installations.

Management Discussion and Analysis (Continued)

The gross profit for contingent rent from revenue sharing arrangements increased from a loss of US\$2.8 million in FY2022 to a profit of US\$6.4 million in FY2023.

The gross profit for contingent rent from full revenue sharing arrangements increased 183.3% from a loss of US\$4.2 million in FY2022 to a profit of US\$3.5 million in FY2023. The increase in gross profit was primarily due to higher box office as a result of the reopening of theatres in Mainland China after pandemic controls were lifted in FY2023, partially offset by increased depreciation costs associated with a larger full revenue sharing network.

The gross profit for contingent rent from hybrid revenue sharing arrangements increased 107.1% from US\$1.4 million in FY2022 to US\$2.9 million in FY2023, mainly driven by much higher box office revenue explained above.

IMAX Maintenance

The gross profit for theatre system maintenance decreased 20.0% from US\$17.5 million in FY2022 to US\$14.0 million in FY2023 and gross profit margin decreased from 68.5% in FY2022 to 59.9% in FY2023 mainly due to certain one-time maintenance fee concessions negotiated with certain exhibitor customers in FY2023 in order to provide temporary relief to customers for the periods when the theatres were closed, and higher maintenance costs resulting from the resumption of regular maintenance services in FY2023.

All Other

The gross profit for All Other slightly decreased from a loss of US\$0.4 million in FY2022 to a loss of US\$0.6 million in FY2023 mainly related to the loss generated from Enhanced Business as a result of low revenue during start-up period and fixed amortisation costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 16.8% from US\$15.5 million in FY2022 to US\$18.1 million in FY2023, primarily due to: (i) a US\$2.3 million increase related to employee salaries and benefits and share-based compensation expenses; (ii) a US\$1.1 million increase in professional fees attributable to consulting services and the attempted privatization during FY2023; (iii) a US\$0.2 million increase in travel and transportation due to normalized business operations post pandemic restrictions; (iv) a US\$0.1 million increase in advertising and marketing expenses due to the resumption of marketing operations in FY2023; and (v) partially offset by a US\$1.1 million lower foreign exchange loss compared to FY2022.

Other Operating Expenses

Other operating expenses slightly decreased 2.5% from US\$4.0 million in FY2022 to US\$3.9 million in FY2023, 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.

Provisions of Net Impairment Losses on Financial Assets

Net impairment losses on financial assets for FY2023 and FY2022 were US\$1.2 million and US\$1.3 million, respectively. The losses were primarily due to the provision for current expected credit losses, principally reflecting a reduction in the credit quality of trade receivables, financing receivables and variable consideration receivables.

Management Discussion and Analysis (Continued)

Other Income

Other income of US\$0.7 million mainly includes subsidy received in FY2023 (FY2022: nil).

Other Gains/(Losses) – Net

Other net gain for FY2023 of US\$0.2 million is a recovery of US\$0.3 million from the loss recognized for film investment in “Mozart from Space” in FY2022, partly offset by the loss of US\$0.1 million recognized from the impairment assessment on IMAX Private Theatre (IPT) system in FY2023. The net fair value loss of US\$4.5 million was recognized for the film investment in “Mozart from Space” in FY2022.

Interest Income

Interest income increased from US\$1.0 million in FY2022 to US\$1.9 million in FY2023 due to more interest income earned on term deposits than FY2022.

Interest Expense

Interest expense increased from US\$0.2 million in FY2022 to US\$0.4 million in FY2023 primarily due to loans being outstanding for longer period of time during FY2023.

Income Tax Expense

The Group's income tax expense increased 37.8% from US\$4.5 million in FY2022 to US\$6.2 million in FY2023. The increase in income tax expense was primarily due to a US\$18.4 million increase of operating profit before income tax year-over-year; US\$15.3 million in FY2022 vs. US\$33.7 million in FY2023.

Profit for the Year

The Group reported a profit for the year of US\$27.5 million in FY2023 compared to a profit of US\$10.8 million in FY2022.

Other Comprehensive Income (Loss) for the Year

The Group reported a comprehensive income of US\$24.7 million in FY2023 as compared to a comprehensive loss of US\$8.7 million in FY2022.

The increase in Comprehensive Income was primarily due to an increase of US\$16.7 million in profit for the year, and a decrease of US\$16.7 million in other comprehensive loss.

The decrease in other comprehensive loss of US\$16.7 million was related to a decrease in foreign currency translation loss from a loss of US\$19.5 million (9.2% appreciation of RMB relative to USD) in FY2022 to a loss of US\$2.8 million in FY2023 (1.7% depreciation of RMB relative to USD).

Comprehensive profit for the year FY2023 included a US\$3.0 million charge (US\$2.1 million in FY2022) for share-based compensation.

Management Discussion and Analysis (Continued)

Adjusted Profit

Adjusted profit, which consists of profit for the year adjusted for the impact of share-based compensation and the related tax impact, was US\$29.8 million in FY2023 as compared to US\$12.4 million in FY2022, an increase of 140.3%.

LIQUIDITY AND CAPITAL RESOURCES

	As at 31 December	
	2023 US\$'000	2022 US\$'000
Current assets		
Other assets	1,523	1,871
Contract acquisition costs	628	760
Film assets	66	82
Inventories	6,368	4,826
Prepayments	3,035	3,099
Income tax receivables	1,149	–
Variable consideration receivables from contracts	664	502
Financing receivables	31,728	27,852
Trade and other receivables	75,956	60,267
Cash and cash equivalents	62,711	74,972
Total Current Assets	183,828	174,231
Current liabilities		
Trade and other payables	15,406	21,845
Accruals and other liabilities	8,877	9,546
Income tax liabilities	–	5,780
Borrowings	–	12,871
Deferred revenue	12,196	12,777
Total Current Liabilities	36,479	62,819
Net Current Assets	147,349	111,412

As of 31 December 2023, the Group had net current assets of US\$147.3 million compared to net current assets of US\$111.4 million as of 31 December 2022. The increase in net current assets in FY2023 was mainly attributable to a US\$15.7 million increase in trade and other receivables, a US\$12.9 million decrease in borrowings, a US\$6.4 million decrease in trade and other payables, a US\$5.8 million decrease in income tax liabilities, a US\$3.9 million increase in financing receivables, a US\$1.5 million increase in inventories, a US\$1.1 million increase in income tax receivables, and a US\$0.7 million decrease in accruals and other liabilities. This was offset by a US\$12.3 million decrease in cash and cash equivalents.

Management Discussion and Analysis (Continued)

The Group has cash and cash equivalent balances denominated in various currencies. The following is a breakdown of cash and cash equivalent balances by currency at the end of each year:

	As at 31 December	
	2023 US\$'000	2022 US\$'000
Cash and cash equivalents denominated in RMB	\$30,036	\$43,821
Cash and cash equivalents denominated in US\$	\$32,516	\$30,914
Cash denominated in Hong Kong dollars	\$159	\$237
	\$62,711	\$74,972

CAPITAL MANAGEMENT

The Group's objectives for capital management include: (i) to safeguard the Group's ability to continue as a going concern; (ii) to maximize returns to shareholders and other stakeholders; and (iii) to maintain an optimal capital structure by reducing the weighted average cost of capital.

The Group considers and evaluates its capital structure based on the aggregate of the total equity and long-term debt less cash and short-term deposits. The Group manages the capital structure and makes adjustments to the structure 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, the Group will spend the existing working capital and raise additional amounts as needed. Management evaluates the capital management approach on an ongoing 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 the Group's net cash generated from operating activities, net cash used in investing activities and net cash generated from financing activities for the years indicated:

	FY2023	FY2022
	US\$'000	US\$'000
Net cash provided by operating activities	12,541	1,158
Net cash used in investing activities	(3,790)	(13,744)
Net cash used in financing activities	(19,685)	(5,838)
Effects of exchange rate changes on cash	(1,327)	(4,341)
Decrease in cash and cash equivalents during year	(12,261)	(22,765)
Cash and cash equivalents, beginning of year	74,972	97,737
Cash and cash equivalents, end of year	62,711	74,972

Cash Provided by Operating Activities

FY2023

The Group's net cash provided by operations was approximately US\$12.5 million in FY2023. Profit before income tax was US\$33.7 million for FY2023, and positive adjustments for depreciation of property, plant and equipment of US\$14.2 million, amortisation of film assets of US\$5.6 million, equity settled and other non-cash compensation of US\$3.0 million, allowance of expected credit loss of US\$1.2 million, amortisation of contribution to Enhanced Business of US\$1.0 million, and interest expense of US\$0.4 million, reduced by changes in working capital of US\$33.5 million, taxes paid of US\$12.3 million, interest paid of US\$0.5 million and net fair value gains on financial assets at FVTPL of US\$0.3 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US\$20.5 million; (ii) a decrease in trade and other payables of \$6.2 million; (iii) an increase in film assets of US\$5.5 million; (iv) an increase in inventories of US\$1.2 million; (v) a decrease in deferred revenue of US\$0.9 million; and (vi) partially offset by a decrease in other assets of US\$0.8 million.

FY2022

The Group's net cash provided by operations was approximately US\$1.2 million in FY2022. Profit before income tax was US\$15.3 million for 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) an 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.

Management Discussion and Analysis (Continued)

Cash Used in Investing Activities

FY2023

The Group's net cash used in investing activities was approximately US\$3.8 million for FY2023, related to investments in IMAX theatre equipment amounting to US\$4.0 million installed in our exhibitor partners' theatres under full revenue sharing arrangements, and purchase of property, plant and equipment of US\$0.1 million; partially offset by the proceeds on disposal of investment in interest in a film classified as FVTPL of \$0.3 million.

FY2022

The Group's 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.

Cash Used in Financing Activities

FY2023

The Group's net cash used in financing activities was approximately US\$19.7 million for FY2023 primarily due to: (i) repayment of borrowings of US\$13.2 million; (ii) dividend paid to owners of the Company in the amount of US\$5.1 million; (iii) settlement of restricted share units and options of US\$1.3 million; (iv) principal element of lease payments of US\$0.8 million; and (v) partially offset by proceeds from borrowings of US\$0.7 million.

FY2022

The Group's 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 buy 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.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Lease Commitments

The Group had lease commitments within one year amounting to US\$0.1 million related to leased office and apartment space in Shanghai.

Capital Commitments

As of 31 December, 2023, the Group had US\$0.9 million capital expenditures contracted but not provided for (2022: US\$3.2 million), primarily related to acquisition of property, plant and equipment.

Management Discussion and Analysis (Continued)

CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

Capital Expenditures

The Group's capital expenditures primarily relate to the acquisition of IMAX theatre systems. Capital expenditures were US\$4.1 million and US\$9.0 million for FY2023 and FY2022, respectively.

Going forward, the Group plans to allocate a significant portion of the capital expenditures to the continued expansion of the IMAX theatre network under revenue sharing arrangements by executing on the existing contractual backlog and future signings.

Contingent Liabilities

Lawsuits, claims and proceedings arise in the ordinary course of business. In accordance with the Group's internal policies, in connection with any such lawsuits, claims or proceedings, the Group 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 of 31 December 2023, the Group had drawn down RMB nil on the bank borrowing facility with Bank of China Limited, and RMB0.2 million (approximately less than US\$0.1 million) on the letter of guarantee facility. The Group had drawn down RMB nil on the bank borrowing facility with HSBC Bank (China) Company Limited. Except as disclosed above or as otherwise disclosed herein, as of 31 December 2023, the Group 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 2023.

WORKING CAPITAL

The Group finances its 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 by the pandemic-related theatre closures in major cities across China as compared to the cash flow generated from operating activities of US\$12.5 million in FY2023. As the IMAX theatre network recovers from the pandemic-related theatre closures and continues to grow, the Group believes the cash flow from operating activities will continue to increase and fund existing business operations and any initial capital expenditures required under revenue sharing arrangements.

The Group has 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 requirements. The total amounts drawn and available under the working capital loan as of 31 December 2023 were RMB nil and RMB190.0 million for bank borrowing facility, and RMB0.2 million and RMB9.8 million for letter of guarantee facility, respectively.

The Group has 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 2023 were RMB nil and RMB200.0 million, respectively.

Management Discussion and Analysis (Continued)

STATEMENT OF INDEBTEDNESS

As of 31 December, 2023:

- Except for the drawdown of RMB nil on the bank borrowing facility with Bank of China Limited for up to RMB190 million, the drawdown of RMB0.2 million on the letter of guarantee facility with Bank of China Limited for up to RMB10 million, and the drawdown of RMB nil on the bank borrowing facility with HSBC Bank (China) Company Limited for up to RMB200 million, the Group did not have any bank borrowings or committed bank facilities;
- The Group did not have any borrowing from IMAX Corporation or any related parties; and
- The Group did not have any hire purchase commitments or bank overdrafts.

Since 31 December 2023, being the latest date of the audited financial statements, there has been no material adverse change to the indebtedness.

RECENT DEVELOPMENTS

No important event affecting the Group has occurred since 31 December 2023.

OFF BALANCE SHEET ARRANGEMENTS

The Group had no off-balance sheet arrangements as at 31 December 2023.

KEY FINANCIAL RATIOS

The following table lays out certain financial ratios as of 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.

	2023	2022
Gearing ratio ⁽¹⁾	25.1%	40.0%
Adjusted profit margin ⁽²⁾	34.3%	16.9%

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 decreased from 40.0% as of 31 December 2022 to 25.1% as of 31 December 2023, primarily due to an increase in equity of US\$21.3 million, a decrease in borrowings of US\$12.9 million, a decrease in trade and other payables of US\$6.4 million, a decrease in income tax liabilities of US\$5.8 million, a decrease in deferred tax liabilities of US\$2.4 million, a decrease in deferred revenue of US\$1.6 million, and a decrease in accruals and other liabilities of US\$0.4 million.

Adjusted Profit Margin

The Group's adjusted profit margin increased from 16.9% as of 31 December 2022 to 34.3% as of 31 December 2023, primarily due to the reopening of theatres in Mainland China after pandemic controls lifted by the government in FY2023.

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 the dividends will ultimately be made at the discretion of the Board and will depend on the general business conditions and strategies, cash flow situation, financial results, capital requirements and expenditure plans, the interests of the Shareholders, statutory and regulatory restrictions as well as other factors that the Board may consider relevant. On 4 March 2021, the Board updated the dividend policy which states the general intention for the Company to pay out an annual dividend payment at a payout ratio of approximately 50% of the profit attributable to owners of the Company for the previous financial year, while the Board has the discretion to propose, declare and distribute dividends subject to the articles of association (the "**Articles of Association**") of the Company and all applicable laws and regulations and various factors of the Group including but not limited to the business conditions and strategies.

Taking into consideration the uncertainty around China's economic recovery and general market conditions as well as the Group's intent to use its cash reserves to invest in the IMAX brand in Greater China, the Board has resolved not to declare final dividend for the year ended 31 December 2023.

In addition, as the Company is a holding company registered in the Cayman Islands and the operations are conducted through the subsidiaries, five of which are incorporated in Mainland China, the availability of funds to pay distributions to Shareholders and to service the debts depends on dividends received from these subsidiaries. The 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 of 31 December 2023, the Company had a total equity of US\$42.3 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

The Board has resolved not to declare any final dividend for the year ended 31 December 2023.

Management Discussion and Analysis (Continued)

MATERIAL ACQUISITIONS OR DISPOSALS

The Group has not undertaken any material acquisition or disposal for the year ended 31 December 2023.

SIGNIFICANT INVESTMENTS AND DIVESTMENTS

The Group is 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 the Group holds 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. The Group does not have any management or operational role, responsibilities or rights in TCL-IMAX Entertainment, nor is the Group subject to any funding obligations (either in respect of capital funding or bearing of losses) in relation to TCL-IMAX Entertainment. As of 31 December 2023, the fair value of TCL-IMAX Entertainment was nil (31 December 2021: nil). TCL-IMAX Entertainment has started liquidation process in the second half of FY2023.

IMAX (Shanghai) Culture & Technology Co., Ltd. ("**IMAX Shanghai Culture**") was set up on 16 December 2021, which is 100% invested by IMAX (Shanghai) Multimedia Technology Co., LTD ("**IMAX Shanghai Multimedia**"). IMAX Shanghai Multimedia is a wholly-owned subsidiary of the Company. On 25 July 2022, the Company, 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 in Greater China ("**Enhanced Business**"). IMAX Shanghai Culture has started the liquidation process in the second half of FY2023 based on the business strategic decision. Enhanced Business was taken over by IMAX Shanghai Multimedia from IMAX Shanghai Culture in the second half of FY2023.

Except for the liquidation of TCL-IMAX Entertainment and IMAX Shanghai Culture, there was no plan authorized 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	68	Non-executive Director and Chairman	27 May 2015
Daniel Wade Manwaring	39	Executive Director ⁽¹⁾	27 February 2024
Jiande Chen	68	Executive Director	27 May 2015
Jim Athanasopoulos	53	Executive Director	27 May 2015
Robert Darin Lister	55	Non-executive Director ⁽¹⁾	1 May 2023
Yue-Sai Kan	76	Independent Non-executive Director	27 May 2015
John Marshal Davison	65	Independent Non-executive Director	21 September 2015
Janet Yang	67	Independent Non-executive Director ⁽¹⁾	20 February 2024
Peter Loehr	56	Independent Non-executive Director	9 October 2019

Note:

- (1) Ms. Mei-Hui (Jessie) Chou has resigned as an Executive Director of the Company with effect from 27 February 2024 and Mr. Daniel Manwaring has been appointed as an Executive Director of the Company with effect from 27 February 2024; Ms. Megan Colligan has resigned as a Non-executive Director and a member of the Remuneration Committee of the Company with effect from 1 May 2023 and Mr. Robert Darin Lister has been appointed as a Non-executive Director and a member of the Remuneration Committee of the Company with effect from 1 May 2023; Ms. Dawn Taubin has resigned as an Independent Non-executive Director and a member of the Audit Committee of the Company with effect from 20 February 2024 and Ms. Janet Yang has been appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company with effect from 20 February 2024.
- (2) Ages are provided as of 31 December 2023.

The biography of each Director is set out below:

Chairman and Non-executive Director

Mr. Richard Gelfond, aged 68, 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 2010¹ 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. Daniel Wade Manwaring, aged 39, has been appointed as the Chief Executive Officer of the Company since 9 January 2023 and has been appointed as the Executive Director of the Company with effect from 27 February 2024. He is 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 68, 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.

Directors and Senior Management (Continued)

Mr. Jim Athanasopoulos, aged 53, has been an Executive Director of the Company since 27 May 2015. He has been the Senior Vice President, Global Operations, IMAX Theatres at IMAX Corporation starting from 1 August 2023, and served as the Chief Financial Officer and Chief Operating Officer of the Company from May 2015 to July 2023 and served as the Chief Financial Officer and Senior Vice President, Corporate Operations of the Group from 1 August 2011 to July 2023. Mr. Athanasopoulos joined IMAX Corporation in 2000. Furthermore, Mr. Athanasopoulos is a director of IMAX Hong Kong. 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.

Non-executive Directors

Mr. Robert Lister, aged 55, was appointed as a Non-executive Director of the Company on 1 May 2023. He has been the Global Chief Legal Officer and Senior Executive Vice President of IMAX Corporation since January 2018. Mr. Lister joined IMAX Corporation in May 1999 and held numerous positions, including Chief Legal Officer and Chief Business Development Officer between 2012 and 2018, Executive Vice President, Business & Legal Affairs and Chief Legal Officer between 2007 and 2012, Executive Vice President, Business & Legal Affairs and Corporate Communications and General Counsel between 2003 and 2007, Executive Vice President, Legal and Business Affairs and General Counsel between 2002 and 2003, and Senior Vice President, Legal Affairs and General Counsel between 1999 and 2002. Prior to joining IMAX Corporation, Mr. Lister was Vice President, General Counsel and Secretary of Clearview Cinemas, a film exhibitor, from March 1998 until his employment with IMAX Corporation. From April 1996 to February 1998, Mr. Lister served as Associate General Counsel of Merit Behavioral Care Corporation, a behavioral healthcare company. From September 1993 to March 1996, Mr. Lister served as Legal Associate of Kelley Drye & Warren LLP. Mr. Lister also serves on the board of directors of TCL-IMAX Entertainment Co., Ltd., a joint venture of TCL Corporation and the Company. Mr. Lister graduated from Lehigh University in June 1990 and graduated from Fordham University, with a juris doctor's degree in May 1993. Mr. Lister is a member of the New York State Bar Association and a registered attorney in the New York State Unified Court System.

Directors and Senior Management (Continued)

Independent Non-executive Directors

Ms. Yue-Sai Kan, aged 76, 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 65, 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. Yang, aged 67, has been appointed as an independent non-executive director and a member of the Audit Committee of the Company with effect from 20 February 2024. Ms. Yang is a Founder and President of Janet Yang Productions since 1998. She is a film producer and President of the Academy of Motion Pictures Arts and Sciences. She also serves as a member of the Committee of 100, a leadership organization of prominent Chinese-Americans. Ms. Yang graduated from Brown University with a bachelor’s degree in International Relations in June 1978 and graduated from Columbia University with an MBA in Business Administration in June 1984. She was also a visiting student at Harvard University in East Asian Studies from 1976 to 1978.

Directors and Senior Management (Continued)

Mr. Peter Loehr, aged 56, 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⁾	39	Chief Executive Officer
Jiande Chen ⁽²⁾	68	Vice Chairman
Jenny Jianing Chen ⁽³⁾	55	Chief Financial Officer and Chief Operating Officer
Yifan (Yvonne) He	39	General Counsel and Joint Company Secretary
Honggen Yuan (Karl)	60	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.
- (3) Mr. Jim Athanasopoulos’ term of employment with the Company has expired on 31 July 2023 and he takes on the role of Senior Vice President, Global Operations, IMAX Theatres at IMAX Corporation starting from 1 August 2023. Mr. Jim Athanasopoulos remains as an executive Director of the Company and a director of IMAX Hong Kong, and he no longer holds any other positions in the Group since 1 August 2023; and Ms. Jenny Jianing Chen has been appointed as the Chief Financial Officer and the Chief Operating Officer of the Company with effect from 1 August 2023.

