



IMAX CHINA HOLDING, INC.

Incorporated in the Cayman Islands with limited liability

Stock code : 1970



Interim Report 2023

IMAX[®]

Contents

IMAX CHINA HOLDING, INC.

Interim Report 2023

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance Highlights and Other Information	25
Report on Review of Interim Financial Information	71
Condensed Consolidated Interim Statement of Comprehensive Income (Loss)	72
Condensed Consolidated Interim Statement of Financial Position	73
Condensed Consolidated Interim Statement of Changes in Equity	75
Condensed Consolidated Interim Statement of Cash Flows	77
Notes to the Condensed Consolidated Interim Financial Information	78
Definitions	121
Glossary	126

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Jiande Chen, *Vice Chairman*

Jim Athanasopoulos

Mei-Hui (Jessie) Chou, *Chief Marketing Officer*

Non-executive Directors

Richard Gelfond, *Chairman*

Robert Lister

Independent Non-executive Directors

John Davison

Yue-Sai Kan

Dawn Taubin

Peter Loehr

AUDIT COMMITTEE

John Davison (Chair)

Dawn Taubin

Richard Gelfond

REMUNERATION COMMITTEE

Yue-Sai Kan (Chair)

John Davison

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

7/F, Verdant Place

No, 128 West Nanjing Road

Huangpu District, Shanghai

People's Republic of China

REGISTERED OFFICE

c/o Maples Corporate Services Limited

PO Box 309

Ugland House

Grand Cayman

KY1-1104 Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place

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

Management Discussion and Analysis

OVERVIEW

The management discussion and analysis is based on the Company's condensed consolidated interim financial information for 1HFY2023 prepared in accordance with International Accounting Standard 34 and must be read together with the condensed consolidated interim financial information and the notes which form an integral part of the condensed consolidated interim financial information.

DESCRIPTION OF SELECTED LINE ITEMS IN THE CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (LOSS)

During the six months ended 30 June 2023, the Group revised its internal segment reporting to include 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 sales, 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.

Revenue

We derive a majority of our revenue from our 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 represents revenue generated from a certain percentage of IMAX box office received by our studio partners for the conversion and release of Hollywood films, Chinese language films and other films to the IMAX theatre network. The revenue is recognized when reported by our exhibitor partners.

Management Discussion and Analysis (Continued)

Technology Products and Services

Technology Products and Services represents revenues that are primarily derived from exhibitor partners through either sales and sales-type lease or revenue sharing arrangements, and the revenue generated by maintenance services and aftermarket sales.

- IMAX System, consists of the design, manufacture and installation of IMAX theatre projection system equipment under sales or sales-type lease arrangements for upfront and ongoing fees, which can include a fixed minimum amount per annum and contingent rent in excess of the minimum payments. The upfront fees vary depending on the system configuration and location of the theatre. Any upfront fees are paid to the Group in installments between the time of system signing and the time of system installation, which is when the total of these fees, in addition to the present value of future annual minimum payments and contingent rent on sales arrangement, are recognized as revenue at the time of installation and exhibitor acceptance of the respective IMAX theatre system;
- Revenue sharing arrangements, of which the Group has two types – full revenue sharing arrangements and hybrid revenue sharing arrangements. Under its full revenue sharing arrangements, the Group leases IMAX theatre systems to its exhibitor partners, and provides related services, in return for ongoing fees of contingent rent based on a percentage of the IMAX box office from the relevant IMAX theatre. Under full revenue sharing arrangements, the customer pays no upfront fee. Under hybrid revenue sharing arrangements, the Group receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theatre. Contingent rent revenue from joint revenue sharing arrangements is recognized when reported by our exhibitor partners. In addition, the Group receives a reduced, fixed upfront fee under its hybrid revenue sharing arrangement. Revenue sharing arrangements upfront fee revenue is recognized at the time of installation and exhibitor acceptance of the IMAX theatre system;
- IMAX Maintenance, pursuant to which the Group generates revenue from the provision of ongoing maintenance services. The revenue recognized is primarily comprised of an annual maintenance fee payable by exhibitor partners under all sales and revenue sharing arrangements; and
- Other theatre, pursuant to which the Group generates revenue from the aftermarket sales of 3D glasses, screen sheets, parts and other items.