Directors and Senior Management (Continued)

Senior Management

Mr. Daniel Wade Manwaring, aged 39, has been appointed as the Chief Executive Officer of the Company since 9 January 2023 and has been appointed as the Executive Director of the Company with effect from 27 February 2024. He is 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 68, 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.

Ms. Jenny Jianing Chen, aged 55, has been appointed as the Chief Financial Officer and the Chief Operating Officer of the Company with effect from 1 August 2023, and is responsible for the overall management of all aspects of the Group’s finance, treasury, and operational matters. Ms. Chen has more than 20 years’ management experience. Prior to joining the Group, Ms. Chen worked as the Chief Financial Officer of mProbe Inc. since November 2019. She also worked as Consulting Chief Financial Officer of CFO Consulting PLLC from 2017 to 2019, as the Chief Financial Officer of Cyto Vance Biologics from 2016 to 2017, and as a Corporate Controller of Maxcess International from 2015 to 2016. Ms. Chen obtained her bachelor’s degree in Accounting from Jinan University and her master’s degree in Accounting from Oklahoma State University. Ms. Chen is a Certified Public Accountant, Certified Management Accountant and Certified Treasury Professional.

Ms. Yifan (Yvonne) He, aged 39, 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 60, 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.

CHANGE IN THE DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B OF THE LISTING RULES

There were no changes to the directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the reporting year.

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 2023.

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 2023, the Company applied proceeds from the Listing as follows:

Planned use of IPO Proceeds as disclosed in the Prospectus	IPO Proceeds (HK\$'000)		
	Available amount	Actual utilised amount as at 31 December 2023	Unused amount as at 31 December 2023
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:

- 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.
- 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 2023, and intends to continue to deploy in 2024, proceeds from the Listing consistent with the manner described in the Prospectus.

Report of the Directors (Continued)

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of comprehensive income on page 165 of this Annual Report. The financial summary for the Group for the most recent five years, as set out on page 245 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 2023 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 2023, the Company declared and paid a final dividend for financial year 2022 of US\$0.015 per share (equivalent to HK\$0.117 per share), and there was no arrangement under which a shareholder has waived or agreed to waive any dividends.

During the board meeting held on 27 February 2024, the Board does not recommend the payment of final dividend for the year ended 31 December 2023.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property and equipment during the year are set out in note 13 to the Consolidated Financial Statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 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 2023 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.

Report of the Directors (Continued)

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 26 to the Consolidated Financial Statements.

DIRECTORS

Directors during the year ended 31 December 2023 and up to the date of this report

Executive Directors:

Daniel Manwaring (Chief Executive Officer, appointed as the Executive Director with effect from 27 February 2024)

Jiande Chen (Vice Chairman)

Jim Athanasopoulos

Mei-Hui (Jessie) Chou (resigned with effect from 27 February 2024)

Non-executive Directors:

Richard Gelfond (Chairman)

Robert Lister (appointed with effect from 1 May 2023)

Megan Colligan (resigned with effect from 1 May 2023)

Independent Non-executive Directors:

Yue-Sai Kan

John Davison

Janet Yang (appointed with effect from 20 February 2024)

Dawn Taubin (resigned with effect from 20 February 2024)

Peter Loehr

Directors Retiring by Rotation

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

In addition, in accordance with Article 16.2 of the Articles of Association, Mr. Daniel Manwaring, who was appointed as an executive Director with effect from 27 February 2024, and Ms. Janet Yang, who was appointed as an independent non-executive Director with effect from 20 February 2024, will each hold office as a Director only until the forthcoming annual general meeting, and, 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 28 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 subsisted during or at the end of the year ended 31 December 2023 in which a Director of the Company or an entity connected with a Director is or was materially interested, either directly or indirectly.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2023, 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 2023. 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 Mr. Robert Lister as set out below, 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
Robert Lister	Non-executive Director	Global Chief Legal Officer and Senior Executive Vice President

Report of the Directors (Continued)

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 2023 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 2023.

WAIVERS

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

The Company had applied for, and the Stock Exchange had 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 had also applied for, and the Stock Exchange had 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 had applied for, and the Stock Exchange had 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);

Report of the Directors (Continued)

- (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 2023, 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.

Save as disclosed in this section headed "Connected Transactions" of this Annual Report, there are no other contracts of significance that subsisted during or at the end of the year ended 31 December 2023 (i) between the Company or its subsidiaries, and a controlling shareholder or any of its subsidiaries, and (ii) for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

During the year ended 31 December 2023, 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:

Report of the Directors (Continued)

One-off Connected Transaction

On 7 March 2023, the Company granted a total of 454,546 RSUs and 151,515 PSUs to Mr. Daniel Wade Manwaring, the Chief Executive Officer of the Company. As Mr. Manwaring is the Chief Executive Officer and a connected person of the Company, the grant of 454,546 RSUs and 151,515 PSUs to Mr. Manwaring, with a monetary value of US\$725,000, constitutes a connected transaction (“**March 2023 Grant**”). Furthermore, Mr. Manwaring may be granted an addition of 113,636 PSUs, being the maximum additional number of Shares which may be granted when the Average Annual EBITDA Growth reaches 20% or more (together with March 2023 Grant, the “**Grants**”). The Grants form part of the remuneration package of his service contract and have been reviewed and determined by the Board with reference to the prevailing market conditions, based on his professional expertise and responsibilities. No new Shares will be allotted and issued upon vesting of the RSUs or PSUs granted to him. As the relevant percentage ratios (as defined in the Listing Rules) in respect of the Grants, on an aggregate basis, exceed 0.1% but are less than 5%, and the Grants are conducted on normal commercial terms, the Grants are exempted from the independent shareholders’ approval requirement but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

The Grants to the Chief Executive Officer form part of the Company’s remuneration policy, the purpose of which is to closely align the interests and benefits of the Company and its employees in order to motivate them to strive for the future development and expansion of the Company. The Grants aim to provide sufficient incentive to retain and motivate the Chief Executive Officer to participate in the day-to-day management of the business and operations of the Group and the development and execution of strategies that may enable the Company to extend its leadership position and involvement in the continuing development in Greater China.

In this regard, the Directors (including independent non-executive Directors) and the remuneration committee of the Company consider that the terms of the Grants are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Please also refer to the Company’s announcement dated 7 March 2023 for further details.

Report of the Directors (Continued)

Continuing Connected Transactions Subject to Reporting and Announcement Requirements

During the year ended 31 December 2023, 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.

Report of the Directors (Continued)

(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 2023. Therefore, the Company did not set an annual cap for 2023 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.

No fee was charged to the Group by IMAX Corporation under the Personnel Secondment Agreement during the year ended 31 December 2023.

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.

Report of the Directors (Continued)

(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.

Report of the Directors (Continued)

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.

Report of the Directors (Continued)

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\$1,834,000 was charged to the Group by IMAX Corporation under the Trademark License Agreements during the year ended 31 December 2023.

(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.

Report of the Directors (Continued)

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.

Report of the Directors (Continued)

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.

Report of the Directors (Continued)

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\$2,751,000 was charged to the Group by IMAX Corporation under the Technology License Agreements during the year ended 31 December 2023.

(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.

Report of the Directors (Continued)

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;

Report of the Directors (Continued)

- (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.

Report of the Directors (Continued)

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 2023, the DMR conversion fees charged to the Group by IMAX Corporation were approximately US\$1,880,000. The number of Greater China DMR Films converted was 36.

For the year ended 31 December 2023, one Greater China DMR Films was released in regions outside of Greater China and the distribution fees received/receivable by the Group from IMAX Corporation were US\$24,000. No Greater China Original Films were released outside Greater China, and the distribution fees received/receivable by the Group from IMAX Corporation were US\$nil.

(c) Listing Rules Requirements

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

Report of the Directors (Continued)

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. On 3 December 2023, the Services Agreements were further amended to increase the existing annual cap of HK\$6,000,000 for the maximum aggregate fees payable under the Services Agreements for the year ending 31 December 2023 to HK\$7,000,000. Please also refer to the Company's announcements dated 23 February 2023 and 3 December 2023 for further details.

(ii) Term and Termination

Each of the Services Agreements 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;

Report of the Directors (Continued)

- (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\$7,000,000 (as revised) for the year ending 31 December 2023. 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\$894,000 was charged to the Group by IMAX Corporation under the Services Agreements during the year ended 31 December 2023.

Report of the Directors (Continued)

(c) Listing Rules Requirements

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.

On 27 February 2024, 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 three years commencing from 1 January 2024 and ending on 31 December 2026. All other principal terms of the Services Agreements remain unchanged. Please also refer to the Company's announcement dated 27 February 2024 for further details.

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\$10.2 million for each of the years ending 31 December 2024, 2025 and 2026. 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 each of FY2024, FY2025 and FY2026, 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.

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.

Report of the Directors (Continued)

(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 2023, 2024 and 2025. 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 usage of the theatre services provided under the IMAX Shanghai Services Agreement.

Approximately US\$64,000 was charged to IMAX Corporation by the Group under the IMAX Shanghai Services Agreement during the year ended 31 December 2023.

(c) *Listing Rules Requirements*

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.

Report of the Directors (Continued)

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**");

Report of the Directors (Continued)

- (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.

Report of the Directors (Continued)

(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\$21,000 and US\$21,000 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 2023, respectively. Approximately US\$422,000 was received/receivable by the Group from IMAX Corporation for the Revenue Sharing under the Enhanced Business Agreement during the year ended 31 December 2023.

(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.

Report of the Directors (Continued)

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.

Report of the Directors (Continued)

(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.

Report of the Directors (Continued)

The number of IMAX theatre systems installed pursuant to the Equipment Supply Agreements for the year ended 31 December 2023 was 26, and the purchase price paid/payable to IMAX Corporation by the Group was approximately US\$8,091,000.

(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.

Report of the Directors (Continued)

(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;

Report of the Directors (Continued)

- (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.

Report of the Directors (Continued)

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 2023, 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

Report of the Directors (Continued)

- 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 2023, 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 21. The conversion fees paid/payable by the Group to IMAX Corporation was approximately US\$3,675,000 and the revenue received/receivable by the Group from IMAX Corporation pursuant to the Master Distribution Agreements amounted to US\$9,518,000.

For the year ended 31 December 2023, 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.

Report of the Directors (Continued)

(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 2023 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).

As the highest relevant percentage ratio in respect of the DMR Software License Agreement is expected to be, on an annual basis, less than 5% and the total consideration is expected to be less than HK\$3,000,000, and is on normal commercial terms or better, the DMR Software License Agreement is exempt from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the highest relevant percentage ratio in respect of the Tool and Equipment Supply Contract is expected to be, on an annual basis, less than 0.1% and it is on normal commercial terms, the Tool and Equipment Supply Contract is exempt from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Report of the Directors (Continued)

Annual Caps Table paid/payable and Transaction Amounts

The aggregate amount paid by and to the Group during the year ended 31 December 2023, the annual caps for the financial year ended 31 December 2023, and the annual caps for the year ending 31 December 2024 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 2023 (USD)	Annual monetary cap for the year ended 31 December 2023 (USD unless otherwise specified)	Annual monetary cap for the year ending 31 December 2024 (USD unless otherwise specified)
Personnel Secondment Agreement	nil	nil	nil
Trademark License Agreements ⁽¹⁾	1,834,000	N/A	N/A
Technology License Agreements ⁽¹⁾	2,751,000	N/A	N/A
DMR Services Agreements ⁽¹⁾			
– Fees paid/payable to IMAX Corporation for conversion of the Greater China DMR Films	1,880,000	N/A	N/A
DMR Services Agreements ⁽¹⁾			
– Revenue received/receivable from IMAX Corporation for exploitation of the Greater China DMR Films	24,000	N/A	N/A
– Distribution fees from IMAX Corporation for exploitation of the Greater China Original Films	nil	N/A	N/A
Services Agreements	894,000	HK\$7 million	HK\$10.2 million
IMAX Shanghai Services Agreement	64,000	HK\$4 million	HK\$4 million
Enhanced Business Agreement			
– Fees paid/payable to IMAX Corporation for the Enhanced Business Trademark Royalties	21,000	153,750	237,625
Enhanced Business Agreement			
– Fees paid/payable to IMAX Corporation for the Enhanced Business Technology Royalties	21,000	153,750	237,625
Enhanced Business Agreement			
– Revenue received/receivable from IMAX Corporation for the Revenue Sharing	422,000	3,215,625	5,086,250
Equipment Supply Agreements ⁽¹⁾	8,091,000	N/A	N/A
Master Distribution Agreements ⁽¹⁾			
– Revenue	9,518,000	N/A	N/A
Master Distribution Agreements ⁽¹⁾			
– Conversion and Distribution Fees	3,675,000	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.

Report of the Directors (Continued)

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 32 to the Consolidated Financial Statements. All other related party transactions as described in note 32 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 2023, the Group has followed the pricing policies of the Group.

Report of the Directors (Continued)

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 2023, the Group's five largest suppliers combined and the largest supplier, IMAX Corporation (the Company's controlling shareholder), accounted for, respectively, approximately 93.7% and approximately 59.6% of Group's total purchases. The five largest suppliers have been suppliers of the Group for an average of 7.2 years.

The Group's customers are primarily exhibitors. For the year ended 31 December 2023, the five largest customers combined and the largest customer accounted for, respectively, approximately 57.5% and approximately 30.2% of Group's total revenue. The five largest customers have been customers of the Group for an average of 11.4 years.

Save as the directorship and senior management roles in IMAX Corporation held by Mr. Richard Gelfond and Mr. Robert Lister disclosed in Section "Directors' Interests in Contracts and Competing Business" and the interests of certain of our Directors in IMAX Corporation as set out in Section "Directors' and Chief Executives' Interest and Short Positions in the Shares, Underlying Shares and Debentures of the Company and any Associated Corporation" of this report, 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.

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 2023, 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 of the Company

Name of Director or Chief Executive Officer	Number of Shares	Nature of Interest	Approximate Percentage
John Davison	454,526(L)	Beneficial Owner	0.13%
Yue-Sai Kan	435,108(L)	Beneficial Owner	0.13%
Dawn Taubin ⁽⁵⁾	454,526(L)	Beneficial Owner	0.13%
Peter Loehr	328,860(L)	Beneficial Owner	0.10%
Jiande Chen	655,520(L) ⁽¹⁾	Beneficial Owner	0.19%
Jim Athanasopoulos	2,226,030(L) ⁽²⁾	Beneficial Owner	0.65%
Mei-Hui (Jessie) Chou ⁽⁵⁾	1,092,821(L) ⁽³⁾	Beneficial Owner	0.32%
Daniel Manwaring	719,697(L) ⁽⁴⁾	Beneficial Owner	0.21%

(L) Long position

Report of the Directors (Continued)

Notes:

- (1) Of which 552,048 are options, RSUs and/or PSUs.
- (2) Of which 1,476,284 are options, RSUs and/or PSUs.
- (3) Of which 796,061 are options, RSUs and/or PSUs.
- (4) Of which 719,697 are RSUs and/or PSUs.
- (5) Ms. Dawn Taubin and Ms. Mei-Hui (Jessie) Chou resigned as a Director with effect from 20 February 2024 and 27 February 2024 respectively.

(b) Long Position in Shares of Associated Corporations

Name of Director or Chief Executive Officer	Name of associated corporation	Interest in common shares	Nature of Interest	Approximate Percentage
Richard Gelfond	IMAX Corporation	4,245,169(L) ⁽¹⁾	Beneficial Owner	7.78%
Robert Lister	IMAX Corporation	510,034(L) ⁽²⁾	Beneficial Owner	0.93%
Jim Athanasopoulos	IMAX Corporation	4,068(L)	Beneficial Owner	0.01%

(L) Long position

Notes:

- (1) Of which 3,856,491 are options, restricted stock units and/or performance share units.
- (2) Of which 375,416 are options, restricted share units and/or performance-based restricted share units.

Save as disclosed above, as at 31 December 2023, 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 C3 to the Listing Rules, to be notified to the Company and the Stock Exchange.

As at 31 December 2023, 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 2023, 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.

Report of the Directors (Continued)

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)	71.55
IMAX Barbados	Beneficial interest	243,262,600(L)	71.55

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 2023.

REMUNERATION POLICY

As at 31 December 2023, 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 options to senior management under its Long Term Incentive Plan, further details of which are set out below. The Company expects to continue to make grants of options, RSUs and/or PSUs under its Share Option Scheme, RSU Scheme and PSU Scheme in the future to Directors, senior management and other employees.

LONG TERM INCENTIVE PLAN

The Company adopted a long term incentive plan (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.

Report of the Directors (Continued)

As at the date of this Annual Report, the LTIP has a total of three Sub-Plans, namely:

- (i) the Share Option Scheme, which allows the Company to grant options over new Shares to participants;
- (ii) the RSU Scheme, which allows the Company to grant awards involving new or existing Shares to participants; and
- (iii) the PSU Scheme, which allows the Company to grant awards involving only existing Shares to participants.

As of 1 January 2023, the number of options and awards available for grant in respect of any share schemes of the Company were 15,890,436. The scheme mandate limit was refreshed to 33,959,314 at the annual general meeting of the Company held on 7 June 2023. As of 31 December 2023, the number of new Shares that may be allotted and issued by the Company in respect of any share schemes of the Company which are governed by Chapter 17 of the Listing Rules were 33,774,243. 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 2023 was 846,137. The dilutive effect of such is 0.2%, being the number of Shares that may be issued divided by the weighted average number of Shares for the same period.

During the year ended 31 December 2023, 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 2023 are set out below:

Name of Grantee	Date of Grant	Exercise Price ⁽²⁾	Option Period	Number of share options				
				Outstanding at January 1, 2023	Granted during the year	Exercised during the year	Expired/ lapsed/ cancelled during the year	Outstanding at December 31, 2023
Directors								
Jim Athanasopoulos	25 October 2014	US\$1.1852	Three years from date of grant ⁽¹⁾	1,518,800	-	-	1,518,800	-
Total⁽³⁾				1,518,800	-	-	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 FY2023, 1,518,800 options under the LTIP expired, and no options under the LTIP were cancelled or exercised.

Report of the Directors (Continued)

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 have been amended on 7 June 2023 to comply with the provisions of new 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

On and subject to the terms of the Share Option Scheme and the Listing Rules, the Board may, at its discretion, grant options to (i) a Director (including executive Directors, non-executive Directors and independent non-executive Directors); (ii) a director of the Company’s subsidiaries; and (iii) an employee of the Group, who the Board considers, in its absolute discretion, have contributed or will contribute to the Group (the “**Participants**”).

Scheme Mandate Limit

The maximum aggregate number of new Shares available for offers under the Share Option Scheme shall be calculated in accordance with the following formula:

$$X = A - B - C$$

where:

- X = the maximum aggregate number of new Shares available for offers under the Share Option Scheme;
- A = the total number of Shares that may be allotted and issued by the Company in respect of (i) options under the Share Option Scheme and (ii) the share awards and/or options over new Shares granted by the Company or any of its subsidiaries (the “**Share Grants**”) under any other share option/award scheme of the Company which is governed by Chapter 17 of the Listing Rules (the “**Other Scheme**”), being (a) 33,959,314 which is 10 per cent. of the Shares in issue on the date of the Company’s general meeting on 7 June 2023, or (b) 10 per cent. of the Shares in issue as at the New Approval Date (the “**Scheme Mandate Limit**”);
- B = the maximum aggregate number of new Shares that have been or may be allotted and issued by the Company to satisfy the options already granted under the Share Option Scheme (which in the event that there has been a New Approval Date, shall only include those new Shares which have been or may be allotted and issued by the Company to satisfy options that have been granted since that most recent New Approval Date (as defined below)); and
- C = the maximum aggregate number of new Shares which have been or may be allotted and issued by the Company to satisfy the Share Grants already made under any Other Scheme.

Report of the Directors (Continued)

The Scheme Mandate Limit may be renewed (a) every three years subject to prior Shareholders' approval; or (b) within a three-year period with the relevant persons specified in the Listing Rules abstaining from voting on the relevant resolution, with the approval of the Shareholders in general meeting, and in each case, in accordance with the requirements of the Listing Rules. In any event, the total number of new Shares which may be allotted and issued by the Company in respect of options under the Share Option Scheme and Share Grants under any Other Schemes following the date of approval of the renewed limit (the "New Approval Date") under the limit as renewed must not exceed 10 per cent. of the Shares in issue as at the New Approval Date. New Shares allotted and issued by the Company in respect of options under the Share Option Scheme and Share Grants under any Other Schemes (including those outstanding, lapsed or vested, exercised or encashed) prior to the New Approval Date will not be counted for the purpose of determining the maximum aggregate number of new Shares available for options under the Share Option Scheme following the New Approval Date under the limit as renewed.

As of 1 January 2023, 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. During the year ended 31 December 2023, 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 2023, there were outstanding 1,295,392 Shares (representing approximately 0.381% 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:

Name of Grantee	Date of Grant	Exercise Price	Option Period	Number of share options				
				Outstanding at January 1, 2023	Granted during the year	Exercised during the year	Expired/lapsed/cancelled during the year	Outstanding at December 31, 2023
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
Mei-Hui (Jessie) Chou	1 August 2019	HK\$18.24	Three years from date of grant ⁽⁸⁾	210,883	-	-	-	210,883
	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
Employees	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
	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	-	-	47,647	1,295,392

Report of the Directors (Continued)

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 2023, the maximum aggregate number of new Shares available for offers under the Share Option Scheme was 33,774,243, representing approximately 9.93% of the issued share capital of the Company as at the date of this Annual Report.

During the Reporting Period, 47,647 options under the Share Option Scheme lapsed, and no options were cancelled.

Maximum Entitlement of Each Participant

Any offer to a Participant who is a Director, chief executive officer or substantial Shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the option in question).

Where an offer to a Participant who is a substantial Shareholder or an independent non-executive Director (or any of their respective associates) would result in the aggregate number of Shares issued and to be issued in respect of (i) all options under the Share Option Scheme and (ii) Share Grants under Other Schemes, to such individual in the 12-month period (up to and including the offer date) to exceed 0.1 per cent. of the Shares in issue on the offer date, such further offer shall be subject to prior approval by the Shareholders in general meeting with the individual, his/her associates and all core connected persons of the Company abstaining from voting in favour of the resolution relating to such offer at such general meeting.

Report of the Directors (Continued)

Where any offer to a Participant would result in the aggregate number of Shares issued and to be issued in respect of (i) all options under the Share Option Scheme and (ii) Share Grants under Other Schemes, to such individual in the 12-month period (up to and including the offer date) to exceed 1 per cent. of the Shares in issue on the offer date, such further offer shall be subject to prior approval by the Shareholders in general meeting with such individual and his/her close associates (or associates if the individual is a connected person) abstaining from voting.

The Remuneration Committee may in its sole and absolute discretion determine the maximum entitlement of each Participant having regard to their respective functions and roles within the Group and the relevant limits under the Listing Rules.

Exercise Period

Subject to any restrictions applicable under the Listing Rules, an option may be exercised by the grantee at any time during the exercise period to be determined by the Board and notified to the grantee in the notice of grant, in accordance with the terms of the Share Option Scheme and the terms on which the option was granted, which shall expire no later than 10 years from the offer date.

Vesting Period

The vesting period for options ranges from two years to eight years. The vesting period may not be shorter than 12 months unless otherwise determined by the Board (and the Remuneration Committee in respect of grants of options to the Directors and/or senior management) in respect of Participants and where the offer is made:

- (a) to grantees to replace the share awards they forfeited when leaving the previous employer or company which engaged them;
- (b) to grantees whose employment or engagement is terminated due to death, ill health, serious injury, disability or retirement or upon the occurrence of any out of control event;
- (c) later than it should have been made due to administrative and compliance reasons and the vesting period is shortened in order to put the grantees in the same position as they would have been in had the offer been made earlier; and
- (d) with a mixed or accelerated vesting schedule such as where the options may vest evenly over a period of 12 months.

Performance Targets

The options under the Share Option Scheme are not subject to any performance targets. However, the Board may at its discretion specify the terms on which options are granted.

Report of the Directors (Continued)

Acceptance of an Offer

An offer is accepted 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 may be determined by the Board as consideration for the grant of an option. Such remittance is not refundable in any circumstances. 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 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 offer date, 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 offer date; and
- (c) the nominal value of the Shares.

Term of the Share Option Scheme

The Share Option Scheme (as amended) shall be valid and effective from 7 June 2023, being the date of approval of the proposed amendments to the Share Option Scheme by Shareholders, and shall expire on the tenth anniversary thereof or such earlier date as the Share Option Scheme is terminated in accordance with the terms thereof.

SUB-PLAN: THE RESTRICTED SHARE UNIT SCHEME

Pursuant to the LTIP, on 21 September 2015, the Company adopted the RSU Scheme. The terms of the RSU Scheme have been amended on 7 June 2023 to comply with the provisions of new Chapter 17 of the Listing Rules.

Purpose of the RSU Scheme

The purpose of the RSU 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 the Company.

Report of the Directors (Continued)

Participants of the RSU Scheme

On and subject to the terms of the RSU Scheme and the Listing Rules the Board may, at its discretion, make a grant to any Participants.

Scheme Mandate Limit

The maximum aggregate number of new Shares available for grants under the RSU Scheme shall be calculated in accordance with the following formula:

$$X = A - B - C$$

where:

X = the maximum aggregate number of new Shares available for grants under the RSU Scheme;

A = the Scheme Mandate Limit;

B = the maximum aggregate number of new Shares that have been or may be allotted and issued by the Company to satisfy the RSUs already granted under the RSU Scheme (which in the event that there has been a New Approval Date, shall only include those new Shares which have been or may be allotted and issued by the Company to satisfy RSUs that have been granted since that most recent New Approval Date); and

C = the maximum aggregate number of new Shares which have been or may be allotted and issued by the Company to satisfy the Share Grants already made under any Other Scheme.

As of 31 December 2023, the maximum aggregate number of new Shares available for grants under the RSU Scheme was 33,774,243, representing approximately 9.93% of the issued share capital of the Company as at the date of this Annual Report.

Report of the Directors (Continued)

As of 1 January 2023, 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. During the year ended 31 December 2023, the Company had granted an aggregate number of 2,083,903 RSUs to directors, senior management and employees of the Group representing 0.613% of the issued share capital of the Company as of 31 December 2023, 106,213 RSUs have been cancelled and no RSU has expired or lapsed. As of 31 December 2023, there were outstanding 2,561,463 Shares (representing approximately 0.753% 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:

Name of Grantee ⁽¹⁶⁾	Date of Grant	Vesting Period	Number of Shares under RSUs				
			Outstanding at 1 January 2023 ⁽¹⁷⁾	Granted during the year ⁽¹⁸⁾	Vested during the year ⁽¹⁹⁾	Lapsed/ cancelled during the year ⁽²⁰⁾	Outstanding at 31 December 2023 ⁽¹⁷⁾
Directors							
Jiande Chen	7 March 2019	Four years from date of grant ⁽⁴⁾	30,971	-	30,971	-	-
	12 March 2020	Three years from date of grant ⁽¹⁾	48,301	-	48,301	-	-
	6 May 2021	Three years from date of grant ⁽⁵⁾	30,398	-	15,198	-	15,200
	23 June 2022	Three years from date of grant ⁽¹⁰⁾	95,261	-	31,750	-	63,511
	22 September 2022	Three years from date of grant ⁽¹¹⁾	134,415	-	134,415	-	-
	7 June 2023	Three years from date of grant ⁽¹⁴⁾	-	125,296	-	-	125,296
Jim Athanasopoulos	8 December 2020	32 months from date of grant ⁽⁶⁾	86,309	-	86,309	-	-
	9 March 2021	Two years from date of grant ⁽⁹⁾	19,197	-	19,197	-	-
	1 August 2021	Three years from date of grant ⁽⁸⁾	224,455	-	110,551	-	113,904
	1 August 2022	Three years from date of grant ⁽¹²⁾	489,929	-	163,293	-	326,636
Mei-Hui (Jessie) Chou	7 March 2019	Four years from date of grant ⁽⁴⁾	22,123	-	22,123	-	-
	12 March 2020	Three years from date of grant ⁽¹⁾	34,501	-	34,501	-	-
	9 March 2021	Three years from date of grant ⁽²⁾	61,835	-	30,456	-	31,379
	9 March 2021	Two years from date of grant ⁽⁹⁾	19,197	-	19,197	-	-
	7 March 2022	Three years from date of grant ⁽⁹⁾	188,565	-	62,848	-	125,717
	7 March 2023	Three years from date of grant ⁽¹³⁾	-	156,740	-	-	156,740
John Davison	7 June 2023	Vested on 7 June 2023	-	125,296	125,296	-	-
Yue-Sai Kan	7 June 2023	Vested on 7 June 2023	-	125,296	125,296	-	-
Dawn Taubin	7 June 2023	Vested on 7 June 2023	-	125,296	125,296	-	-
Peter Loehr	7 June 2023	Vested on 7 June 2023	-	125,296	125,296	-	-

Report of the Directors (Continued)

Name of Grantee ⁽¹⁶⁾	Date of Grant	Vesting Period	Number of Shares under RSUs				
			Outstanding at 1 January 2023 ⁽¹⁷⁾	Granted during the year ⁽¹⁸⁾	Vested during the year ⁽¹⁹⁾	Lapsed/ cancelled during the year ⁽²⁰⁾	Outstanding at 31 December 2023 ⁽¹⁷⁾
Senior Management							
Daniel Manwaring	7 March 2023	Three years from date of grant ⁽¹³⁾	-	454,546	-	-	454,546
Jenny Jianing Chen	11 October 2023	Three years from date of grant ⁽¹⁵⁾	-	185,071	-	-	185,071
Karl Yuan	7 March 2019	Four years from date of grant ⁽⁴⁾	13,275	-	13,275	-	-
	12 March 2020	Three years from date of grant ⁽¹⁾	20,296	-	20,296	-	-
	9 March 2021	Three years from date of grant ⁽²⁾	37,102	-	18,273	-	18,829
	7 March 2022	Three years from date of grant ⁽⁹⁾	80,813	-	26,934	-	53,879
	7 March 2023	Three years from date of grant ⁽¹³⁾	-	94,044	-	-	94,044
Yifan (Yvonne) He	9 March 2021	Three years from date of grant ⁽²⁾	37,102	-	18,273	-	18,829
	7 March 2022	Three years from date of grant ⁽⁹⁾	80,813	-	26,934	-	53,879
	7 March 2023	Three years from date of grant ⁽¹³⁾	-	94,044	-	-	94,044
Employees	7 March 2019	Four years from date of grant ⁽⁴⁾	48,679	-	48,679	-	-
Employees	1 August 2019	Four years from date of grant ⁽⁷⁾	7,243	-	7,243	-	-
Employees	12 March 2020	Three years from date of grant ⁽¹⁾	110,715	-	110,715	-	-
Employees	9 March 2021	Three years from date of grant ⁽²⁾	92,755	-	45,680	-	47,075
Employees	7 March 2022	Three years from date of grant ⁽⁹⁾	324,152	-	108,033	27,841	188,278
Employees	7 March 2023	Three years from date of grant ⁽¹³⁾	-	472,978	-	78,372	394,606
Total			2,338,402	2,083,903	1,754,629	106,213	2,561,463

Notes:

- (1) The vesting schedule is as follows: 33%, 33% and 34% on each of 12 March 2021, 12 March 2022 and 12 March 2023, respectively.
- (2) The vesting schedule is as follows: 33%, 33% and 34% on each of 7 March 2022, 7 March 2023 and 7 March 2024, respectively.
- (3) The vesting schedule is as follows: 50% and 50% on each of 7 March 2022 and 7 March 2023, respectively.
- (4) 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.
- (5) The vesting schedule is as follows: 33%, 33% and 34% on each of 6 May 2022, 6 May 2023, and 6 May 2024, respectively.
- (6) The vesting schedule is as follows: 33%, 33% and 34% on each of 1 August 2021, 1 August 2022, and 1 August 2023, respectively.
- (7) 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.
- (8) The vesting schedule is as follows: 33%, 33% and 34% on each of 1 August 2022, 1 August 2023, and 1 August 2024, respectively.
- (9) The vesting schedule is as follows: 33%, 33% and 34% on each of 7 March 2023, 7 March 2024, and 7 March 2025, respectively.
- (10) The vesting schedule is as follows: 33%, 33% and 34% on each of 23 June 2023, 23 June 2024, and 23 June 2025, respectively.
- (11) 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.

Report of the Directors (Continued)

- (12) 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.
- (13) The vesting schedule is as follows: 33.33%, 33.33% and 33.34% on each of 7 March 2024, 7 March 2025, and 7 March 2026, respectively.
- (14) The vesting schedule is as follows: 33.33%, 33.33% and 33.34% on each of 7 June 2024, 7 June 2025, and 7 June 2026, respectively.
- (15) The vesting schedule is as follows: 33.33%, 33.33% and 33.34% on each of 11 October 2024, 11 October 2025 and 11 October 2026, respectively.
- (16) 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.
- (17) The purchase price for the Shares underlying the RSUs outstanding at 1 January 2023 and 31 December 2023 is nil.
- (18) 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 6 March 2023, 6 June 2023 and 10 October 2023, being the trading date immediately before the relevant date of the grant, was HK\$9.40, HK\$6.32 and HK\$8.00, respectively; the fair value of the Shares on 7 March 2023, 7 June 2023 and 11 October 2023, being the date of grant, was HK\$9.28, HK\$6.39 and HK\$7.70, respectively. Details of the accounting standard and policy adopted for Shares are set out in Note 2 to the consolidated financial statements.
- (19) The purchase price for the Shares underlying the RSUs vested during the period is nil; the weighted average closing price of the Shares immediately before the date of vesting was HK\$8.31.
- (20) The purchase price for the Shares underlying the RSUs cancelled during the period is nil.
- (21) The number of Shares under RSUs outstanding at 1 January 2023, granted during the year, exercised during the year, expired/lapsed/cancelled during the year, and outstanding at 31 December 2023 for five highest paid individuals (including two Directors) in aggregate are 1,264,026; 890,401; 577,584; 16,098 and 1,560,745, respectively.
- (22) The number of Shares under RSUs outstanding at 1 January 2023, granted during the year, exercised during the year, expired/lapsed/cancelled during the year, and outstanding at 31 December 2023 for other grantees (other than the Directors and the five highest paid individuals) in aggregate are 735,030; 567,022; 399,128; 0 and 902,924, respectively.

Maximum Entitlement of Each Participant

Any grant to a Participant who is a Director, chief executive officer or substantial Shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the grant in question).

If a grant made to a Participant who is a Director (other than an independent non-executive Director) or the chief executive officer (or an associate of a Director or the chief executive officer) would result in the aggregate number of new Shares issued and to be issued in respect of all RSUs under the RSU Scheme and Share Grants (excluding share options) under Other Schemes, to such individual in the 12-month period (up to and including the grant date) to exceed 0.1 per cent. of the Shares in issue, such further grant must be approved by the Shareholders in general meeting with the individual, his/her associates and all core connected persons of the Company abstaining from voting in favour at such general meeting. The Company must send a circular to the Shareholders in the manner set out in the Listing Rules. For the avoidance of doubt, any RSUs and share grants lapsed or encashed in accordance with the terms and conditions of the RSU Scheme or Other Schemes will not count towards the 0.1 per cent. Limit.

If a grant made to a Participant who is a substantial Shareholder or an independent non-executive Director (or any of their respective associates) would result in the aggregate number of Shares issued and to be issued in respect of all (i) RSUs under the RSU Scheme and (ii) Share Grants under Other Schemes, to such individual in the 12-month period (up to and including the grant date) to exceed 0.1 per cent. of the Shares in issue on the grant date, such further grant shall be subject to prior approval by the Shareholders in general meeting with the individual, his/her associates and all core connected persons of the Company abstaining from voting in favour of the resolution relating to such grant at such general meeting.

Report of the Directors (Continued)

Where any grant to a Participant would result in the aggregate number of new Shares issued and to be issued in respect of all (i) RSUs under the RSU Scheme and (ii) Share Grants under Other Schemes, to such individual in the 12-month period (up to and including the grant date) to exceed 1 per cent. of the Shares in issue on the grant date, such further grant shall be subject to prior approval by the Shareholders in general meeting with such individual and his/her close associates (or associates if the individual is a connected person) abstaining from voting.

The Remuneration Committee may in its sole and absolute discretion determine the maximum entitlement of each Participant having regard to their respective functions and roles within the Group and the relevant limits under the Listing Rules.

Vesting Period

The vesting period for RSUs ranges from two years to eight years. The vesting period for RSUs satisfied by new Shares may not be shorter than 12 months unless otherwise determined by the Board (and the Remuneration Committee in respect of grants of RSUs to the Directors and/or senior management) in respect of Participants and where the grant is made:

- (a) to grantees to replace the share awards they forfeited when leaving the previous employer or company which engaged them;
- (b) to grantees whose employment or engagement is terminated due to death, ill health, serious injury, disability or retirement or upon the occurrence of any out of control event;
- (c) later than it should have been made due to administrative and compliance reasons and the vesting period is shortened in order to put the grantees in the same position as they would have been in had the grant been made earlier; and
- (d) with a mixed or accelerated vesting schedule such as where the RSUs may vest evenly over a period of 12 months.

The Board (and the Remuneration Committee in respect of grants of RSUs to the Directors and/or senior management) are of the view that the discretion in allowing a shorter vesting period in each of the circumstances as detailed above is appropriate and in line with the requirements under the Listing Rules and market practice. Such discretion gives the Company more flexibility to provide competitive remuneration package to reward exceptional performers and grant RSUs in exceptional circumstances where justified, which is in line with the purpose of the RSU Scheme.

Report of the Directors (Continued)

Acceptance of an Offer

A grant is accepted when the Company receives from the grantee the duplicate notice of grant duly executed by the grantee 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. To the extent that the grant is not accepted within the time period and in the manner specified by the Company, the grant will be deemed to have been irrevocably declined and it shall lapse with immediate effect.

Term of the RSU Scheme

The RSU Scheme (as amended) shall be valid and effective from 7 June 2023, being the date of approval of the proposed amendments of the RSU Scheme by Shareholders and shall expire on the tenth anniversary thereof or such earlier date as the RSU Scheme is terminated in accordance with the terms thereof.

SUB-PLAN: THE PERFORMANCE SHARE UNIT SCHEME

Pursuant to the LTIP, on 12 March 2020, the Company adopted the PSU Scheme pursuant to which it may grant performance share units, and the PSU Scheme was amended on 28 April 2023. As the PSU Scheme does not involve the grant of share awards or options over new Shares, the rules of the PSU Scheme are not subject to the provisions of the new Chapter 17 of the Listing Rules.

Please refer to the Company's announcements dated 12 March 2020 and 28 April 2023 in relation to the adoption and amendment of the PSU Scheme for further details.

Purpose of the Performance 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.

Report of the Directors (Continued)

Participants of the Performance 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, provided that any participant shall only be entitled to receive PSUs if the participant may do so in compliance with applicable law.

As of 31 December 2023, there were outstanding 843,169 PSUs (representing approximately 0.248% 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 ⁽¹⁾	Date of Grant	Vesting Period	Number of Shares under PSUs				
			Outstanding at 1 January 2023 ⁽⁵⁾⁽¹²⁾	Granted during the year ⁽⁵⁾⁽¹³⁾	Vested during the year	Lapsed/ cancelled during the year ⁽¹⁴⁾	Outstanding at 31 December 2023 ⁽⁵⁾⁽¹²⁾
Directors							
Jiande Chen	12 March 2020	Three years from date of grant ⁽¹⁾	47,353	-	47,353 ⁽⁶⁾	-	-
Jim Athanasopoulos	8 December 2020	27 months from date of grant ⁽¹⁾	84,615	-	84,615 ⁽⁷⁾	-	-
	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 ⁽⁸⁾	-	-
	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
	7 March 2023	Three years from date of grant ⁽⁴⁾	-	52,247	-	-	52,247
Senior Management							
Daniel Manwaring ⁽¹⁰⁾	7 March 2023	Three years from date of grant ⁽⁴⁾	-	151,515	-	-	151,515
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
	7 March 2023	Three years from date of grant ⁽⁴⁾	-	31,348	-	-	31,348
Employees	12 March 2020	Three years from date of grant ⁽¹⁾	50,735	-	50,735 ⁽⁹⁾	-	-
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	-	-	13,469	53,876
Employees	7 March 2023	Three years from date of grant ⁽⁴⁾	-	125,392	-	31,348	94,044
Total			744,011	360,502	216,527	44,817	843,169

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.

Report of the Directors (Continued)

- (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) 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 2025 based on fulfillment of relevant performance conditions over a three-year performance period commencing on 1 January 2023 and ending on 31 December 2025.
- (5) 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.
- (6) 35,515 additional PSUs were granted and vested as the average annual EBITDA growth of the Company over the performance period is greater than 12.5%.
- (7) 63,461 additional PSUs were granted and vested as the average annual EBITDA growth of the Company over the performance period is greater than 12.5%.
- (8) 25,368 additional PSUs were granted and vested as the average annual EBITDA growth of the Company over the performance period is greater than 12.5%.
- (9) 38,050 additional PSUs were granted and vested as the average annual EBITDA growth of the Company over the performance period is greater than 12.5%.
- (10) Mr. Daniel Manwaring was appointed as the Chief Executive Officer of the Company with effect from 9 January 2023.
- (11) 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.
- (12) The purchase price for the Shares underlying the PSUs outstanding at 1 January 2023 and 31 December 2023 is nil.
- (13) The purchase price for the Shares underlying the PSUs granted during the period is nil; the closing price of the Shares on 6 March 2023, being the trading date immediately before the relevant date of the grant, was HK\$9.40; the fair value of the Shares on 7 March 2023, being the date of grant, was HK\$9.28. Details of the accounting standard and policy adopted for Shares are set out in Note 2 to the consolidated financial statements.
- (14) The purchase price for the Shares underlying the PSUs cancelled during the period is nil.
- (15) The number of Shares under PSUs outstanding at 1 January 2023, granted during the year, exercised during the year, expired/lapsed/cancelled during the year, and outstanding at 31 December 2023 for five highest paid individuals (including two Directors) in aggregate are 532,433; 235,110; 118,439; 0 and 649,104, respectively.
- (16) The number of Shares under PSUs outstanding at 1 January 2023, granted during the year, exercised during the year, expired/lapsed/cancelled during the year, and outstanding at 31 December 2023 for other grantees (other than the Directors and the five highest paid individuals) in aggregate are 164,225; 125,392; 50,735; 0 and 238,882, respectively.

Acceptance of an offer

A grant is accepted when the Company receives from the participant the duplicate notice of grant duly executed by the participant 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 PSU. Such remittance is not refundable in any circumstances. To the extent that the grant is not accepted within the time period and in the manner specified by the Company, the grant will be deemed to have been irrevocably declined and it shall lapse with immediate effect. 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.

Term of the Performance 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.

Report of the Directors (Continued)

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 2023.