All Other

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

Management Discussion and Analysis (Continued)

Impact of COVID-19 Pandemic

The Chinese government relaxed its dynamic zero-COVID policies and significantly eased restrictions at the end of 2022. With the reopening of theatres and the resumption of normal film release schedules as the theatrical exhibition industry continues to recover from the COVID-19 pandemic, normal operations have resumed in movie theatres throughout the IMAX China network in the first half of 2023. 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 throughout the remainder of 2023. However, the impact of the COVID-19 pandemic on the Company's business and financial results will continue to depend on numerous evolving factors that cannot be accurately predicted and that will vary by jurisdiction and market. 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 generate significant revenue from GBO 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 arising out of pandemic-related theatre closures, the Group has experienced and may continue to experience delays in collecting payments due under existing IMAX System sale or lease arrangements. The Group's exhibitor partners may continue to experience operational and/or financial difficulties if the COVID-19 pandemic continues or consumers change their behavior and consumption patterns, 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. Further, the Group has had to delay certain IMAX system installations from 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 may in the future continue to be adversely affected.

Given the dynamic nature of the circumstances, it is difficult to predict the full extent of the adverse impact of the COVID-19 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 new variants and the resulting government response, the progress towards the resumption of normal operations of movie theatres and their return to historical levels of attendance, consumer behavior, 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.

Management Discussion and Analysis (Continued)

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

	1HFY2023		1HFY2022	
	US\$'000	%	US\$'000	%
Content Solutions	14,178	31.3%	6,519	19.9%
Technology Products and Services	30,896	68.1%	26,112	79.8%
Subtotal for reportable segments	45,074	99.4%	32,631	99.7%
All Other	268	0.6%	82	0.3%
Total	45,342	100.0%	32,713	100.0%

Cost of Sales

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

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

	1HFY2023		1HFY2022	
	US\$'000	%	US\$'000	%
Content Solutions	1,979	14.0%	1,341	20.6%
Technology Products and Services	14,162	45.8%	12,716	48.7%
Subtotal for reportable segments	16,141	35.8%	14,057	43.1%
All Other	483	180.2%	31	37.8%
Total	16,624	36.7%	14,088	43.1%

Management Discussion and Analysis (Continued)

Gross Profit and Gross Profit Margin

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

	1HFY2023		1HFY2022	
	US\$'000	%	US\$'000	%
Content Solutions	12,199	86.0%	5,178	79.4%
Technology Products and Services	16,734	54.2%	13,396	51.3%
Subtotal for reportable segments	28,933	64.2%	18,574	56.9%
All Other	(215)	(80.2)%	51	62.2%
Total	28,718	63.3%	18,625	56.9%

Selling, General and Administrative Expenses

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

	1HFY2023		1HFY2022	
	US\$'000	%	US\$'000	%
Employee salaries and benefits	4,437	9.8%	4,063	12.4%
Share-based compensation expenses	1,618	3.6%	1,865	5.7%
Travel and transportation	255	0.6%	182	0.6%
Advertising and marketing	448	1.0%	408	1.2%
Professional fees	1,007	2.2%	929	2.8%
Other employee expense	130	0.3%	111	0.3%
Facilities	508	1.1%	560	1.7%
Depreciation	111	0.2%	101	0.3%
Foreign exchange and other expenses	465	1.0%	1,326	4.1%
Total	8,979	19.8%	9,545	29.2%

Other Operating Expenses

Other operating expenses primarily include the annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements, charged at an aggregate of 5% of our revenue. Our other operating expenses for 1HFY2023 and 1HFY2022 were US\$2.5 million and US\$1.9 million, respectively.

Management Discussion and Analysis (Continued)

Provisions of Impairment Losses on Financial Assets

Impairment losses on financial assets for 1HFY2023 and 1HFY2022 were US\$0.8 million and US\$0.6 million, respectively. The losses were primarily due to the provision for current expected credit losses, principally reflecting a reduction in the credit quality of its trade receivables, financing receivables and variable consideration receivables.

Interest Income

Interest income mainly represents interest earned on various term deposits. None of the term deposits had a term of more than 90 days. Our interest income for both 1HFY2023 and 1HFY2022 was US\$0.7 million.

Income Tax Expenses

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

Our income tax expense for 1HFY2023 and 1HFY2022 was US\$3.0 million and US\$2.0 million, respectively.