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 2023.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the year ended 31 December 2023, the Company conducted share repurchases of 16,800 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\$
December 2023	16,800	7.12	7.08	7.113	119,498.40
Total	16,800				119,498.40

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, 22,000 listed Shares, 200,000 listed Shares, 45,000 listed Shares, 111,921 listed Shares, 119,000 listed Shares, 119,000 listed Shares, 119,000 listed Shares, 119,000 listed Shares, 119,000 listed Shares, 103,650 listed Shares, 28,700 listed Share, 107,000 listed Shares and 71,800 listed Shares were purchased through Computershare Hong Kong Trustees Limited, the professional trustee engaged by the Company for administering its RSU Scheme and PSU Scheme, on 27 February 2023 at an average price per Share of HK\$8.9679, on 28 February 2023 at an average price per Share of HK\$9.2348, on 1 March 2023 at an average price per Share of HK\$9.3516, on 2 March 2023 at an average price per Share of HK\$9.6553, on 9 June 2023 at an average price per Share of HK\$6.5036, on 12 June 2023 at an average price per Share of HK\$6.5827, on 13 June 2023 at an average price per Share of HK\$6.8190, on 14 June 2023 at an average price per Share of HK\$7.0247, on 15 June 2023 at an average price per Share of HK\$7.0894, on 16 June 2023 at an average price per Share of HK\$7.1210, on 13 December 2023 at an average price per Share of HK\$6.7970, on 14 December 2023 at an average price per Share of HK\$6.9243 and on 15 December 2023 at an average price per Share of HK\$7.1287 on the Stock Exchange, for satisfying, or preparing for the satisfaction of, the vesting of the relevant restricted share units or performance share units.

Report of the Directors (Continued)

Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities or the securities of its subsidiaries during the year ended 31 December 2023.

CHARGES ON GROUP ASSETS

At 31 December 2023, 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 2023.

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 2023. The Group did not have any material litigation outstanding as at 31 December 2023.

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 2023.

CORPORATE PURPOSE, STRATEGY AND GOVERNANCE PRACTICES

The Company is a leading entertainment technology group and is engaged in creating an immersive theatre viewing experience, to drive the breakthrough and development of film technologies. In connection with this business objective, our vision and corporate culture promotes each of us to challenge the status quo and transcend the ordinary. By inspiring one another and encouraging creativity, the Company aims to connect the world through the creation of extraordinary experiences. To implement such corporate culture, we arrange corporate culture training for employees from time to time and actively promoted film culture in community outreach which employees and management attended.

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

To maintain a healthy and sustainable corporate culture, the Company conducts a holistic assessment of employees' wellbeing and monitors metrics including staff turnover rate, whistleblowing data, employee surveys, and breaches of the code of conduct contained in the Employee Handbook. As our culture encourages active participation from employees to improve their workplace, employees are able to voice their ideas and concerns through regular internal meetings and escalate concerns through formal processes. We believe that maintaining a culture that empowers employees and encourages them to thrive will also enhance the quality of our consumers' experience through improved viewing experiences and top tier customer support, which are crucial in the services industry.

Corporate Governance Report (Continued)

See the section headed “ESG Report” of this Annual Report for further details of the Company’s corporate culture.

The Company is also 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. To uphold the Company’s commitment to excellence in corporate governance, the Board reviews the Company’s corporate governance practices from time to time.

Mr. Richard Gelfond, the Chairman of the Company, was unable to attend the annual general meeting of the Company convened on 7 June 2023 due to other important business commitments. Mr. Gelfond appointed Mr. Jiande Chen, an Executive Director and the Vice Chairman 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. Save as disclosed above, during the Reporting Period, the Company has complied with all the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

QUARTERLY REPORTING BY IMAX CORPORATION

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

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

Corporate Governance Report (Continued)

BOARD OF DIRECTORS

Role of the Board

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

Board Composition

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

The Board currently comprises 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 Mr. Daniel Manwaring;
- Non-executive Directors: Mr. Richard Gelfond (Chairman) and Mr. Robert Lister; and
- Independent Non-executive Directors: Mr. John Davison, Ms. Yue-Sai Kan, Ms. Janet Yang and Mr. Peter Loehr.

Robert Lister, who has been appointed as the Non-executive Director during the financial year ended 31 December 2023, has obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him as a director of the Company and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 4 May 2023, and he has confirmed he understood his obligations as a director of the Company.

Furthermore, Mr. Daniel Manwaring and Ms. Janet Yang, who were appointed on 27 February 2024 and 20 February 2024 respectively, have each obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to them as directors of the Company and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 5 February 2024 and 6 February 2024 respectively, and each of Mr. Daniel Manwaring and Ms. Janet Yang have confirmed they understood their obligations as a director of the Company.

Corporate Governance Report (Continued)

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 Mr. Robert Lister, there is no particular relationship (including financial, business, family or other material or relevant relationship) between or among any members of the Board. There is no particular relationship (including financial, business, family or other material or relevant relationship) between the Chairman and Chief Executive Officer.

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 to effectively exercise independent judgment to better safeguard Shareholders’ interests.

The objectives of the board independence evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The board independence evaluation process also clarifies actions that the Company needs to take 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

According to the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same person. From 1 January 2023 to 8 January 2023, the positions of Chairman and interim Chief Executive Officer were held by Mr. Richard Gelfond and Mr. Jiande Chen, respectively; and from 9 January 2023 to 31 December 2023, the positions of Chairman and Chief Executive Officer are held by Mr. Richard Gelfond and Mr. Daniel Manwaring, 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 2023, 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.

Corporate Governance Report (Continued)

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 Mr. Robert Lister and Mr. Richard Gelfond have been appointed for a term of one year and three years respectively in accordance with the Company's Articles of Association.

Gender Diversity

As at 31 December 2023, females constitute around 40% of the Group's global workforce ratio (including senior management), and around 40% of the Group's senior management roles are held by women. The chart below summarizes the ratio of women at different position levels across the Group as at 31 December 2023.

Gender	Level				
	Senior Management	Vice President	Director	Manager	Employee
Male	3	4	4	13	37
Female	2	3	7	13	13

Note: The above data is calculated based on the number of total employees of the Group as of 31 December 2023.

The Board considers that the gender diversity is achieved in respect of the Board. The Board intends that female directors should continue in the long-term to comprise at least 20% of the total members of the Board. This goal has been revised given the recent changes to the Board's composition in 2023 and 2024 which have brought female representation to just under a quarter of the Board (from one-third). The Board considers that the current composition of the Board has met the Board's objectives with respect to gender diversity, however the Board will continue to take opportunities to increase the proportion of female members over time when selecting and making recommendations for suitable candidates. 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 is meeting its long-term goal to have at least one-third of the Group's workforce (including management roles at the level of director and above) be held by women (around 40% as at 31 December 2023). The Board considers that it has met the objective in gender diversity to achieve gender balance in the Group's workforce and shall continue in the long-term to maintain the same long-term goal. To continue to promote diversity at all levels of the Group's workforce (including management roles at the level of director and above), the Company continues to take opportunities to increase the proportion of female members when hiring new employees, and internally has been providing training and career development opportunities to all eligible employees without discrimination. The Company continues to recruit and promote 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.

Corporate Governance Report (Continued)

Further details of the Company's policies for enhancing Board diversity is set out in the section headed "Corporate Governance Report – Board Committees – Nomination Committee" on pages 119 to 120 of this Annual Report.

Attendance Records of Directors

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

Name of Director	Number of board meeting attended in person/held during the Reporting Period	Number of board meeting attended by proxy/held during the Reporting Period
EXECUTIVE DIRECTORS		
Mr. Daniel Manwaring ⁽²⁾	N/A	N/A
Mr. Jiande Chen	4/5	1/5
Mr. Jim Athanasopoulos	4/5	1/5
Ms. Mei-Hui (Jessie) Chou ⁽²⁾	4/5	1/5
NON-EXECUTIVE DIRECTORS		
Mr. Richard Gelfond	3/5	0/5
Mr. Robert Lister ⁽³⁾	2/4	0/4
Ms. Megan Colligan ⁽³⁾	1/1	0/1
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Ms. Yue-Sai Kan	4/5	1/5
Mr. John Davison	3/5	1/5
Ms. Dawn Taubin ⁽⁴⁾	4/5	1/5
Ms. Janet Yang ⁽⁴⁾	N/A	N/A
Mr. Peter Loehr	4/5	1/5

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. Daniel Manwaring was appointed as Executive Director and Ms. Mei-Hui (Jessie) Chou resigned as Executive Director both with effect from 27 February 2024.
- (3) Mr. Robert Lister was appointed as Non-executive Director and Ms. Megan Colligan resigned as Non-executive Director both with effect from 1 May 2023.
- (4) Ms. Janet Yang was appointed as Independent Non-executive Director and Ms. Dawn Taubin resigned as Independent Non-executive Director both with effect from 20 February 2024.

Corporate Governance Report (Continued)

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.

All directors except for Mr. Richard Gelfond and Mr. Robert Lister, namely, Mr. Jiande Chen, Mr. Jim Athanasopoulos, Ms. Mei-Hui (Jessie) Chou, Mr. John Davison, Ms. Yue-Sai Kan, Ms. Dawn Taubin and Mr. Peter Loehr, attended the annual general meeting held on 7 June 2023. Mr. Richard Gelfond, the Chairman of the Company, and Mr. Robert Lister, the Non-executive Director of the Company, were unable to attend the annual general meeting of the Company convened on 7 June 2023 due to other important business commitments. Mr. Gelfond appointed Mr. Jiande Chen, an Executive Director and the Vice Chairman 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.

All directors (except Mr. Richard Gelfond and Mr. John Davison) attended the extraordinary general meeting held on 10 October 2023. Mr. Richard Gelfond and Mr. John Davison were unable to attend the extraordinary general meeting of the Company convened on 10 October 2023 due to other important business commitments.

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.

All Directors have 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 participated in training using materials provided by a Hong Kong law firm on Legal and Regulatory Updates on 12 December 2023. The Directors have provided records of their training during the Reporting Period as follows:

Name of Director	Attending training
Executive Directors:	
Daniel Manwaring ⁽¹⁾	N/A
Jiande Chen	1/1
Jim Athanasopoulos	1/1
Mei-Hui Chou (Jessie) ⁽¹⁾	1/1
Non-executive Directors:	
Richard Gelfond	1/1
Robert Lister ⁽²⁾	1/1
Megan Colligan ⁽²⁾	N/A
Independent Non-executive Directors:	
John Davison	1/1
Yue-Sai Kan	1/1
Dawn Taubin ⁽³⁾	1/1
Janet Yang ⁽³⁾	N/A
Peter Loehr	1/1

Notes:

- (1) Mr. Daniel Manwaring was appointed as Executive Director and Ms. Mei-Hui (Jessie) Chou resigned as Executive Director both with effect from 27 February 2024.
- (2) Mr. Robert Lister was appointed as Non-executive Director and Ms. Megan Colligan resigned as Non-executive Director both with effect from 1 May 2023.
- (3) Ms. Janet Yang was appointed as Independent Non-executive Director and Ms. Dawn Taubin resigned as Independent Non-executive Director both with effect from 20 February 2024.

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.

Corporate Governance Report (Continued)

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 2023
- 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 2023 external audit engagement and fees

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

Corporate Governance Report (Continued)

The audit committee held one meeting 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	1/1	100%
Dawn Taubin ⁽¹⁾	1/1	100%
Janet Yang ⁽¹⁾	N/A	N/A
Richard Gelfond	1/1	100%

Note: Ms. Dawn Taubin resigned as the member of the Audit Committee of the Company and Ms. Janet Yang was appointed as the member of the Audit Committee of the Company both with effect from 20 February 2024.

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 terms of reference was updated on 22 February 2023 to reflect changes to the Listing Rules. 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 Mr. Robert Lister, 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 2023 are set out in note 28 to the Consolidated Financial Statements contained in this Annual Report.

Corporate Governance Report (Continued)

Details of remuneration of the members of the senior management by band for the year ended 31 December 2023 are set out in note 28 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.

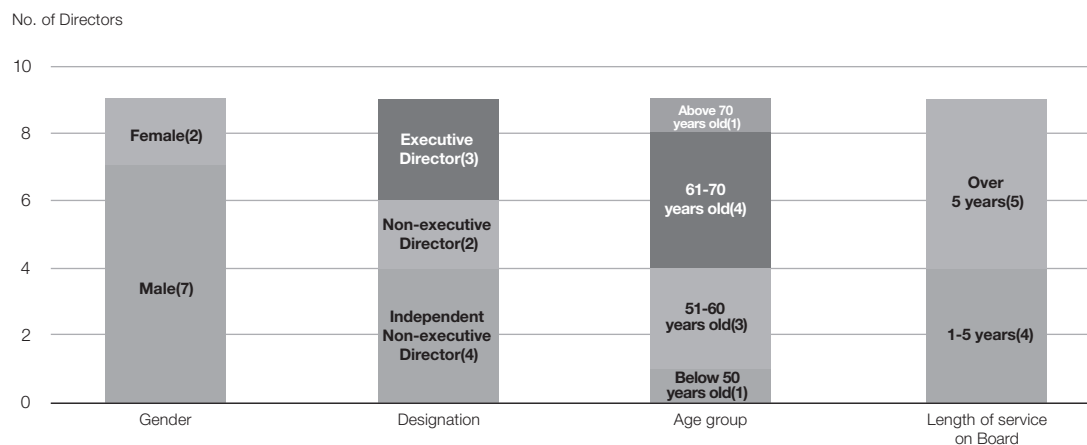
In November 2018, the Company adopted a Director Nomination Policy and a Board Diversity Policy. The Director Nomination Policy ensures that the Board has a balance of skills, experience and diversity of perspectives and ensures Board continuity and appropriate leadership at the Board Level. The Board 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. Richard Gelfond, Mr. John Davison and Mr. Peter Loehr will retire from office by rotation at the forthcoming annual general meeting. All retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In addition, in accordance with Article 16.2 of the Articles of Association, Mr. Daniel Manwaring, who was appointed as an executive Director with effect from 27 February 2024, and Ms. Janet Yang, who was appointed as an independent non-executive Director with effect from 20 February 2024, will hold office as a Director only until the forthcoming annual general meeting, and, 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.

Corporate Governance Report (Continued)

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 2023. Accordingly, the Directors have prepared the Financial Statements for the year ended 31 December 2023 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 156 to 164 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 2023 are included in note 7 to the Consolidated Financial Statements. The major non-audit services provided by our external auditor for the year ended 31 December 2023 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 2023 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 2023 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 2023, 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.

Corporate Governance Report (Continued)

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.

Corporate Governance Report (Continued)

No changes were made to the Company's shareholders' communication policy during 2023. The Board reviewed the Company's shareholders engagement and communication activities conducted in 2023 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. To conform to the Core Shareholder Protection Standards as set out in Appendix A1 to the Listing Rules and provide flexibility to the Company in relation to the conduct of general meetings, the Company's Articles of Association were amended and restated upon shareholders' approval on 7 June 2023. For details, please refer to the Company's announcement dated 22 February 2023 and circular dated 16 May 2023.

Shareholders' Meetings

An annual general meeting of the Shareholders of the Company was held on 7 June 2023 and a court meeting and extraordinary general meeting were held on 10 October 2023. Save as disclosed above, there was no other shareholders' meeting held during the Reporting Period.

Dividend Policy

The Company has a dividend policy in effect. For details, please refer to the section headed "Management Discussion and Analysis – Dividend Policy and Distributable Reserves".

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.

Corporate Governance Report (Continued)

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.

Corporate Governance Report (Continued)

- 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.

Corporate Governance Report (Continued)

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.

Corporate Governance Report (Continued)

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 2023, the Company has not received any report of violation of the Code under the Whistle Blower Program.

2023 Risk Management and Internal Control Process

During 2023, 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, and received confirmation from management, on the effectiveness and adequacy of its risk management and internal control systems, including the resources, staff qualifications and experiences, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

During 2023, 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, and no particular risks or material weaknesses in the systems were identified as part of the review.

Corporate Governance Report (Continued)

Significant Risks Facing the Company

The Company's 2023 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 2023, 80 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.

Corporate Governance Report (Continued)

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.

Corporate Governance Report (Continued)

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 2023, 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 2023 is set out in the Environmental, Social and Governance Report on Page 131.

2023 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 2023 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 2023 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, 2023. There are no significant changes in the scope of this ESG report from that of the 2022 ESG report published in March 2023. 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.

2023 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 sections 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 2023, which have been reviewed and approved by the Board of Directors on February 27, 2024.

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.

IMAX China is committed to improving ESG performance and sustainable development as described in various sections in this ESG Report. Holding ourselves to high standards for ESG efforts serves dual purpose of driving IMAX China's ESG performance as well as enhancing the quality of our consumers' experience. By safeguarding our employees' health and safety, and creating an environmentally-friendly workplace, consumers can benefit from high quality viewing experiences in the long-term with top tier customer support, etc.

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

2023 Environmental, Social and Governance Report (Continued)

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 to meet the Group's ESG objectives, 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 work in progress of ESG management and progress in meeting the Group's ESG goals, targets and objectives, and reporting to senior management. During the reporting period, the senior management had a special meeting with the ESG working group to discuss and review 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, theatre customers, moviegoers and fans, 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; Regulatory and Tax compliance.	Compliance management; Voluntary taxation; Complying with national policies.	Multiple times per year

2023 Environmental, Social and Governance Report (Continued)

Stakeholders	Expectations and concerns	Communication channels	Communication frequency
Shareholders and investors	Return on investment; Corporate governance; Information disclosure transparency.	Press release and public announcements, e.g., mid-year and annual financial report; Shareholders' meetings; Relations Activities and roadshow.	Multiple times per year
Employees	Protection of employees' rights; Career development; Employee training and education; Healthy and safe working environment.	Employee satisfaction survey; Employee meetings and trainings; HR Grievance Process; Employee Hot Line.	Multiple times per month
Theatre customers	Protection of customers' rights and interests; High-quality products and services.	Customer site visit; Technical training; Co-Marketing Service hotline; Complaint mailbox.	Multiple times per week
Moviegoers and fans	High-quality content; Immersive movie-watching experience; Responsible content; Customers' rights and privacy protection.	Media activities; Customer satisfaction surveys; Consumer complaint mailbox; Interactive platforms such as WeChat, Weibo and Douyin.	Multiple times per week
Suppliers	Fair and impartial procurement.	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; Social science and education publicity; Volunteer activities for public good.	Multiple times per year
Industrial association	Responsible content; Positive social influence.	Industry event engagement; Industry forum.	Multiple times per year

2023 Environmental, Social and Governance Report (Continued)

Materiality Assessment

To further clarify the Group’s ESG priorities and to enhance the relevance and responsiveness of this ESG report, we had invited internal and some key external stakeholders to participate in materiality assessment questionnaires.

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;

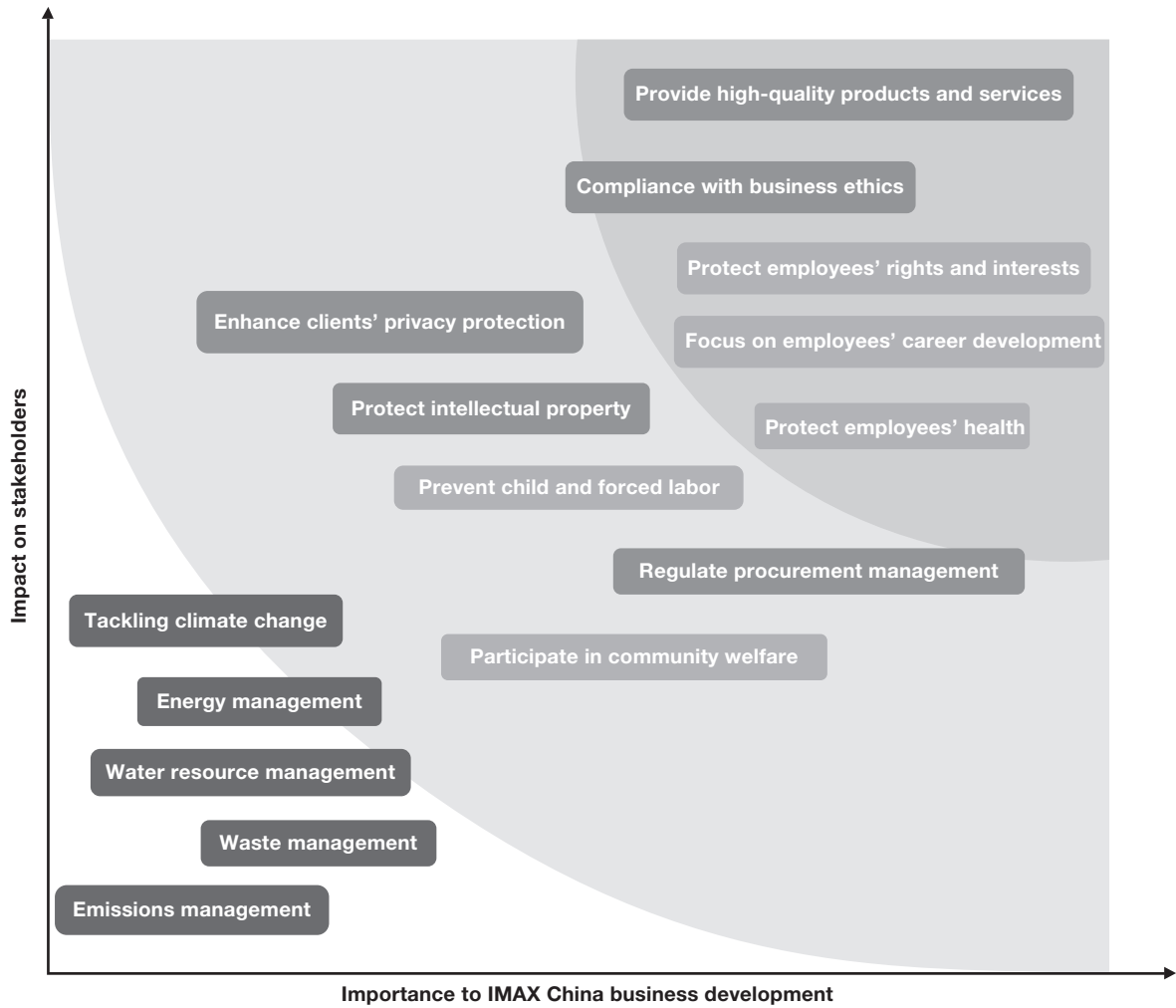
Social issues	Economic issues	Environmental issues
<ul style="list-style-type: none"> Protect employees’ rights and interests Protect employees’ health Focus on employees’ career development Prevent child and forced labour Participate in community welfare 	<ul style="list-style-type: none"> Provide high-quality products and services Enhance clients’ privacy protection Protect intellectual property rights Regulate procurement management Compliance with business ethics 	<ul style="list-style-type: none"> 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 and reporting to the Board of Directors. Based on the materiality assessment matrix, we identified 5 issues that are extremely critical to the Group, including providing high-quality products and services, protecting employees’ rights and interests, abiding by business ethics, focusing on employees’ career development, and protecting employees’ health.

2023 Environmental, Social and Governance Report (Continued)

In 2023, 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

2023 Environmental, Social and Governance Report (Continued)

1 PRODUCT RESPONSIBILITIES

IMAX China strictly ensures the compliance of business operations and effectively fulfils relevant product responsibilities and legal obligations of the Group. 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 2023, there were no confirmed non-compliance incidents in relation to product responsibility that would have had 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, the media and fans, and continuously creates value for them by carrying out a series of effective interactive activities and operating a good communication mechanism.

Based on the private domain operation management, we had in-depth interaction with the leaders of the IMAX Squad city fan groups in 106 cities across China, bringing the IMAX film and television culture to over one hundred thousand IMAX core fans. 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 about 600,000 fans, through which we held a variety of activities, and launched IMAX environmental merchandise on a daily basis.

IMAX China works with IMAX Squad city fan groups to hold various events from time to time throughout China to facilitate interaction among IMAX China, fans, key cinema operators and key films, thus getting closer to fans. In 2023, IMAX Squad city fan groups held 1,000 offline activities in 98 cities.

In April 2023, together with Guangmei Culture and IMAX Squad Wuxi fan group, we held the special screening event of "IMAX for Kids – The Super Mario Bros. Movie". The event was designed with fun games for children before projection, creative painting, and a lucky draw for limited spin-offs, enabling children to enjoy the movie and learn film knowledge in a fun way.

2023 Environmental, Social and Governance Report (Continued)

Figure: Special screening event of “IMAX for Kids – The Super Mario Bros. Movie”



During the 25th Shanghai International Film Festival, we invited 75 leaders of IMAX Squad city fan groups across China to attend the first “Fan Group Leaders Assemble to Inspire Creativity” event. During the event, the leaders played icebreaker games and quiz games, and watched the IMAX 2D movie “Everything Everywhere All at Once”. They also actively communicated and exchanged ideas on how to operate and manage IMAX Squad fan groups.

Figure: The first “Fan Group Leaders Assemble to Inspire Creativity” event for IMAX Squad city fan groups



In June 2023, we partnered with Paramount Pictures to hold the premiere of “Transformers: Rise of the Beasts” in the foothills of the mountains near the ancient Jinshanling Great Wall. To provide the audiences, fans and media with immersive and unique experiences, we overcame technological and environmental challenges to build the first temporary outdoor IMAX theatre that integrates a movie exhibition with natural beauty.

2023 Environmental, Social and Governance Report (Continued)

Figure: East Asia’s first temporary outdoor theatre for the premiere of “Transformers: Rise of the Beasts” in China



In August 2023, we organised a pilot screening event for the full-frame IMAX GT version of “Oppenheimer” at the China National Film Museum. Fans across China were invited to watch “Oppenheimer” shot with IMAX film cameras in an immersive way, while exploring the history and stories of film cameras and IMAX films.

Figure: IMAX “Fan Fest” limited exhibition



- 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 2023, we received a total of 6,364 complaints from different channels, about 0.02% of attendance, 100% of which were properly dealt with.

2023 Environmental, Social and Governance Report (Continued)

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. 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 centre 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 eleven 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 2023, there was no product recall for safety and health reasons. In addition, we conduct customer satisfaction surveys on routine maintenance and satisfaction surveys by phone. In 2023, the customer satisfaction remained above 98%.
- **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.

2023 Environmental, Social and Governance Report (Continued)

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. To further improve the projection quality of theatres, IMAX Corporation organised a learning competition on the IMAX Learning platform in August 2023 for IMAX theatres around the world. Among them, 2 theatres in China won the competition.

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. In November 2023, with the approval of the Risk Committee, IMAX Corporation updated and released the IMAX Information Security Policies to establish standards for the information security responsibilities of IMAX Corporation and its affiliates, data acquisition, storage, backup and access, and information security audits. Strictly following the policy, 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 the IMAX Information Authorisation Protocol, IMAX User Service Agreement and IMAX Privacy Policy on IMAX’s 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 their privacy. All personal information of users is stored and processed in strict compliance with applicable privacy and data protection laws. In 2023, 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 and 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.

2023 Environmental, Social and Governance Report (Continued)

3. In order to implement the newly issued PIPL, 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.
 4. The Group enhances employees' awareness of information and data security protection through phishing drills, disaster recovery drills, training on information security policies and requirements, and other means. The Group conducted 2 training sessions on phishing and reporting, and 1 training session on information security in 2023, which more than 90% of employees participated in.
- **Advertising:** IMAX China complies with the Advertising Law of the People's Republic of China and relevant laws and requires suppliers to do the same.
 - **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.

2023 Environmental, Social and Governance Report (Continued)

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 2023, there were no confirmed non-compliance incidents in relation to employment, labour standards, working environment, workplace safety and human rights, and we likewise target to have no non-compliance incidents in the next reporting year through our measures below.

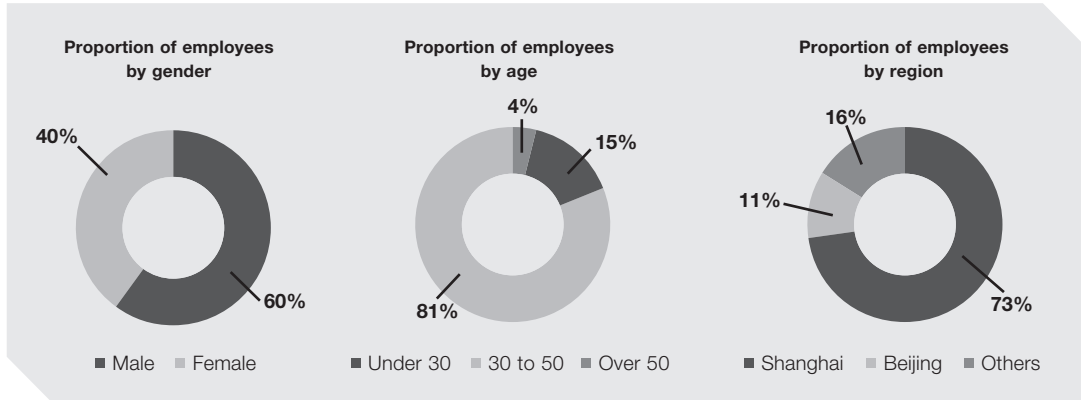
Employment and Labour Standards

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.

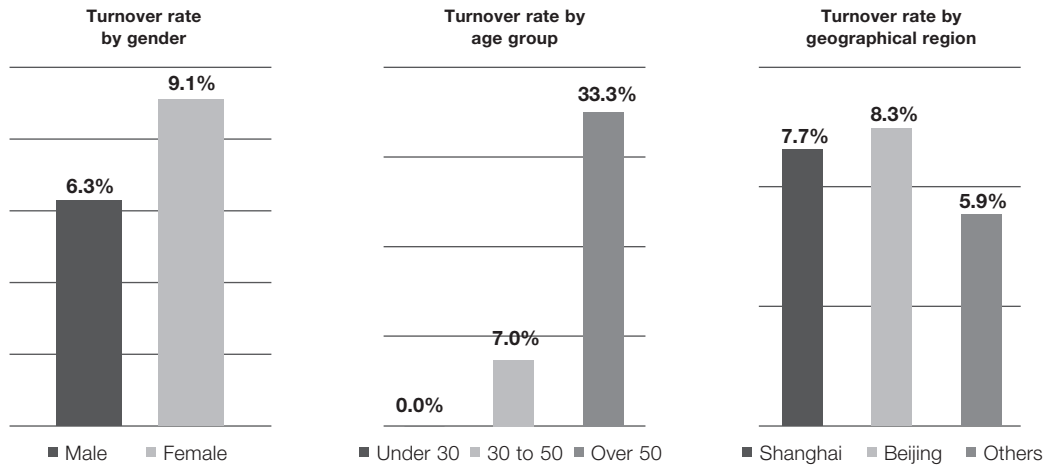
IMAX China recruits and promotes personnel without regard to age (other than needing to be 16 or older), national origin, race, religion, sexual orientation, marital status, pregnancy, disability and political beliefs, thus putting the principle of fairness into practice. All employees of the Group in 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.

2023 Environmental, Social and Governance Report (Continued)

As of 31 December 2023, 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 2023, the turnover of staff was 7.5%.



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.

2023 Environmental, Social and Governance Report (Continued)

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. We also provide our employees with 4 free movie tickets every month and encourage them to go to the movies with their friends and families.

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.

The Group has established smooth communication channels to facilitate democratic communication. By organising monthly Townhall activities, the Group's management exchanges ideas on major issues and shares business development and management experience with employees, while employees can make suggestions and express their opinions. In this way, the Group strives to actively listen to employees' voices and boost their morale through sincere and timely communication, so as to enhance their confidence and sense of belonging to the Group.

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 2023, we have never had a workplace fatality, and there have been no lost days due to work injury. We aim to continue with having no work injuries or workplace fatalities, and have implemented the measures below to safeguard employees' health and safety.

- **Installation Safety:** Employees are asked to stringently abide by all safety rules and regulations and utilize available and applicable protection measures at all times to avoid accidents and protect themselves and co-workers from safety risks. IMAX China has formulated the Client & Contractor Guide to 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.

2023 Environmental, Social and Governance Report (Continued)

- 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. In the post-pandemic era, we still keep alcohol disinfectant, masks and other personal protective equipment at the reception desk in case of emergencies. 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 November 2023, we participated in the fire drills organised by the property management company in charge of our office building to enhance our employees' awareness of fire safety and self-rescue ability.

Figure: Fire drills



- 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 care:** To balance the work and life of employees, IMAX China organises birthday parties, Lantern Festival activities, and other activities every year, in an effort to create a happy working environment. In July 2023, we organised a summer carnival with fun activities to reward our employees and show our appreciation for their hard work. In December 2023, we held Family Day events in both Shanghai and Beijing, and our engineers in other cities also received appreciation gift cards. In addition, all of our colleagues and their families received T-shirts commemorating the Company's achievements over the 22 years since its entry into China. The Family Day events not only highlight the Company's care and appreciation for employees and their families, but also enhance team cohesion.

2023 Environmental, Social and Governance Report (Continued)

Figure: Monthly birthday parties of IMAX China



Figure: Family Day events of IMAX China



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*. We develop the training plan every year, update the training courseware on the Group's internal Workday platform, and have built an offline learning platform.

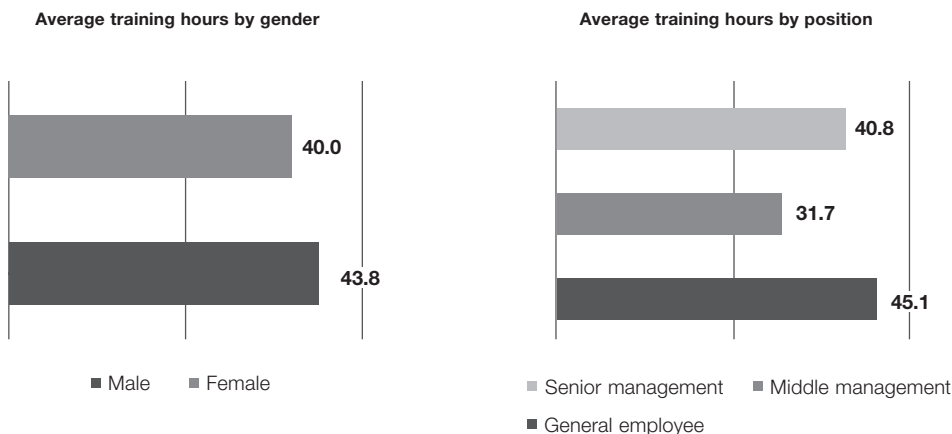
We established the IMAX training centre and installed an IMAX digital projection system to facilitate technical trainings. Moreover, an experienced internal trainer was nominated to be responsible for orientations for new technicians, technician on-job trainings, trainings on evolving IMAX projection 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.

2023 Environmental, Social and Governance Report (Continued)

- 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 2023, the percentage of employees who received training provided by the Group was 100% and the total training hours of the whole year were 4,182.



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 behaviour 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 2023, there were no confirmed non-compliance incidents in relation to corruption and bribery, extortion, fraud or money laundering, and there were no legal cases regarding corrupt practices brought against IMAX China or its employees.

2023 Environmental, Social and Governance Report (Continued)

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' confidentiality 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 internal Workday platform. Employees are required to sign a compliance statement after finishing the business ethics training 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.

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

2023 Environmental, Social and Governance Report (Continued)

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.

In addition, in commitment to ESG practices in its supply chain, the Group conducts interviews, provides training and offers guidance on IMAX product quality standards to the suppliers.

As of 31 December 2023, 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 2023 annual environmental and social risks assessments, and no material environmental and social risks were found for any of the suppliers.

4 COMMUNITY INVESTMENT

To give back to the community, IMAX China is expanding its efforts in the area of charity work by leveraging its business strengths. 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 select films with positive values and Chinese characteristics. Among IMAX format films released in 2023, the military film "Born to Fly", with a focus on test pilots and stealth jet R&D, pays homage to these unsung heroes and advocates patriotism. "Never Say Never" (or "Octagonal") portrays ordinary people that seek values in adversity and persevere through it. The high-quality animated film "Chang An" gives audiences a chance to witness life in the Tang Dynasty and experience the charm of Chinese history. The summer film "No More Bets" offers an unparalleled glimpse into rampant overseas cybercrimes, helping raise people's anti-fraud awareness by publicity campaigns. Based on ancient Chinese myths, the mythological epic "Creation of The Gods I" greatly promotes traditional Chinese culture. "One and Only", an Asian Games-themed film, sets the scene for the new sport of breaking, and tells a story of how people support each other and make progress in pursuit of dreams.

20 November 2023, World Children's Day, marked the anniversary of the successful launch of China's first unmanned test spacecraft, Shenzhou-1. The original IMAX film "Asteroid Hunters", an educational film about asteroids for teenagers, is scheduled to be released on 12 January 2024, in IMAX theatres in China and through the Nationwide Alliance of Arthouse Cinemas (NAAC). This is the first commercial release of an original IMAX film in China, in an effort to inspire teenagers to learn science, care for the planet and explore the universe.

2023 Environmental, Social and Governance Report (Continued)

IMAX China contributes to the development of Chinese sci-fi films with its film technologies. In 2023, we participated in the “Filmed for IMAX” programme of “The Wandering Earth II”, and supported its release in North America, fully promoting Chinese film-makers to create world-class movies on an industrialised basis and embrace the new era of expanding the international market.

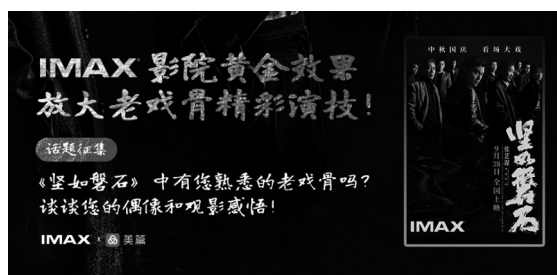
Film Panorama in the International Film Festival

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 April 2023, we presented 6 classic films at the Beijing International Film Festival. Taking into account the diversity of subjects and public education value, we selected films including “Moonage Daydream”, a documentary focusing on pioneering artists, the IMAX release “2001: A Space Odyssey”, the greatest sci-fi film of all time, the sci-fi epic “Gravity” and the action blockbuster “Mad Max: Fury Road”. We also worked with Disney to put the IMAX versions of Marvel’s “Guardians of the Galaxy” series on Disney +, offering fans a chance to relive the classics. Moreover, we attended the 25th Shanghai International Film Festival with multiple classics such as “Everything Everywhere All at Once”. In line with the original intention of sharing quality films with the public and enriching the cultural life of the public, we provide the film source in IMAX format to the organizing committee of the film festivals, and do not charge any fees and share the box office revenue.

Public Viewing and Education

We continued to hold offline, non-commercial film-watching activities to give back to the community. In 2023, during the screening of “Under the Light”, IMAX China jointly organized a public viewing activity with the interest exchange platform of 200 million mature people – Meipian, to take care of the “post-confused” group, so that more middle-aged and elderly audiences can enjoy the best films in IMAX theatres during the National Day holiday.

Figure: “Under the Light” film screening event



On International Women’s Day, we interviewed Tiantian Qian, the cinematographer of “Post Truth”, about the social issue of rumours and cyber violence in the film as well as care for women in the workplace, from a female perspective. By doing so, we aim to put a spotlight on rarely known “HERSTORY” and pay tribute to women filmmakers.

2023 Environmental, Social and Governance Report (Continued)

In September 2023, we cooperated with Beyondchild, to help children with autism and support their integration into the society. Teachers of the school were invited to our Shanghai office on the afternoon of 13 September 2023 to share the knowledge of autism with all the Chinese employees. Those based out of Shanghai also participated in the training online. Considering their special conditions, children with autism often have few opportunities to watch movies in theatres. To offer a good experience and introduce film culture, we held a special screening event in Shanghai on 16 September 2023. More than 200 children with autism, their families, teachers and volunteers were invited to watch the IMAX animated film “Chang An”. Before the movie started, we lowered the sound for these children to adapt to the environment. During the movie, our employees and the teachers paid close attention to children’s reactions. After the movie, parents expressed thanks to us and gave recognition for this activity. In addition, 3 charity sales booths were set up in the movie theatre where the activity was held, to sell IMAX spin-offs such as mugs, T-shirts, vacuum cups, and notebooks. A total of over RMB28,000 made from charity sales was all donated to Beyondchild to further help children with autism. The special screening event was strongly supported by the Group’s management. Except for those on duty, all employees from Shanghai office including the management attended the activity, showing our commitment and support to the community.

5 GREEN OPERATION

IMAX China understands the importance of environmental protection and resource conservation for its sustainable development. 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 2023, there were no confirmed non-compliance incidents in relation to environmental protection that would have a significant impact on the Group’s operations, and we target to likewise have no non-compliance incidents in the next reporting year.

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. In October 2023, the Group updated the *IMAX China Employee Travel Policy* to encourage green travel among

2023 Environmental, Social and Governance Report (Continued)

employees and promote virtual meetings to minimise unnecessary travel, ultimately reducing the environmental impact of business travel. The Group's technical service centre 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. Moreover, the Group actively builds a green workplace by promoting teleconferences, online meetings, paperless office, etc.

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; and
- We call on employees to participate in "Earth Day" activities, where they can share opinions on actions to reduce emissions, save energy and protect the environment, as well as green and low-carbon lifestyles that advocate less use of plastics, cycling and walking, healthy diet, etc., to raise employees' awareness of low-carbon life and environmental protection.

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.

2023 Environmental, Social and Governance Report (Continued)

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

In 2023, the Group's total emission of greenhouse gases was 260.51 tCO₂e and total emission of greenhouse gases per capita was 2.63 tCO₂e/employee. The total energy consumption in 2023 was 178.37 MWh, and the total energy consumption per capita was 1.80 MWh/employee.

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:

	2023	2022	2021
Total emission of greenhouse gases (Scope 2 and Scope 3) (in tCO ₂ e)	260.51	166.82	272.22
Energy indirect greenhouse gas emission (Scope 2) (in tCO ₂ e)	74.91	70.43	119.99
Including: purchased electricity (in tCO ₂ e)	74.91	70.43	119.99
Other indirect greenhouse gas emissions (Scope 3) (in tCO ₂ e)	185.59	96.38	152.23
Including: air travels of employee (in tCO ₂ e)	185.59	96.38	152.23
Total emission of greenhouse gases per capita (tCO ₂ e/employee)	2.63	1.69	2.62
Total energy consumption (MWh)	178.37	167.69	170.56
Total indirect energy consumption (MWh)	178.37	167.69	170.56
Including: purchased electric power (MWh)	178.37	167.69	170.56
Total energy consumption per capita (MWh/employee)	1.80	1.69	1.64

2023 Environmental, Social and Governance Report (Continued)

Notes:

1. Based on the operating characteristics, our greenhouse gas emissions are mainly comprised of the energy indirect greenhouse gas emission caused by purchased electricity (Scope 2) and other indirect greenhouse gas emissions caused by air travels of employee (Scope 3). We do not produce any material amount of direct greenhouse gas emission (Scope 1).
2. The accounting of greenhouse gas is presented in terms of carbon dioxide equivalent, and energy indirect greenhouse gas emission is accounted in accordance with the *Guidelines on Accounting Methods and Reporting of Greenhouse Gas Emissions of Public Building Operators* issued by the National Development and Reform Commission. Air travel greenhouse gas emission data is provided by the ticket agency.
3. As minimal environmental impact results from the Group's operation, KPIs A1.1 (types of direct emissions and emissions data), A1.4 (total non-hazardous waste produced) and A1.6 (description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them) are immaterial to the Group's operation and have not been disclosed in this ESG report. The Group will continue to monitor the environmental impact of its operations and will include the relevant environmental data in future reports when appropriate.
4. As there is no hazardous waste produced from the Group's operation, KPI A1.3 (total hazardous waste produced) is not applicable to the Group and has not been disclosed in this ESG report.
5. As only a minimal amount of water was used in the office, KPIs A2.2 (water consumption in total and intensity) and A2.4 (description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them) are immaterial to the Group's operation and have not been disclosed in this ESG report.
6. As no packaging material was used in the Group's operation, KPI A2.5 (total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced) is not applicable to the Group and has not been disclosed in this ESG report.
7. As the Group's operation is immaterial to the environment and natural resources, Aspect A3 (the Environment and Natural Resources) and KPI A3.1 (description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them) are not applicable to the Group and have not been disclosed in this ESG report.