Management Discussion and Analysis (Continued)

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Condensed Consolidated Interim Statement of Comprehensive Income (Loss)

The following table sets out items in our condensed consolidated interim statement of comprehensive income (loss) and as a percentage of revenue for the periods indicated:

	1HFY2023		1HFY2022	
	US\$'000	%	US\$'000	%
Revenues	45,342	100.0%	32,713	100.0%
Cost of sales	(16,624)	(36.7)%	(14,088)	(43.1)%
Gross profit	28,718	63.3%	18,625	56.9%
Selling, general and administrative expenses	(8,979)	(19.8)%	(9,545)	(29.2)%
Other operating expenses	(2,503)	(5.5)%	(1,873)	(5.7)%
Provisions of impairment losses on financial assets	(807)	(1.8)%	(613)	(1.9)%
Other losses	–	–	(4,470)	(13.7)%
Operating profit	16,429	36.2%	2,124	6.5%
Interest income	726	1.6%	728	2.2%
Interest expense	(282)	(0.6)%	(48)	(0.1)%
Profit before income tax	16,873	37.2%	2,804	8.6%
Income tax expense	(2,997)	(6.6)%	(2,038)	(6.2)%
Profit for the period, attributable to owners of the Company	13,876	30.6%	766	2.3%
Other comprehensive loss:				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	(7,011)	(15.5)%	(12,519)	(38.3)%
Other comprehensive loss:	(7,011)	(15.5)%	(12,519)	(38.3)%
Total comprehensive income (loss) for the period, attributable to owners of the Company	6,865	15.1%	(11,753)	(35.9)%

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 our cash requirements or whether our business will be profitable. In addition, our definition of adjusted profit may not be comparable to other similarly titled measures used by other companies.

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

	1HFY2023 US\$'000	1HFY2022 US\$'000
Profit for the period	13,876	766
Adjustments:		
Share-based compensation	1,618	1,865
Tax impact on items listed above	(409)	(522)
Adjusted profit	15,085	2,109

1HFY2023 COMPARED WITH 1HFY2022

Revenue

Our revenue increased 38.5% from US\$32.7 million in 1HFY2022 to US\$45.3 million in 1HFY2023 driven by an increase of US\$7.7 million in our Content Solutions revenue and an increase of US\$4.8 million in the Technology Products and Services revenue, as explained further below.

Content Solutions

Revenue from our Content Solutions increased 118.5% from US\$6.5 million in 1HFY2022 to US\$14.2 million in 1HFY2023 primarily due to an increase in box office revenue in 1HFY2023 compared to 1HFY2022. The box office revenue generated by IMAX formatted films increased 116.2% from US\$76.4 million in 1HFY2022 to US\$165.2 million in 1HFY2023 due primarily to the reopening of theatres in Mainland China after COVID-19 controls were lifted in 1HFY2023 and a larger number of film releases.

Box office revenue per screen increased 120.0% from US\$0.10 million in 1HFY2022 to US\$0.22 million in 1HFY2023 due to the reasons explained above.

Management Discussion and Analysis (Continued)

The following table sets out the number of films we released in the IMAX format in 1HFY2023 and 1HFY2022 in Greater China:

	1HFY2023	1HFY2022
Hollywood films	14	8
Hollywood films (Hong Kong, Taiwan and Macau only)	5	8
Chinese language films	10	4
Other films	3	–
Other films (Hong Kong, Taiwan and Macau only)	1	–
Total IMAX films released	33	20

Technology Products and Services

Revenue from our Technology Products and Services increased 18.4% from US\$26.1 million in 1HFY2022 to US\$30.9 million in 1HFY2023 driven by an increase of US\$1.2 million in sales and sales-type lease arrangements, an increase of US\$6.5 million in revenue sharing arrangements, partially offset by a decrease of US\$3.1 million in IMAX maintenance, 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:

	2023	As at 30 June 2022	Growth (%)
Commercial			
Mainland China ⁽¹⁾	763	757	0.8%
Hong Kong	5	5	–
Taiwan	10	10	–
Macau	1	1	–
	779	773	0.8%
Institutional ⁽²⁾	16	15	6.7%
Total	795	788	0.9%

Note:

- (1) Nine theatres in Mainland China were closed in 1HFY2023, and the relocations or takeovers are under negotiation.
- (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 1HFY2023 and 1HFY2022:

	1HFY2023	1HFY2022
Sales and sales-type lease arrangements	6	2
Revenue sharing arrangements	4	7
IMAX Laser upgrades	–	1
Total theatre systems installed	10⁽¹⁾	10⁽²⁾

Note:

- (1) Includes 8 new theatre systems, and 2 relocations (1 sales and sales-type lease and 1 revenue sharing) in 1HFY2023.
 (2) Includes 9 new theatre systems, and 1 upgrade (sales and sales-type lease) in 1HFY2022.