Independent Auditor's Report

To the Shareholders of IMAX China Holding, Inc.

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of IMAX China Holding, Inc. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 165 to 244, comprise:

- the consolidated statement of comprehensive income (loss) for the year ended 31 December 2023;
- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of changes in equity for the year ended 31 December 2023;
- the consolidated statement of cash flows for the year ended 31 December 2023; and
- the notes to the consolidated financial statements, comprising material accounting policy information 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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.

Independent Auditor's Report (Continued)

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of theatre systems and associated services
- Provision of expected credit losses for receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition of theatre systems and associated services</p> <p><i>Refer to Note 2(m), Note 5(a) and Note 6 to the consolidated financial statements.</i></p> <p>For the year ended 31 December 2023, the Group recognised revenue of US\$86,982 thousand, the majority of which, amounting to US\$60,898 thousand, is related to the Group's revenue arrangements with customers of theatre systems and services associated with theatre systems.</p> <p>The accounting of such arrangements is complex and involves management's judgements and estimates in consideration of the following:</p> <ul style="list-style-type: none"> • consideration of whether theatre system arrangement involves either a lease (finance lease or operating lease) or a sale of theatre systems; • determination of performance obligations which comprise of separate promises consisting of delivering theatre system (projector, sound system, screen system and glasses cleaning machine); providing services associated with the theatre system (including theatre design support, supervision of installation, and projectionist training); licensing trademark of IMAX; delivering 3D glasses; providing equipment maintenance and licensing of films; 	<p>We performed the following procedures in relation to management's assessment on revenue recognition of theatre systems and associated services:</p> <ul style="list-style-type: none"> • we understood, evaluated and tested the relevant key controls on management's assessment on revenue recognition of theatre systems and associated services; • we assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • we evaluated the Group's revenue recognition policies against with the requirements of the IFRS Accounting Standards for the different arrangements entered into with the customers consisting of theatre systems and services associated with the theatre systems; • for theatre systems arrangements entered into with customers during the year, we reviewed the revenue accounting assessment performed by management to evaluate whether the application of the Group's revenue recognition policies were appropriately applied with respect to:

Independent Auditor's Report (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<ul style="list-style-type: none"> • determination of transaction prices in the theatre system arrangements, which may consist of initial payment, ongoing fixed payments throughout a period of time as specified in the arrangement (recognised at present value discounting based on a market rate of interest) and/or variable consideration including future Consumer Price Index ("CPI") and contingent payments based on the shares of box office revenues in excess of pre-agreed minimum amounts, where applicable; • allocation of transaction prices among separate performance obligations based on the relative standalone selling prices; and • determination of the timing of the revenue recognition of each performance obligation. 	<ul style="list-style-type: none"> – consideration of theatre system arrangement as sale, finance lease or operating lease; – determination of performance obligations, which generally include the systems deliverable and maintenance service; – determination of transaction price in the theatre system arrangement, including initial payment, ongoing fixed payments and variable consideration; – allocation of transaction price among separate performance obligations; – determination of the timing of revenue recognition based on when performance obligations are met.
<p>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.</p>	<ul style="list-style-type: none"> • for selected theatre systems newly installed and related revenue being recognised during the year, we checked the key arrangement terms, such as types of theatre system and services obligations, amounts of initial and ongoing payments as well as variable consideration, and other relevant terms in connection with the arrangements, to the signed agreements;

Independent Auditor's Report (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	<ul style="list-style-type: none"> <li data-bbox="810 465 1431 1461">• 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 based on the shares of box office revenues in excess of pre-agreed minimum amounts, where applicable. 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, where applicable. We also involved our valuation specialists to assess the reasonableness of the market rate of interest applied by management for discounting the ongoing payments or minimum lease payments. We evaluated the reasonableness of management's determination of the standalone selling prices of system deliverable and maintenance services by referencing the average prices of contracts signed in the prior years. We checked the accuracy of calculation for the allocation of total transaction price among separate obligations (system deliverables and maintenance services) and checked the proper recognition or deferral of revenue in connection with the respective obligation accordingly; <li data-bbox="810 1500 1431 1692">• for theatre systems delivered and accepted by the customers but not open to the public by the year end, we visited these theatres to confirm that the Group's responsibilities for system obligation have been fulfilled and revenue was recognised in the proper period;

Independent Auditor’s Report (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	<ul style="list-style-type: none"> <li data-bbox="810 465 1431 728">• for joint revenue sharing arrangements with rental payments contingent on box-office record reported by the theatre operators, we examined selected box-office revenues reported by the theatre operators and checked the accuracy of calculation for the revenue recognised based on the box-office revenues and the sharing percentage as set out in the respective revenue arrangements; and <li data-bbox="810 763 1431 892">• we tested the posting of revenue recognition journal entries related to system obligation on a sample basis for consistency with the results of our above work performed. <p data-bbox="810 929 1442 1062">Based on our audit procedures, we found the accounting estimates and judgements adopted by management in determining revenue recognition of theatre systems and associated services are supported by available evidence.</p>

Independent Auditor's Report (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Provision of expected credit losses for receivables</p> <p>Refer to <i>Note 2(d), Note 4(a) and Note 5(b)</i> to the consolidated financial statements.</p> <p>As of 31 December 2023, the carrying values of receivables which comprise of trade and other receivables, financing receivables and variable consideration receivable from contracts were at an aggregate gross amount of US\$170,816 thousand, with expected credit loss provision balance amounted to US\$10,149 thousand. During the year ended 31 December 2023, the Group accrued provisions of expected credit losses for the receivables with net amount of US\$1,187 thousand which were charged to the consolidated statement of comprehensive income (loss).</p> <p>The accounting of provision of expected credit losses for receivables involves management's judgements and estimates in consideration of the following:</p> <ul style="list-style-type: none"> • classification of the Group's customers into different categories with different credit risk characteristic based on initial credit evaluation and ongoing analysis of the current and expected operating results of the customers and collections history and aging; and • development of the estimate of expected credit losses by class of receivables and customer type through a calculation that utilizes historical default rates which are then adjusted by considering forward looking factors including specific receivables that are judged to have a higher than normal risk profile after taking into account credit quality classifications, as well as macro-economic and industry risk factors. <p>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.</p>	<p>We performed the following procedures in relation to management's assessment on provision of expected credit losses for receivables:</p> <ul style="list-style-type: none"> • 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 such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • we evaluated the reasonableness of basis for the grouping of receivables with reference to credit evaluation and analysis of collections history and aging; • for historical loss, we evaluated management's consideration of historic experience in making the assessment of the loss provision and the reasonableness of period of data used in the assessment. We checked the completeness and accuracy of the historic data used in the calculation; • for forward looking factors, with the assistance of our valuation specialist, we evaluated the appropriateness of key assumptions used in adjustments for forward looking factors to historical default rates, including agreeing to supporting evidence. We checked the completeness and accuracy of data used in forward looking assessment; and • we recalculated the mathematical accuracy of the provision of expected credit losses, on sample basis. <p>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.</p>

Independent Auditor's Report (Continued)

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 IFRS Accounting Standards 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.

Independent Auditor's Report (Continued)

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, 27 February 2024

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(In thousands of U.S. dollars)

	Notes	Years Ended 31 December	
		2023	2022
Revenues	6	86,982	73,330
Cost of sales	7	(32,449)	(33,633)
Gross profit	6	54,533	39,697
Selling, general and administrative expenses	7	(18,138)	(15,530)
Other operating expenses	7	(3,889)	(3,968)
Provisions of net impairment losses on financial assets	7	(1,187)	(1,319)
Other income	8	721	–
Other gains/(losses) – net	9	187	(4,470)
Operating profit		32,227	14,410
Interest income		1,858	1,040
Interest expense	10	(412)	(169)
Profit before income tax		33,673	15,281
Income tax expense	11	(6,172)	(4,523)
Profit for the year, attributable to owners of the Company		27,501	10,758
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		(2,819)	(19,470)
Other comprehensive loss:		(2,819)	(19,470)
Total comprehensive income (loss) for the year, attributable to owners of the Company		24,682	(8,712)
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	12	0.08	0.03
From profit for the year – diluted	12	0.08	0.03

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

Consolidated Financial Statements (Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of U.S. dollars)

	Notes	As at 31 December	
		2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	13	76,893	86,689
Other assets	14	912	3,414
Deferred tax assets	15	4,324	6,697
Variable consideration receivables from contracts		1,894	2,045
Financing receivables	16	50,425	53,327
		134,448	152,172
Current assets			
Other assets	14	1,523	1,871
Contract acquisition costs		628	760
Film assets	18	66	82
Inventories	19	6,368	4,826
Prepayments		3,035	3,099
Income tax receivables		1,149	–
Variable consideration receivables from contracts		664	502
Financing receivables	16	31,728	27,852
Trade and other receivables	20	75,956	60,267
Cash and cash equivalents	21	62,711	74,972
		183,828	174,231
Total assets		318,276	326,403

Consolidated Financial Statements (Continued)

	Notes	As at 31 December	
		2023	2022
LIABILITIES			
Non-current liabilities			
Accruals and other liabilities	24	1,317	1,042
Deferred revenue	22	13,588	14,570
Deferred tax liabilities	15	12,521	14,900
		27,426	30,512
Current liabilities			
Trade and other payables	23	15,406	21,845
Accruals and other liabilities	24	8,877	9,546
Income tax liabilities		–	5,780
Borrowings	25	–	12,871
Deferred revenue	22	12,196	12,777
		36,479	62,819
Total liabilities		63,905	93,331
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	34	34
Share premium and reserves	26	219,845	226,047
Retained earnings		34,492	6,991
Total equity		254,371	233,072
Total equity and liabilities		318,276	326,403

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

The financial statements on pages 165 to 244 were approved by the board of directors on 27 February 2024 and were signed on its behalf.

Daniel Wade Manwaring
Director

Jiande Chen
Director

Consolidated Financial Statements (Continued)

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 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

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 2023	34	265,872	(722)	(26,216)	5,631	(4,000)	6,991	(14,518)	233,072
Comprehensive income (loss)									
Profit for the year	-	-	-	-	-	-	27,501	-	27,501
Foreign currency translation	-	-	-	-	-	-	-	(2,819)	(2,819)
Total comprehensive income (loss)	-	-	-	-	-	-	27,501	(2,819)	24,682
Dividends recognised as distribution (note 33)	-	(5,087)	-	-	-	-	-	-	(5,087)
Restricted share units and performance stock units vested and settled	-	1,228	1,789	(3,017)	-	-	-	-	-
Acquisition of shares for settlement of restricted share units and performance stock units	-	-	(1,253)	-	-	-	-	-	(1,253)
China long-term incentive plan	-	-	-	2,972	-	-	-	-	2,972
Shares buy-back	-	-	(15)	-	-	-	-	-	(15)
Shares cancelled	-	(15)	15	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity	-	(3,874)	536	(45)	-	-	-	-	(3,383)
Balance as at 31 December 2023	34	261,998	(186)	(26,261)	5,631	(4,000)	34,492	(17,337)	254,371

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

Consolidated Financial Statements (Continued)

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of U.S. dollars)

	Notes	Years Ended 31 December	
		2023	2022
Cash flows from operating activities			
Cash provided by operations	29	25,391	10,533
Income taxes paid		(12,346)	(9,294)
Interest paid		(504)	(81)
Net cash provided by operating activities		12,541	1,158
Cash flows from investing activities			
Investment in equipment under joint revenue sharing arrangements		(3,957)	(8,952)
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		(158)	(86)
Payments on disposal of property, plant and equipment		(6)	–
Proceeds on disposal of investment in interest in a film classified as FVTPL		331	–
Net cash used in investing activities		(3,790)	(13,744)
Cash flows from financing activities			
Repayment of borrowings		(13,210)	(3,600)
Dividends paid to owners of the Company		(5,087)	(9,507)
Settlement of share-based payments		(1,253)	(1,613)
Principal elements of lease payments		(837)	(832)
Payments for shares buy-back		(15)	(3,049)
Proceeds from borrowings		717	12,763
Net cash used in financing activities		(19,685)	(5,838)
Effects of exchange rate changes on cash		(1,327)	(4,341)
Decrease in cash and cash equivalents during year		(12,261)	(22,765)
Cash and cash equivalents, beginning of year		74,972	97,737
Cash and cash equivalents, end of year		62,711	74,972

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

Consolidated Financial Statements (Continued)

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 material accounting policy information

The material 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 as issued by the IASB (“IFRS Accounting Standards”) and the disclosure requirements of the Hong Kong Companies Ordinance. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

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 where appropriate.

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 5.

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (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 consolidated statement of comprehensive income (loss) and closing rate for the statement of financial position. Foreign currency gains and losses are recorded in the consolidated statement of comprehensive income (loss).

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income (loss) are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income (loss)

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (Continued)

(d) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (loss), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (loss). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income (loss).

Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income (loss). Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income (loss) as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other gains/(losses) – net' in the consolidated statement of comprehensive income (loss) as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value. Refer to note 14 for details.

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (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 4(a) for a description of the Group’s impairment policies.

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (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(m), 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) Other assets

Other assets include equity investments classified as financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at FVTPL, prepayments to IMAX Corporation, contribution to Enhanced Business, deposits and others. Refer to note 14 for details.

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (Continued)

(j) Property, plant and equipment

Property, plant and equipment are recorded at historical cost and are depreciated on a straight-line basis over their estimated useful lives as follows:

Theatre system components ⁽¹⁾	–	10 to 12 years
Office and production equipment	–	3 to 5 years
Leasehold improvements	–	over the shorter of the initial term of the underlying leases plus any probable renewal terms, and the useful life of the asset

(1) Includes equipment for operating lease under joint revenue sharing arrangements.

Equipment and components allocated to be used in future operating leases under joint revenue sharing arrangements, as well as direct labour costs and an allocation of direct production costs, are included in assets under construction until such equipment is installed and in working condition, at which time the equipment is depreciated on a straight-line basis over the lesser of the term of the joint revenue sharing arrangement and the equipment's anticipated useful life.

The assets' residual values and useful lives are reviewed and adjusted on a prospective basis, if appropriate, at the end of each reporting year.

The Group reviews the carrying values of its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group might not be recoverable. Assets are grouped at the lowest level for which identifiable cash inflows are largely independent when testing for, and measuring for, impairment (cash-generating units). In performing its review of recoverability, the Group compares the carrying values to either the value in use or fair value less costs to dispose and if required an impairment charge is recognised in the consolidated statements of comprehensive income (loss) to bring the carrying value to its recoverable value. Key assumptions include cash flows of projected box office taking consideration of historical box office and recovery of business and discount rate of 10%.

For right-of-use assets, refer to 2(q) for details.

(k) 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.

(l) 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.

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (Continued)

(m) 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.

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.

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (Continued)

(m) Revenue recognition (Continued)*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, contingent payment based on box office sharing 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 annual 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.

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.

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (Continued)

(m) Revenue recognition (Continued)*Lease arrangements (Continued)*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.

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.

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (Continued)

(m) Revenue recognition (Continued)

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 cost of sales 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.

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(j). 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 respective 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.

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (Continued)

(m) Revenue recognition (Continued)*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.

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.

(n) 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.

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (Continued)

(o) 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 related to income are recognised in the profit or loss, either under “Other income” or to deduct related costs or expenses, in the period necessary to match them with the costs or expenses that they are intended to compensate.

(p) Current and deferred income tax

Income tax expense for the year comprises current and deferred tax. Income tax is recognised in comprehensive income (loss), except to the extent that it relates to items recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date, where the Group generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (Continued)

(q) 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.

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.

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (Continued)

(q) Leases as a lessee (Continued)

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(m) for details.

(r) 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 recognised as cost of sales 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.

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (Continued)

(s) 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 income (loss).

At the end of each reporting year, the Group revises its estimates of the number of options that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income (loss), 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.

Consolidated Financial Statements (Continued)

2. Summary of material accounting policy information (Continued)

(s) 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 26(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.

(t) 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(m) for details.

Consolidated Financial Statements (Continued)

3. New accounting standards and accounting changes

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023. The adoption of these new standards and amendments did not have any impact on the amounts recognised in prior and current periods and are not expected to significantly affect the future periods.

		Effective for annual periods beginning on or after
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 17 (Amendments)	Initial Application of IFRS 17 and IFRS 9	1 January 2023
IAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules	1 January 2023

Certain new accounting standards and interpretations have been published that are not mandatory for the financial reporting periods commencing on or after 1 January 2023 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 2024
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
IAS 7 (Amendments) and IFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IAS 21 (Amendments)	Lack of Exchangeability	1 January 2025

Consolidated Financial Statements (Continued)

4. 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.

(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 2023 would have been approximately \$0.3 million worse/better (2022: \$0.3 million), for various financial assets and liabilities denominated in RMB.

Interest rate risk

The Group is exposed to interest rate risk in relation to variable interest rate borrowings.

If interest rates on variable interest rate borrowings had been 10 basis point higher/lower and all other variables were held constant, the Group's post-tax profit would have decreased/increased by approximately \$7,000 for the year ended 31 December 2023 (2022: \$3,000).

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 2023, 30.2% (2022: 38.9%) 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 6(a) for each significant customer's revenue by segment. As at 31 December 2023, the Group had concentration of credit risk as 6.5% (2022: 41.8%) of the total trade and other receivables due from the Group's largest one (2022: two) customer(s).

Consolidated Financial Statements (Continued)

4. 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
- the lingering impact of the pandemic.

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.

Consolidated Financial Statements (Continued)

4. 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 20) 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.

Consolidated Financial Statements (Continued)

4. Financial risk (Continued)

(a) Market risk (Continued)

Credit risk (Continued)

During the year ended 31 December 2023, the Group recorded an allowance for expected credit losses of \$1.2 million (2022: \$1.3 million), reflecting an overall 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 lingering impact of the 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 lingering impact of the 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 2022	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
Increase (decrease) in allowance for expected credit losses	2,824	(1,514)	(123)	1,187
Write-off	(364)	–	–	(364)
Exchange differences	(46)	(83)	1	(128)
As at 31 December 2023	8,106	1,810	233	10,149

Consolidated Financial Statements (Continued)

4. 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 2023 and 31 December 2022 was determined as follows for trade receivables:

31 December 2023	0 – 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
Expected loss rate	2.9%	4.0%	4.9%	10.2%	
Gross carrying amount – trade receivables	5,354	2,699	1,159	69,083	78,295
Loss allowance	157	108	57	7,039	7,361
31 December 2022	0 – 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
Expected loss rate	3.1%	3.8%	4.0%	9.0%	
Gross carrying amount – trade receivables	6,560	2,474	2,180	48,341	59,555
Loss allowance	201	94	87	4,362	4,744

The Group recorded an allowance for expected credit losses of \$2.6 million for the year ended 31 December 2023 (2022: \$1.1 million), reflecting a reduction of the credit quality of its theatre and studio related trade receivables, which management believes is primarily related to the lingering impact of the pandemic.

Accrued trade receivables

The gross amount of accrued trade receivables as of 31 December 2023 was \$5.8 million (31 December 2022: \$5.9 million). Management recorded an allowance for expected credit losses of \$0.2 million for the year ended 31 December 2023 (2022: \$nil).

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

The gross amount of other receivables as of 31 December 2023 was \$nil (31 December 2022: \$0.5 million). Management recorded expected credit losses provision of \$nil for the year ended 31 December 2023 (2022: \$nil).

Management's judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future.

Consolidated Financial Statements (Continued)

4. 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 2023 and 31 December 2022:

	As at 31 December	
	2023	2022
Investment in finance leases:		
Gross carrying amount	27,596	26,831
Expected loss rate	0.2%	1.1%
Loss allowance	47	295
Financed sales receivables:		
Gross carrying amount	56,367	57,755
Expected loss rate	3.1%	5.4%
Loss allowance	1,763	3,112

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 lingering impact of the 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 a net recovery of allowance for expected credit losses of \$1.5 million for financing receivables for the year ended 31 December 2023 (2022: an allowance for expected credit losses of less than \$0.1 million). Management's judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future.

Consolidated Financial Statements (Continued)

4. 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 lingering impact of the pandemic, that could cause them to be unable to fulfill their payment obligations to the Group. The gross amount of the variable consideration receivables as of 31 December 2023 was \$2.8 million (31 December 2022: \$2.9 million). Based on management's assessment, the Group recorded a net recovery of allowance for expected credit losses of \$0.1 million for the year ended 31 December 2023 (2022: an allowance for expected credit losses for variable consideration receivables of \$0.2 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 23, 24 and 25.

(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 27 for disclosures of the fair value estimation of the Group's financial assets and liabilities.

Consolidated Financial Statements (Continued)

5. 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) 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(m).

(b) 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 4(a).

(c) Share-based compensation

Accounting estimates and assumptions made to determine share-based compensation is included in note 26(c).

At each statement of financial position date, the Group will estimate and adjust the number of vested equity instruments based on the available 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 expense for the current year in the consolidated statement of comprehensive income (loss) by deducting the cumulative compensation expense recognised as of the prior year end from the cumulative compensation expense as of current year end.

(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 13).

(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(j).

Consolidated Financial Statements (Continued)

5. Critical accounting estimates and judgements (Continued)

(f) 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 19). 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.

(g) 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 15).

6. 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 of net impairment losses on financial assets, other gains/(losses) – net, interest income, interest expense and income tax expense are not allocated to the segments.

During the year ended 31 December 2023, the Group revised its internal segment reporting, including the information provided to assess segment performance and allocate resources. Accordingly, the Group has two reportable segments: (i) Content Solutions, which principally includes content enhancement, previously included within the IMAX DMR films segment, and (ii) Technology Products and Services, which principally includes the sale, lease, and maintenance of IMAX Systems, previously included within the Revenue Sharing Arrangements, IMAX Systems, IMAX Maintenance, and Other Theatre Business segments. The Group's activities that do not meet the criteria to be considered a reportable segment are reported within All Other. Prior period comparatives have been revised to conform with the current period presentation.

The Group has the following reportable segments:

- (i) Content Solutions, which principally includes the digital remastering of films and other content into IMAX formats for distribution to the IMAX network.
- (ii) Technology Products and Services, which includes results from the sale or lease of IMAX Systems, as well as from the maintenance of IMAX Systems. To a lesser extent, the Technology Products and Services segment also earns revenue from certain ancillary theatre business activities, including after-market sales of IMAX System parts and 3D glasses.

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

Transactions between the other segments are not significant.

Consolidated Financial Statements (Continued)

6. Revenue and segment information (Continued)

 (a) **Operating segments**

	Years Ended 31 December	
	2023	2022
Revenue		
Content Solutions	25,522	14,908
Technology Products and Services	60,898	58,285
Subtotal for reportable segments	86,420	73,193
All Other	562	137
Total	86,982	73,330
Gross profit (loss)		
Content Solutions	21,908	12,544
Technology Products and Services	33,212	27,547
Subtotal for reportable segments	55,120	40,091
All Other	(587)	(394)
Total gross profit	54,533	39,697
Selling, general and administrative expenses	(18,138)	(15,530)
Other operating expenses	(3,889)	(3,968)
Provisions of net impairment losses on financial assets	(1,187)	(1,319)
Other income	721	–
Other gains/(losses) – net	187	(4,470)
Interest income	1,858	1,040
Interest expense	(412)	(169)
Profit before income tax	33,673	15,281

Consolidated Financial Statements (Continued)

6. 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	
	2023	2022	2023	2022
Revenue				
Content Solutions				
Film Remastering	25,522	14,908	–	–
	25,522	14,908	–	–
Technology Products and Services				
System Sales	11,298	14,391	–	–
System Rentals	–	–	23,176	14,944
Maintenance	23,438	25,539	–	–
Finance Income	2,986	3,411	–	–
	37,722	43,341	23,176	14,944
Subtotal for reportable segments	63,244	58,249	23,176	14,944
All Other	562	137	–	–
Total	63,806	58,386	23,176	14,944

Of the revenue recognised under IFRS 15, approximately \$52.4 million for the year ended 31 December 2023 (2022: \$43.9 million) were recognised over time, while \$11.4 million (2022: \$14.5 million) were recognised at a point in time.

Of the system rentals accounted for under IFRS 16, approximately \$17.1 million for the year ended 31 December 2023 (2022: \$9.0 million) were from revenues under operating leases and approximately \$6.1 million for the year ended 31 December 2023 (2022: \$5.9 million) were from revenues under finance leases.

The selling profit for the Group's finance leases was approximately \$1.5 million for the year ended 31 December 2023 (2022: \$1.4 million).

Consolidated Financial Statements (Continued)

6. 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 \$26.3 million in 2023 (2022: \$20.8 million) are derived from a single external customer. These revenues are attributable to Content Solutions and Technology Products and Services.

Customer B

Revenues of approximately \$6.3 million in 2023 (2022: \$7.7 million) are derived from a related party. These revenues are attributable to Content Solutions and Technology Products and Services.

No other single customers comprises of more than 10% of total revenues in 2023 or 2022.

Supplemental Information

(b) **Depreciation and amortisation**

	Years Ended 31 December	
	2023	2022
System Rentals	13,206	13,010
Film Remastering	1,286	878
Maintenance	119	77
Corporate and other non-segment specific assets	846	877
Total	15,457	14,842

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

	Years Ended 31 December	
	2023	2022
Technology Products and Services	68	90
Corporate and other non-segment specific assets	17	–
Total	85	90

Consolidated Financial Statements (Continued)

7. Expenses by nature

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

	Years Ended 31 December	
	2023	2022
Depreciation, including joint revenue sharing arrangements and film costs	15,457	14,842
Employee salaries and benefits	11,443	9,478
Theatre maintenance fees	6,469	5,731
Cost of theatre system sales and finance leases	4,560	9,240
Technology and trademark fees	3,876	3,951
Advertising and marketing expenses	3,585	2,954
Share-based compensation expenses	2,992	2,075
Professional fees	2,365	1,225
Increase in allowance for expected credit losses	1,187	1,319
Amortisation of Enhanced Business assets	970	476
Other employee expenses	691	74
Travel and transportation expenses	446	286
Other film (recoveries) costs	(101)	38
Lease expenses	232	261
Utilities and maintenance expenses	104	107
Loss on lease modification	79	–
Foreign exchange losses	74	1,393
Recoveries of write-downs	(16)	(36)
Other expenses	691	558
Other costs	178	55
Auditor's remuneration		
– Audit services	324	367
– Non-audit services	57	56
Total costs of sales, selling, general and administrative expenses, other operating expenses and provisions of net impairment losses on financial assets	55,663	54,450

Consolidated Financial Statements (Continued)

8. Government grants

The following government grants have been recognised in comprehensive income (loss):

	Years Ended 31 December	
	2023	2022
Cost of sales	1,821	581
Selling, general and administrative expenses	214	205
Other operating expenses	752	–
Other income	721	–
	3,508	786

9. Other gains/(losses) – net

	Years Ended 31 December	
	2023	2022
Net fair value gains (losses) on financial assets at FVTPL (note 14)	331	(4,470)
Impairment of property, plant and equipment	(144)	–
Total	187	(4,470)

Consolidated Financial Statements (Continued)

10. Interest expense

	Years Ended 31 December	
	2023	2022
Interest on bank borrowings	342	133
Interest on lease liabilities	70	36
Total	412	169

11. Income tax expense

	Years Ended 31 December	
	2023	2022
Current income tax:		
Current tax on profits for the year	3,590	4,723
Dividend withholding tax paid	2,379	2,742
Adjustments in respect of prior years	275	78
Total current income tax	6,244	7,543
Deferred income tax (note 15):		
Origination of temporary differences	(72)	(3,020)
Total deferred income tax	(72)	(3,020)
Income tax expense	6,172	4,523

Consolidated Financial Statements (Continued)

11. 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	
	2023	2022
Profit before tax	33,673	15,281
Tax calculated at domestic tax rates applicable to profits in all respective countries	7,692	3,794
Tax effects of:		
Income not subject to tax	(326)	(1,174)
Expenses not deductible for tax purposes	423	565
Recognition of tax losses not previously recognised (note 15)	(1,259)	–
Unrecognised tax losses	–	1,274
Withholding taxes	40	259
Other	(673)	(273)
Adjustment in respect of prior years	275	78
Tax charge	6,172	4,523

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 subsidy of \$0.9 million for the year ended 31 December 2023 (2022: \$0.5 million).

Consolidated Financial Statements (Continued)

12. 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	
	2023	2022
Profit for the year	27,501	10,758
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of year	338,553	341,743
Weighted average number of shares increased (decreased) during the year	653	(1,555)
Weighted average number of shares used in computing basic earnings per share	339,206	340,188
Adjustments for:		
Restricted share units	1,783	1,605
Performance stock units	535	393
Weighted average number of shares used in computing diluted earnings per share	341,524	342,186

Consolidated Financial Statements (Continued)

13. 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 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 1 January 2023						
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
Year ended 31 December 2023						
Opening net book amount	79,613	486	1,840	27	4,723	86,689
Exchange differences	(387)	5	10	-	(34)	(406)
Additions	-	124	1,696	-	4,695	6,515
Transfers	3,422	-	-	-	(3,422)	-
Reclassification	(9)	9	-	-	-	-
Transfer out	(478)	-	-	-	-	(478)
Disposals	(447)	(3)	(1,033)	-	-	(1,483)
Depreciation charge	(13,206)	(197)	(752)	(16)	-	(14,171)
Impairment loss recognised	(144)	-	-	-	-	(144)
Impairment loss write-off	371	-	-	-	-	371
Closing net book amount	68,735	424	1,761	11	5,962	76,893
As at 31 December 2023						
Cost	155,652	2,971	2,716	1,733	5,962	169,034
Accumulated depreciation and impairment	(86,917)	(2,547)	(955)	(1,722)	-	(92,141)
Net book amount	68,735	424	1,761	11	5,962	76,893

Consolidated Financial Statements (Continued)

13. Property, plant and equipment (Continued)

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

	Years Ended 31 December	
	2023	2022
Cost of sales	13,217	13,027
Selling, general and administrative expenses	954	937
	14,171	13,964

During the year ended 31 December 2023, the Group recorded a loss on disposal of less than \$0.1 million (2022: less than \$0.1 million) related to theatre system components, office and production equipment and leasehold improvements.

14. Other assets

The Group's other assets balance is comprised of the following:

	As at 31 December	
	2023	2022
Prepayments to IMAX Corporation (note 32(b))	230	728
Contribution to Enhanced Business (note (i))	963	1,066
Deposits	330	77
Interest in a film classified as financial assets at fair value through profit or loss (note (ii))	–	–
Other assets, current	1,523	1,871
Deposits over one year	91	253
Prepayments to IMAX Corporation (note 32(b))	353	1,505
Contribution to Enhanced Business (note (i))	468	1,656
Other assets, non-current	912	3,414
Other assets	2,435	5,285

Consolidated Financial Statements (Continued)

14. 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. During the year ended 31 December 2023, proceeds of approximately \$0.3 million was received upon disposal of the investment, an increase in fair value of \$0.3 million was recorded in net fair value gain on financial assets FVTPL within other gains/(losses) – net during the year ended 31 December 2023. 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 gains/(losses) – net during the year ended 31 December 2022.

Consolidated Financial Statements (Continued)

15. 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 2022	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
Credited (charged) to profit or loss	74	(329)	(3,374)	1,322	(2,307)
Exchange differences	(3)	(45)	(17)	(1)	(66)
As at 31 December 2023	249	595	2,359	1,121	4,324

Deferred tax liabilities	Withholding tax on undistributed dividends
As at 1 January 2022	17,642
Credited to profit or loss	(2,742)
As at 31 December 2022	14,900
Credited to profit or loss	(2,379)
As at 31 December 2023	12,521

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

The deferred tax assets include an amount of \$1.3 million which relates to the write off of certain assets in one of the Company's subsidiaries, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("IMAX Multimedia Technology") related to its subsidiary IMAX Shanghai Culture. The subsidiary has incurred historical losses and the Company has resolved to liquidate this subsidiary in June 2023. The Company expects to complete the liquidation of this subsidiary in the year of 2024. As a result, the Group has concluded that the deferred tax assets will be recoverable as it is probable that the deferred tax assets can be utilised in the foreseeable future and IMAX Multimedia Technology has sufficient taxable income against which the loss can be utilised.

Consolidated Financial Statements (Continued)

15. 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 until the year ended 31 December 2019 were in excess of amounts required to sustain business operations and would no longer be indefinitely reinvested. As a result, the Group recognised a deferred tax liability related to dividend withholding tax on historical profits, which will become payable upon the repatriation of any such earnings. 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 deferred tax liability has been recorded.

16. Financing receivables

As described in note 2(m), financing receivables, consisting of net investment in finance leases and receivables from financed sales of theatre systems are as follows:

	As at 31 December	
	2023	2022
Gross minimum finance lease payments receivable	27,774	27,054
Unearned finance income	(178)	(223)
Present value of minimum finance lease payments receivable	27,596	26,831
Allowance for expected credit losses	(47)	(295)
Net investment in finance leases	27,549	26,536
Gross financed sales receivables	66,540	69,165
Unearned finance income	(10,173)	(11,410)
Present value of financed sales receivables	56,367	57,755
Allowance for expected credit losses	(1,763)	(3,112)
Net financed sales receivables	54,604	54,643
Total financing receivables	82,153	81,179

Consolidated Financial Statements (Continued)

16. Financing receivables (Continued)

	As at 31 December	
	2023	2022
Gross investment in finance leases may be analysed as follows:		
No later than one year	7,663	5,548
Later than one year and no later than five years	10,975	10,402
Later than five years	9,136	11,104
Total gross investment in finance leases	27,774	27,054
Gross financed sales receivables may be analysed as follows:		
No later than one year	26,772	25,316
Later than one year and no later than five years	28,151	31,341
Later than five years	11,617	12,508
Total financed sales receivables	66,540	69,165
Net investment in finance leases may be analysed as follows:		
No later than one year	7,626	5,508
Later than one year and no later than five years	10,868	10,276
Later than five years	9,102	11,047
Present value of investment in finance leases	27,596	26,831
Allowance for expected credit losses	(47)	(295)
Total net investment in finance leases	27,549	26,536
Net financed sales receivables may be analysed as follows:		
No later than one year	24,102	22,344
Later than one year and no later than five years	22,146	24,550
Later than five years	10,119	10,861
Present value of financed sales receivables	56,367	57,755
Allowance for expected credit losses	(1,763)	(3,112)
Total net financed sales receivables	54,604	54,643

As at 31 December 2023, the financed sales receivables had a weighted average effective interest rate of 7.9% (2022: 8.0%).

Consolidated Financial Statements (Continued)

17. Interests in a joint venture

A joint venture IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd. was established in 2017. As at 31 December 2022, no capital has been injected to the joint venture yet. During the year ended 31 December 2023, the joint venture has completed its de-registration.

18. Film assets

	Completed and released films
<hr/>	
As at 1 January 2022	
Cost	53,640
Accumulated amortisation	(53,564)
<hr/>	
Net book amount	76
<hr/>	
Year ended 31 December 2022	
Opening net book amount	76
Exchange differences	(18)
Additions	2,547
Amortisation charge (note below)	(2,523)
<hr/>	
Closing net book amount	82
<hr/>	
Year ended 31 December 2023	
Opening net book amount	82
Exchange differences	(2)
Additions	5,569
Amortisation charge (note below)	(5,583)
<hr/>	
Closing net book amount	66
<hr/>	
As at 31 December 2023	
Cost	60,998
Accumulated amortisation	(60,932)
<hr/>	
Net book amount	66
<hr/>	

Note: For Hollywood films, the Group purchases film assets from IMAX Corporation and earns DMR revenue from IMAX Corporation. For the year ended 31 December 2023, the amortisation charge of \$3.8 million (2022: \$1.6 million) in relation to Hollywood films is considered as a payment to customer and is net against DMR revenue earned from IMAX Corporation.

Consolidated Financial Statements (Continued)

19. Inventories

	As at 31 December	
	2023	2022
Finished goods	6,368	4,826

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 2023 (2022: less than \$0.1 million provisions).

The costs of inventories recognised as “cost of sales” amounted to \$4.2 million for the year ended 31 December 2023 (2022: \$9.0 million).

20. Trade and other receivables

	As at 31 December	
	2023	2022
Trade receivables:		
Trade receivables from third parties	46,743	38,654
Less: allowance for expected credit losses of trade receivables from third parties	(7,361)	(4,744)
Trade receivables from third parties – net	39,382	33,910
Trade receivables from IMAX Corporation (note 32(b))	31,552	20,901
Accrued trade receivables	5,767	5,890
Less: allowance for expected credit losses of accrued trade receivables	(745)	(556)
Accrued trade receivables – net	5,022	5,334
Total trade receivables	75,956	60,145
Other receivables:		
Loan and interest receivable from related parties (note 32(b))	–	514
Less: allowance for expected credit losses of loan and interest receivables	–	(392)
Loan and interest receivables from related parties – net	–	122
Total other receivables	–	122
Total trade and other receivables	75,956	60,267

Consolidated Financial Statements (Continued)

20. 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	
	2023	2022
0 – 30 days	5,354	6,560
31 – 60 days	2,699	2,474
61 – 90 days	1,159	2,180
Over 90 days	69,083	48,341
	78,295	59,555

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

	As at 31 December	
	2023	2022
RMB	58,398	46,901
US\$	17,473	13,283
Other currencies	85	83
	75,956	60,267

During the year ended 31 December 2023, the Group recorded an allowance for expected credit losses of \$2.8 million (2022: \$1.1 million) related to trade and other receivables in the consolidated statement of comprehensive income (loss).

21. Cash and cash equivalents

	As at 31 December	
	2023	2022
Cash at bank and on hand	16,980	60,595
Short-term bank deposits with maturity less than 3 months	45,731	14,377
Cash and cash equivalents	62,711	74,972

Consolidated Financial Statements (Continued)

21. 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	
	2023	2022
RMB	30,036	43,821
US\$	32,516	30,914
Hong Kong dollars	159	237
	62,711	74,972

22. Deferred revenue

	As at 31 December	
	2023	2022
Theatre system deposits	15,454	17,721
Maintenance prepayments	10,330	9,626
	25,784	27,347
Deferred revenue, current	12,196	12,777
Deferred revenue, non-current	13,588	14,570
	25,784	27,347

The following table shows the amount of revenue recognised in the consolidate statements of comprehensive income (loss) for the years ended 31 December 2023 and 2022 relating to deferred revenue brought forward:

	Years Ended 31 December	
	2023	2022
Upfront revenue	5,990	8,600
Maintenance revenue	6,507	6,213
Total	12,497	14,813

The unsatisfied performance obligations out of the carrying value of the Group's backlog as at 31 December 2023 were approximately \$142.2 million (2022: \$156.7 million).

Consolidated Financial Statements (Continued)

23. Trade and other payables

	As at 31 December	
	2023	2022
Trade payables to third parties	592	996
Payables to IMAX Corporation (note 32(b))	14,097	20,110
Other payables	717	739
	15,406	21,845

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

	As at 31 December	
	2023	2022
0 – 30 days	4,486	5,143
31 – 60 days	512	778
61 – 90 days	67	909
Over 90 days	10,341	15,015
	15,406	21,845

As at 31 December 2023 and 2022, 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	
	2023	2022
RMB	5,495	13,525
US\$	9,743	8,186
Other currencies	168	134
	15,406	21,845

Consolidated Financial Statements (Continued)

24. Accruals and other liabilities

	As at 31 December	
	2023	2022
Value added tax payable	2,970	2,893
Lease liabilities	1,745	1,774
Accrued salaries and benefits	1,513	29
Accrued marketing and advertising expenses	1,479	1,787
Accrued professional fees	679	681
Withholding individual income tax	140	102
Other tax payable	28	520
Accrued selling expenses	77	75
Accrued legal fees	6	23
Other accrued expenses	1,557	2,704
Accruals and other liabilities, total	10,194	10,588
Accruals and other liabilities, current	8,877	9,546
Accruals and other liabilities, non-current	1,317	1,042
	10,194	10,588

Maturity analysis of lease liabilities

	As at 31 December	
	2023	2022
Not later than one year	428	732
Later than one year and not later than five years	1,317	1,042
Lease liabilities, total	1,745	1,774

Consolidated Financial Statements (Continued)

25. Borrowings

	As at 31 December	
	2023	2022
Unsecured short-term bank loans	–	12,871

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 during the year ended 31 December 2023 are from 3.65% to 4.00% per annum (2022: 3.85% to 4.15% 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	
	2023	2022
Unsecured bank borrowing facilities	55,064	43,127
Unsecured letter of guarantee facilities	1,386	1,027
	56,450	44,154

Bank of China Facility

In July 2018, IMAX Shanghai Multimedia entered into 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”). As at 31 December 2023, the outstanding borrowings under the Bank of China Facility were \$nil (2022: RMB2.6 million (approximately \$0.4 million)) and outstanding letters of guarantee were RMB0.2 million (approximately less than \$0.1 million) (2022: RMB2.8 million (approximately \$0.4 million)). As at 31 December 2023, the amount available for future borrowings under the Bank of China Facility was RMB190.0 million (approximately \$26.8 million) (2022: RMB187.4 million (approximately \$26.9 million)) and the amount available for letters of guarantee was RMB9.8 million (approximately \$1.4 million) (2022: 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.

Consolidated Financial Statements (Continued)

25. 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 2023, the outstanding borrowings under the HSBC Facility were \$nil (2022: RMB87.0 million (approximately \$12.5 million)) and the amount available for future borrowings under the HSBC Facility was RMB200.0 million (approximately \$28.2 million) (2022: RMB113.0 million (approximately \$16.2 million)).

26. Share capital and reserves

(a) Share capital

	Number of shares		Share capital	
	2023	2022	2023 US\$	2022 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	
	2023	2022	2023 US\$	2022 US\$
Issued and fully paid				
At beginning of 1 January	339,148,808	342,082,805	33,914.88	34,208.28
Shares issued for vested restricted share units	849,883	27,803	84.99	2.78
Share cancellation (note 26(b))	(16,800)	(2,961,800)	(1.68)	(296.18)
Number of shares as at 31 December	339,981,891	339,148,808	33,998.19	33,914.88

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.