Sales and Sales-Type Lease Arrangements

Revenue from sales and sales-type lease arrangements increased 19.0% from US\$6.3 million in 1HFY2022 to US\$7.5 million in 1HFY2023, primarily due to 3 more sales and sales-type lease arrangements (including 1 more redeployed system installation). We recognized sales revenue on 3 new theatre systems (including 1 IMAX Laser upgrade) in 1HFY2022 with a total value of US\$4.3 million, compared to 5 new theatre system in 1HFY2023 with a total value of US\$5.0 million. In addition, the revenue of US\$0.9 million from the renewal of existing sales and sale-type lease arrangements was recognized in 1HFY2023.

Average revenue per new system under sales and sales-type lease arrangements, excluding redeployed systems, decreased from US\$1.4 million in 1HFY2022 to US\$1.0 million in 1HF2023 due to a mix of more XT laser theatre installations with larger clients in 1HFY2023.

Revenue Sharing Arrangements

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

Upfront revenue from hybrid revenue sharing arrangement increased 100.0% from US\$0.5 million in 1HFY2022 to US\$1.0 million in 1HFY2023, primarily due to 1 more hybrid revenue sharing installation in 1HFY2023.

Contingent rent from revenue sharing arrangements increased 115.4% from US\$5.2 million in 1HFY2022 to US\$11.2 million in 1HFY2023 primarily due to increased box office in 1HFY2023. This included (i) contingent rent from full revenue sharing arrangements that increased from US\$4.5 million in 1HFY2022 to US\$9.5 million in 1HFY2023; (ii) contingent rent from hybrid revenue sharing arrangements that increased from US\$0.7 million in 1HFY2022 to US\$1.7 million in 1HFY2023. We had 510 theatres operating under revenue sharing arrangements at the end of 1HFY2022 as compared to 512 at the end of 1HFY2023.

Management Discussion and Analysis (Continued)

IMAX Maintenance

IMAX maintenance revenue decreased from US\$14.1 million in 1HFY2022 to US\$11.0 million in 1HFY2023. Maintenance revenue decreased in 1HFY2023 primarily due to one-time fee concessions negotiated with certain exhibitor customers as a result of the impact COVID-19 restrictions had on their normalized business operations, partially offset by an increase in the size of the IMAX network, which increased to 795 theatres as at 30 June 2023 from 788 theatres as at 30 June 2022.

All Other

Revenue from All Other increased from less than US\$0.1 million in 1HFY2022 to US\$0.3 million in 1HFY2023 mainly related to the revenue generated from IMAX Enhanced Business which started in 2HFY2022.

Cost of Sales

Our cost of sales increased 17.7% from US\$14.1 million in 1HFY2022 to US\$16.6 million in 1HFY2023. This increase was primarily due to an increase of US\$0.7 million in our Content Solutions and an increase of US\$1.5 million in our Technology Products and Sales explained below.

Content Solutions

The cost of sales for our Content Solutions increased 53.8% from US\$1.3 million to US\$2.0 million due to an increase in the number of DMR films released and resulting film marketing costs. 27 films exhibited in Mainland China in 1HFY2023 compared to 12 films in 1HFY2022.

Technology Products and Services

The cost of sales for our Technology Products and Services increased 11.8% from US\$12.7 million in 1HFY2022 to US\$14.2 million in 1HFY2023, mainly driven by an increase of US\$0.3 million in sales and sales-type lease arrangements, an increase of US\$0.4 million in revenue sharing arrangements, and an increase of US\$0.6 million in IMAX maintenance, as explained further below.

Sales and Sales-Type Lease Arrangements

Cost of sales under sales and sales-type lease arrangements increased 16.7% from US\$1.8 million in 1HFY2022 to US\$2.1 million in 1HFY2023, primarily due to the costs recognised on 5 new theatre systems in 1HFY2023 as compared to 3 new theatre systems (including 1 IMAX Laser upgrade) in 1HFY2022. The costs were partially reduced by the decrease in average cost per new system under sales and sales-type lease arrangements, excluding redeployed system, from US\$0.6 million in 1HFY2022 to US\$0.4 million in 1HFY2023 due to a system mix of more XT laser theatre installations in 1HFY2023.

Management Discussion and Analysis (Continued)

Revenue Sharing Arrangements

Cost of sales from installation of hybrid revenue sharing arrangements increased 20.0% from US\$0.5 million in 1HFY2022 to US\$0.6 million in 1HFY2023, primarily due to the costs recognised on 2 theatre system installations under hybrid revenue sharing arrangements in 1HFY2023 as compared to 1 in 1HFY2022.

The cost of sales for contingent rent from revenue sharing arrangements increased 6.3% from US\$6.4 million in 1HFY2022 to US\$6.8 million in 1HFY2023, primarily due to increased depreciation costs associated with a larger full revenue sharing network, currently 402 theatres as at 1HFY2023.

IMAX Maintenance

Cost of sales with respect to theatre system maintenance increased 15.0% from US\$4.0 million in 1HFY2022 to US\$4.6 million in 1HFY2023 as a result of: (i) the resumption of normalized maintenance services that had been impacted due to the COVID-19 pandemic in 1HFY2022; (ii) an increase in the size of the IMAX network, which increased to 795 theatres as at 30 June 2023 from 788 theatres as at 30 June 2022.

All Other

Cost from All Other increased from less than US\$0.1 million in 1HFY2022 to US\$0.5 million in 1HFY2023 mainly related to the cost of IMAX Enhanced Business which started in 2HFY2022.

Gross Profit and Gross Profit Margin

Our gross profit increased from a profit of US\$18.6 million in 1HFY2022 to US\$28.7 million in 1HFY2023, and our gross margin increased from 56.9% in 1HFY2022 to 63.3% in 1HFY2023. The increase in gross profit was largely attributable to US\$7.0 million increase in our Content Solutions, and a US\$3.3 million increase in our Technology Products and Services, as explained further below.

Content Solutions

The gross profit from our Content Solutions increased 134.6% from a profit of US\$5.2 million in 1HFY2022 to a profit of US\$12.2 million in 1HFY2023, and the gross margin for our Content Solutions increased from 79.4% in 1HFY2022 to 86.0% in 1HFY2023. The increase of gross profit was primarily due to an increase of 116.2% in our overall box office revenue. The increase of gross profit margin was primarily due to high operating leverage inherent to our content solutions business and more local language films released than 1HFY2022 with lower production costs and higher margins.

Technology Products and Services

The gross profit for our Technology Products and Services increased 24.6% from US\$13.4 million in 1HFY2022 to US\$16.7 million in 1HFY2023. During the same period, our gross profit margin increased from 51.3% to 54.2%. The increase in gross profit was primarily driven by 3 more IMAX theatre system installations under sales and sales-type lease arrangements (including 1 more redeployed system installation) and 1 more hybrid revenue sharing arrangement in 1HFY2023 as compared to 1HFY2022. The increase is also related to 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 in gross profit margin is mainly related to higher sales, revenue sharing arrangements and maintenance margin in 1HFY2023 as explained further below.

Management Discussion and Analysis (Continued)

Sales and Sales-Type Lease Arrangements

The gross profit from sales of new IMAX theatre systems increased 20.0% from US\$4.5 million in 1HFY2022 to US\$5.4 million in 1HFY2023 primarily due to the installation of 3 more systems (including 1 more redeployed system installation) in 1HFY2023. Our gross profit margin increased from 71.4% in 1HFY2022 to 72.0% in 1HFY2023 primarily due to a larger portion of IMAX Laser installations with lower margin in 1HFY2022.

Revenue Sharing Arrangements

The gross profit from upfront fees derived from hybrid revenue sharing arrangements increased from a profit of less than US\$0.1 million in 1HFY2022 to US\$0.4 million in 1HFY2023, primarily due to 1 more installation under hybrid revenue sharing arrangements.

The gross profit for contingent rent from revenue sharing arrangements increased from a loss of US\$1.2 million in 1HFY2022 to a profit of US\$4.4 million in 1HFY2023.

The gross profit for contingent rent from full revenue sharing arrangements increased from a loss of US\$1.8 million in 1HFY2022 to a profit of US\$2.9 million in 1HFY2023 due to the increased box office as a result of the reopening of theatres in Mainland China after COVID-19 controls were lifted in 1HFY2023, 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 114.3% from US\$0.7 million in 1HFY2022 to US\$1.5 million in 1HFY2023, driven by higher box office revenue mentioned above.