Consolidated Financial Statements (Continued)

26. Share capital and reserves (Continued)

(b) Treasury shares

	Notes	Number of shares		US\$'000	
		2023	2022	2023	2022
Treasury shares					
At beginning of year		595,546	722,739	722	529
Acquisition of shares by the Trust	(i)	1,285,071	1,368,753	1,253	1,613
Shares issued for vested restricted share units		849,883	27,803	–	–
Vested restricted share units and performance stock units settled from treasury shares		(1,673,117)	(1,112,719)	(1,789)	(1,420)
Vested restricted share units settled from issued shares		(444,335)	(411,030)	–	–
Shares bought back on-market	(ii)	16,800	2,961,800	15	3,026
Buy-back transaction costs	(ii)	–	–	–	23
Shares cancelled	(ii)	(16,800)	(2,961,800)	(15)	(3,049)
At end of year		613,048	595,546	186	722

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 2023, 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 2023, 16,800 (2022: 2,961,800) shares of the Company were purchased by the Company on-market and were cancelled subsequently. The shares were acquired at an average price of \$0.91 (2022: \$1.02), with prices ranging at \$0.91 (2022: from \$0.75 to \$1.30).

(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 expense recorded in the consolidated statement of comprehensive income (loss) for these plans was \$3.0 million during the year ended 31 December 2023 (2022: \$2.1 million).

Consolidated Financial Statements (Continued)

26. 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 2023, the Group recorded an expense of \$nil (2022: less than \$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	
	2023	2022	2023	2022
Options outstanding, beginning of year	1,518,800	4,893,800	1.19	1.43
Expired	(1,518,800)	(3,375,000)	1.19	1.54
Options outstanding, end of year	–	1,518,800	–	1.19
Options exercisable, end of year	–	1,518,800	–	1.19

Consolidated Financial Statements (Continued)

26. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

China Long-Term Incentive Plan ("China LTIP") (Continued)

(i) Stock Options (Continued)

China IPO Options Summary (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.

No China IPO Option was exercised during the year ended 31 December 2023 and 2022. As at 31 December 2022, the weighted average remaining contractual life of options outstanding is 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 2023, the Group recorded an expense of less than \$0.1 million (2022: less than \$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	
	2023	2022	2023	2022
Options outstanding, beginning and end of year	1,343,039	1,343,039	3.23	3.23
Expired	(47,647)	–	5.84	–
Options outstanding, beginning and end of year	1,295,392	1,343,039	3.13	3.23
Options exercisable, end of year	1,295,392	1,237,117	3.13	3.28

As at 31 December 2023, the weighted average remaining contractual life of options outstanding is 1.5 years (2022: 2.4 years).

Consolidated Financial Statements (Continued)

26. 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 \$2.3 million for the year ended 31 December 2023 (2022: \$1.8 million) related to China RSUs granted to employees in the plan. The annual termination probability assumed for the year ended 31 December 2023 was nil (2022: 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	
	2023	2022	2023	2022
RSUs outstanding, beginning of year	2,338,402	2,397,235	1.41	1.98
Granted	2,083,903	2,065,920	1.05	1.09
Vested and settled	(1,754,629)	(1,523,749)	1.33	1.79
Forfeited	(106,213)	(601,004)	1.21	1.67
RSUs outstanding, end of year	2,561,463	2,338,402	1.18	1.41

(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 vest 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.

Consolidated Financial Statements (Continued)

26. 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 targets.

During the year ended 31 December 2023, the Group recorded an expense of \$0.7 million (2022: \$0.3 million) related to PSUs granted under China LTIP.

The following table summarized the activity in respect of PSUs granted under China LTIP for the years ended 31 December:

	Number of Shares		Weighted Average Grant Date Fair Value Per Share	
	2023	2022	2023	2022
PSUs outstanding, beginning of year	744,011	598,867	1.47	1.82
Granted (note i)	522,896	410,241	1.38	1.13
Vested and settled (note i)	(378,921)	–	1.81	–
Forfeited	(44,817)	(265,097)	1.22	1.73
PSUs outstanding, end of year	843,169	744,011	1.27	1.47

Notes:

- (i) During the year ended 31 December 2023, the number of shares granted includes 162,394 additional shares, at a weighted average grant date fair value of \$1.81, as PSUs granted in 2020 with EBITDA-based targets vested at 175% on account of full achievement of the targets. This performance adjustment during the year ended 31 December 2023 reflects the Group's performance assessment of its first PSU awards.

Consolidated Financial Statements (Continued)

26. Share capital and reserves (Continued)

(d) Reserves

The Group's reserves and movement therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Share premium

The application of the share premium account is governed by Section 34(2) of the Companies Law (2013 Revision) of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business. The Company distributed a dividend of \$5.1 million out of share premium for the year ended 31 December 2023 (31 December 2022: \$9.5 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 discretionary surplus reserve using its post-tax profits in accordance with resolutions of the Board of Directors. During the year ended 31 December 2023, \$nil statutory surplus reserves were appropriated (31 December 2022: \$nil).

FVOCI reserve

The FVOCI reserve represents the changes in fair value net of tax of financial assets at FVOCI of the Group.

The Group has one preferred share 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 2023 and 2022 based on the Group's evaluation.

Consolidated Financial Statements (Continued)

27. Financial instruments

(a) *Financial instruments*

The Group's financial instruments at the following year ends are comprised of the following:

	Financial assets at amortised costs	Total
31 December 2023		
Assets as per statement of financial position		
Net financed sales receivable	54,604	54,604
Net investment in finance leases	27,549	27,549
Variable consideration receivables from contracts	2,558	2,558
Trade and other receivables	75,956	75,956
Cash and cash equivalents	62,711	62,711
	223,378	223,378
Liabilities as per statement of financial position		
Trade and other payables	15,406	15,406
Lease liabilities	1,745	1,745
	17,151	17,151

Consolidated Financial Statements (Continued)

27. Financial instruments (Continued)

(a) *Financial instruments (Continued)*

	Financial assets at amortised costs	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 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

(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.

Consolidated Financial Statements (Continued)

27. 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 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 2023, the fair value of interest in a film classified as financial assets at FVTPL was \$nil (31 December 2022: \$nil). Please refer to note 14 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 2023 and 2022, 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 2023 and 2022, respectively.

	As at 31 December 2023		As at 31 December 2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Net financed sales receivable	54,604	54,604	54,643	54,685
Net investment in finance leases	27,549	27,596	26,536	26,660
Variable consideration receivables from contracts	2,558	2,558	2,547	2,547
Interest in a film classified as financial assets at FVTPL	–	–	–	–
Borrowings	–	–	12,871	12,871
Lease liabilities	1,745	1,745	1,774	1,774

There were no significant transfers between Level 1 and Level 2 during the year ended 31 December 2023 (2022: 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.

Consolidated Financial Statements (Continued)

28. Employee benefit expense

(a) Employee benefit expense

Staff costs during the year were as follows:

	Years Ended 31 December	
	2023	2022
Wages and salaries	9,850	7,997
Social security costs	419	437
Share-based compensation expenses	2,992	2,075
Termination benefits	205	350
Post-employment benefits	969	694
	14,435	11,553

(b) Directors' emoluments

The remuneration of the directors for the year ended 31 December 2023 are set out below:

	Year Ended 31 December 2023							
	Fee	Salaries	Bonus	Share-based compensation	Pension	Post-employment benefits	Other ¹	Total
Executive Directors								
Jiande Chen ²	73	7	76	96	–	–	209	461
Jim Athanasopoulos	–	205	–	402	10	–	202	819
Mei-Hui Chou (Jessie)	–	389	116	573	10	303	247	1,638
Non-executive Directors								
Richard Gelfond	–	–	–	–	–	–	–	–
Robert Lister ³	–	–	–	–	–	–	–	–
Megan Colligan ⁴	–	–	–	–	–	–	–	–
Independent Non-executive Directors								
Yue-Sai Kan	75	–	–	96	–	–	–	171
John Davison	75	–	–	96	–	–	–	171
Dawn Taubin	60	–	–	96	–	–	–	156
Peter Loehr	60	–	–	96	–	–	61	217

Consolidated Financial Statements (Continued)

28. Employee benefit expense (Continued)

(b) Directors' emoluments (Continued)

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

	Year Ended 31 December 2022						Total
	Fee	Salaries	Bonus	Share-based compensation	Pension	Other ¹	
Executive Directors							
Jiande Chen ²	–	151	–	216	–	43	410
Edwin Tan ⁵	–	366	–	(451)	–	497 ⁶	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

- 1 Includes perquisites such as educational reimbursements of minor children, housing, car, and relocation allowances, service fees and other expenses.
- 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 Robert Lister was appointed as a Non-executive Director with effect from 1 May 2023.
- 4 Megan Colligan resigned as a Non-executive Director with effect from 1 May 2023.
- 5 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.
- 6 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.

Consolidated Financial Statements (Continued)

28. 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 2023, the five individuals whose emoluments were the highest in the Group include 2 directors (2022: 4) whose emoluments are reflected in the analysis above. The emoluments to the remaining 3 (2022: 1) individuals during the year are as follows:

	Years Ended 31 December	
	2023	2022
Basic salaries and allowances	1,003	140
Bonus	506	262
Share-based compensation	959	120
Other ¹	333	29
Pension	19	9
	2,820	560

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	
	2023	2022
In HK\$		
3,500,001 – 4,000,000	2	–
4,000,001 – 4,500,000	–	1
14,000,001 – 14,500,000	1	–
	3	1

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.

Consolidated Financial Statements (Continued)

28. Employee benefit expense (Continued)

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

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

In HK\$	Number of individuals Years Ended 31 December	
	2023	2022
2,500,001 – 3,000,000	–	1
3,000,001 – 3,500,000	–	1
3,500,001 – 4,000,000	4	–
4,000,001 – 4,500,000	–	2
6,000,001 – 6,500,000	1	–
7,000,001 – 7,500,000	–	1
10,500,001 – 11,000,000	–	1
12,500,001 – 13,000,000	1	–
14,000,001 – 14,500,000	1	–
	7	6

Consolidated Financial Statements (Continued)

29. Statement of cash flow supplemental information

Cash provided by operations

	Notes	Years ended 31 December	
		2023	2022
Profit before income tax for the year		33,673	15,281
Adjustments for:			
Depreciation of property, plant and equipment	13	14,171	13,964
Amortisation of film assets	18	5,583	2,523
Equity settled and other non-cash compensation		2,972	2,075
Allowance for expected credit losses		1,187	1,319
Amortisation of contribution to Enhanced Business		970	476
Net fair value (gains) losses on financial assets at FVTPL		(331)	4,470
Impairment of property, plant and equipment		144	–
Reversals of write-downs		(16)	(36)
Loss on disposal of property, plant and equipment		85	90
Interest expense		412	169
Foreign exchange losses		58	427
Changes in working capital			
Trade and other receivables		(20,466)	(16,009)
Financing receivables		(381)	(7,444)
Variable consideration receivables from contracts		85	404
Film assets		(5,569)	(2,547)
Inventories		(1,194)	458
Trade and other payables		(6,187)	2,491
Accruals and other liabilities		(82)	687
Deferred revenue		(894)	(5,472)
Prepayments		191	90
Contract acquisition assets		126	(496)
Other assets		854	(2,387)
Cash provided by operations		25,391	10,533

Consolidated Financial Statements (Continued)

29. Statement of cash flow supplemental information (Continued)

Net debt reconciliation

	As at 31 December	
	2023	2022
Cash and cash equivalents	62,711	74,972
Short-term borrowings	–	(12,871)
Lease liabilities	(1,745)	(1,774)
Net debt	60,966	60,327

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents	Borrowings	Leases	Total
As at 1 January 2022	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
Cash flows	(10,934)	12,493	837	2,396
New leases	–	–	(1,696)	(1,696)
Lease termination	–	–	1,033	1,033
Interest expense	–	–	(70)	(70)
Exchange differences	(1,327)	378	(75)	(1,024)
As at 31 December 2023	62,711	–	(1,745)	60,966

Consolidated Financial Statements (Continued)

30. Commitments

(a) **Capital commitments**

As at the end of the year, the Group's capital expenditure commitment is shown below:

	As at 31 December	
	2023	2022
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	859	3,182

(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	
	2023	2022
Within one year	93	88

31. Contingencies and guarantees

As of 31 December 2023, the Group was not involved in significant lawsuits, claims, or proceedings.

Financial guarantees

The Group has not provided any significant financial guarantees to third parties.

Consolidated Financial Statements (Continued)

32. 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 71.55% of the Company's shares as at 31 December 2023.

IMAX (Barbados) Holding, Inc. is a subsidiary of IMAX Corporation.

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. It was de-registered during the year ended 31 December 2023.

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. They were de-registered during the year ended 31 December 2023.

Consolidated Financial Statements (Continued)

32. 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	
	2023	2022
Purchase of goods:		
IMAX Corporation (theatres systems)	8,091	10,272
Purchase of services:		
IMAX Corporation (film related transactions) (Note)	5,555	2,518
IMAX Corporation (service fees – legal and administration services)	894	626
Other transactions:		
IMAX (Barbados) Holding, Inc. (dividends paid to)	3,649	6,811
IMAX Corporation (paid/payable of trademark and technology fees)	4,627	3,950
IMAX Corporation (contribution fee paid for Enhanced Business)	–	3,298
Gross revenue earned from film services through IMAX Corporation (Note)	9,542	7,615
Revenue earned from Enhanced Business through IMAX Corporation	422	37
Revenue earned from maintenance services provided to IMAX Corporation	64	82

Goods and services are bought from IMAX Corporation (the Controlling Shareholder) on a cost-plus basis. Service fees, 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 2023, conversion cost of \$3.8 million (2022: \$1.6 million) paid to IMAX Corporation in relation to Hollywood films is considered as a payment to customer and is net against DMR revenue earned from IMAX Corporation as presented in the revenues of consolidated statement of comprehensive income (loss).

Consolidated Financial Statements (Continued)

32. Related party transactions (Continued)

(b) Year-end balances

	As at 31 December	
	2023	2022
Prepayments to related parties (note 14):		
IMAX Corporation	583	2,233
Receivables from related parties (note 20):		
IMAX Corporation	31,552	20,901
Loan and interest receivables from a joint venture (note 20):		
IMAX Fei Er Mu	–	207
Suzhou IMAX Fei Er Mu	–	307
Payables to related parties (note 23):		
IMAX Corporation	14,097	20,110

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	
	2023	2022
Salaries and other short-term employee benefits	2,718	1,833
Post-employment benefits	348	45
Termination benefits	–	324
Other benefits ¹	1,010	832
Share-based compensation	2,142	1,050
	6,218	4,084

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

Consolidated Financial Statements (Continued)

33. Dividends

	Years Ended 31 December	
	2023	2022
Dividends recognised as distribution during the year:		
2022 Final – HK\$0.117 (2021: HK\$0.210) per share	5,087	9,173
2023 Interim – Nil (2022: HK\$0.008) per share	–	334
	5,087	9,507

As approved by the shareholders at the Annual General Meeting held on 7 June 2023, 2022 final dividend of \$0.015 per share (equivalent to HK\$0.117 per share) was distributed to shareholders on 23 June 2023. 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 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.

No dividends in respect of the year ended 31 December 2023 have been proposed.

Consolidated Financial Statements (Continued)

34. Balance sheet and reserve movement of the Company

(a) Balance sheet

	As at 31 December	
	2023	2022
ASSETS		
Non-current assets		
Investment in subsidiaries	32,538	32,538
	32,538	32,538
Current assets		
Prepayments	403	389
Trade and other receivables	21,354	18,846
Cash and cash equivalents	1,513	3,076
	23,270	22,311
Total Assets	55,808	54,849
LIABILITIES		
Current liabilities		
Trade and other payables	10,273	12,907
Accrued and other liabilities	3,239	55,038
	13,512	67,945
Total Liabilities	13,512	67,945
EQUITY		
Share capital	34	34
Share premium and reserves	42,262	(13,130)
Total Equity	42,296	(13,096)
Total Equity and Liabilities	55,808	54,849

Balance sheet of the Company was approved by the board of directors on 27 February 2024 and was signed on its behalf

Daniel Wade Manwaring
Director

Jiande Chen
Director

Consolidated Financial Statements (Continued)

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 2022	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)
Comprehensive income						
Profit for the year	-	-	-	-	58,775	58,775
Total comprehensive income	-	-	-	-	58,775	58,775
Dividends recognised as distribution	-	(5,087)	-	-	-	(5,087)
Restricted share units and performance stock units vested and settled	-	1,228	1,789	(3,017)	-	-
Acquisition of shares for settlement of restricted share units and performance stock units	-	-	(1,253)	-	-	(1,253)
China long-term incentive plan	-	-	-	2,972	-	2,972
Shares buy-back	-	-	(15)	-	-	(15)
Shares cancelled	-	(15)	15	-	-	-
Total transactions with owners, recognised directly in equity	-	(3,874)	536	(45)	-	(3,383)
Balance as at 31 December 2023	34	261,998	(186)	6,558	(226,108)	42,296

Consolidated Financial Statements (Continued)

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 in capital	Proportion	Proportion
					of ordinary shares directly held by parent (%)	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 in 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 in capital of \$nil	–	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 in 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 in capital of \$nil	–	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 in capital	Proportion	Proportion
					of ordinary shares directly held by parent (%)	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 in capital of \$nil	–	100%

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

During the year ended 31 December 2023, the Group is in the process of application for de-registration of IMAX (Shanghai) Culture & Technology Co., Ltd.

FINANCIAL SUMMARY

	FY2023		FY2022		FY2021		FY2020		FY2019	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Revenues	86,982	100.0%	73,330	100.0%	112,801	100.0%	52,331	100.0%	124,294	100.0%
Cost of sales	(32,449)	(37.3%)	(33,633)	(45.9%)	(44,613)	(39.6%)	(32,984)	(63.0%)	(47,647)	(38.3%)
Gross profit	54,533	62.7%	39,697	54.1%	68,188	60.4%	19,347	37.0%	76,647	61.7%
Selling, general and administrative expenses	(18,138)	(20.9%)	(15,530)	(21.2%)	(16,820)	(14.9%)	(14,381)	(27.5%)	(16,465)	(13.2%)
Other operating expenses	(3,889)	(4.5%)	(3,968)	(5.4%)	(6,062)	(5.4%)	(3,900)	(7.5%)	(6,534)	(5.3%)
(Provisions) reversals of net impairment losses on financial assets	(1,187)	(1.4%)	(1,319)	(1.8%)	3,997	3.5%	(10,892)	(20.8%)	(483)	(0.4%)
Other income	721	0.8%	-	-	-	-	-	-	-	-
Other gains/(losses) – net	187	0.2%	(4,470)	(6.1%)	-	-	-	-	-	-
Operating profit (loss)	32,227	37.1%	14,410	19.7%	49,303	43.7%	(9,826)	(18.8%)	53,165	42.8%
Interest income	1,858	2.1%	1,040	1.4%	1,643	1.5%	1,330	2.5%	1,771	1.4%
Interest expense	(412)	(0.5%)	(169)	(0.2%)	(458)	(0.4%)	(108)	(0.2%)	(93)	(0.1%)
Profit (Loss) before income tax	33,673	38.7%	15,281	20.8%	50,488	44.8%	(8,604)	(16.4%)	54,843	44.1%
Income tax expense	(6,172)	(7.1%)	(4,523)	(6.2%)	(12,271)	(10.9%)	(18,135)	(34.7%)	(11,950)	(9.6%)
Profit (Loss) for the year, attributable to owners of the Company	27,501	31.6%	10,758	14.7%	38,217	33.9%	(26,739)	(51.1%)	42,893	34.5%
Other comprehensive (loss) income:										
Items that may be subsequently reclassified to profit or loss:										
Change in foreign currency translation adjustments	(2,819)	(3.2%)	(19,470)	(26.6%)	3,538	3.1%	14,139	27.0%	(2,898)	(2.3%)
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%)
Other comprehensive (loss) income, net of tax	(2,819)	(3.2%)	(19,470)	(26.6%)	8,757	7.8%	12,055	23.0%	(6,298)	(5.1%)
Total comprehensive income (loss) for the year, attributable to owners of the Company	24,682	28.4%	(8,712)	(11.9%)	46,974	41.6%	(14,684)	(28.1%)	36,595	29.4%

	2023 US\$'000	2022 US\$'000	2021 US\$'000	2020 US\$'000	2019 US\$'000
Total assets	318,276	326,403	349,758	334,794	328,267
Total liabilities	63,905	93,331	95,880	103,188	69,236
Total equity	254,371	233,072	253,878	231,606	259,031

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 C1 of the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company” or “IMAX China”	IMAX China Holding, Inc., a company incorporated under the laws of the Cayman Islands with limited liability on 30 August 2010
“connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder”	shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires
“Contingency Agreements”	contingency agreements in place to guard against any failure of supply by IMAX Corporation. See “Relationship with our Controlling Shareholders” in the Prospectus for further details
“Directors”	the directors of the Company and “Director” shall be construed accordingly as a director of the Company
“EBITDA”	profit for the year with adjustments for depreciation and amortization, interest income and income tax expense
“Escrow Documents”	the design plans, specifications and know-how necessary to enable the Group to manufacture and assemble IMAX digital xenon projection systems, IMAX laser-based digital projection systems and nXos2 audio systems itself, or subcontract the manufacturing and assembly works to third party manufacturers and to convert conventional films into IMAX films

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 on 8 October 2015
“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
“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

Definitions (Continued)

“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 on 8 October 2015
“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 C3 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: <ul style="list-style-type: none"> (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
“PSU Scheme”	the performance share unit scheme adopted by the Company on 12 March 2020 and amended on 28 April 2023

Definitions (Continued)

“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 and amended by shareholders at the general meeting dated 7 June 2023, 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 and amended by shareholders at the general meeting dated 7 June 2023, 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 “ <i>Relationship with our Controlling Shareholder – Competition – Unrelated Business Agreement</i> ” 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

Glossary (Continued)

“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

The image features the IMAX logo in a bold, white, sans-serif font, centered horizontally. The background is a vibrant blue with a radial pattern of fine, light-colored lines that create a sense of depth and motion, resembling a starburst or a lens flare effect. The lines are most concentrated around the center and become more sparse towards the edges. The overall composition is clean and modern, emphasizing the brand's identity.

IMAX[®]