IMAX Maintenance

The gross profit for our theatre system maintenance decreased 36.7% from a profit of US\$10.1 million in 1HFY2022 to a profit of US\$6.4 million in 1HFY2023 and our gross margin decreased from gross profit margin of 71.6% in 1HFY2022 to a gross profit margin of 57.9% in 1HFY2023 mainly due to the one-time fee concessions negotiated with certain exhibitor customers as a result of the impact COVID-19 restrictions had on their normalized business operations, and higher maintenance costs resulting from resumption of normalized maintenance services in 1HFY2023.

All Other

The gross profit for All Other decreased from a profit of less than US\$0.1 million in 1HFY2022 to a loss of US\$0.2 million in 1HFY2023 mainly related to the loss generated from IMAX Enhanced Business as a result of low revenue during start up period and fixed amortization costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, decreased 5.3% from US\$9.5 million in 1HFY2022 to US\$9.0 million in 1HFY2023, primarily due to a US\$0.2 million foreign exchange loss in 1HFY2023 compared to a US\$1.1 million foreign exchange loss in 1HFY2022 from RMB cash held outside of Mainland China, partially offset by a US\$0.4 million increase in staff costs including salaries and bonus as a result of normalized business operations in 1HFY2023.

Management Discussion and Analysis (Continued)

Other Operating Expenses

Other operating expenses increased from US\$1.9 million in 1HFY2022 to US\$2.5 million in 1HFY2023, primarily due to an increase in annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License agreements due to higher revenues in 1HFY2023 versus 1HFY2022.

Provisions of Impairment Losses on Financial Assets

Impairment losses on financial assets for 1HFY2023 and 1HFY2022 were US\$0.8 million and US\$0.6 million, respectively. The losses were primarily due to the provision for current expected credit losses, principally reflecting a reduction in the credit quality of its trade receivables, financing receivables and variable consideration receivables.

Interest Income

Interest income mainly represents interest earned on various term deposits. None of the term deposits had a term of more than 90 days. Our interest income for both 1HFY2023 and 1HFY2022 was US\$0.7 million.

Income Tax Expense

Our income tax expense increased 50.0% from US\$2.0 million in 1HFY2022 to US\$3.0 million in 1HFY2023. The increase in income tax expense was primarily due to an increase of our operating income before income tax of US\$14.1 millions from a profit of US\$2.8 million in 1HFY2022 to a profit of US\$16.9 million in 1HFY2023. The expense was partially offset by a decrease in income tax expense due to US\$1.3 million of deferred tax assets recognized in 1HFY2023. In accordance with the planned liquidation of IMAX (Shanghai) Culture & Technology Co., Ltd. ("**IMAX Shanghai Culture**", a wholly-owned subsidiary of the Company), a US\$1.3 million deferred tax assets was recognized for the accumulated losses of IMAX Shanghai Culture in 1HFY2023.

Profit for the Period

We reported a profit for the period of US\$13.9 million in 1HFY2023 as compared to a profit of US\$0.8 million in 1HFY2022.

Other Comprehensive Loss for the Period

We reported other comprehensive loss for the period of US\$7.0 million in 1HFY2023 as compared to a loss of US\$12.5 million in 1HFY2022. The decrease was due to a loss of US\$7.0 million in foreign currency translation adjustments in 1HFY2023 (3.8% depreciation of RMB relative to USD) compared to a loss of US\$12.5 million in 1HFY2022 (5.3% depreciation of RMB relative to USD).

Adjusted Profit

Adjusted profit, which consists of profit for the period adjusted for the impact of share-based compensation and the related tax impact, and provisional tax, was US\$15.1 million in 1HFY2023 as compared to US\$2.1 million in 1HFY2022.

Management Discussion and Analysis (Continued)

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2023 US\$'000	As at 31 December 2022 US\$'000
Current assets		
Other assets	1,592	1,871
Contract acquisition costs	746	760
Film assets	123	82
Inventories	4,684	4,826
Prepayments	2,648	3,099
Variable consideration receivable from contracts	578	502
Financing receivables	29,003	27,852
Trade and other receivables	67,471	60,267
Cash and cash equivalents	73,559	74,972
Total Current Assets	180,404	174,231
Current liabilities		
Trade and other payables	22,453	21,845
Accruals and other liabilities	8,631	9,546
Income tax liabilities	7,250	5,780
Borrowings	9,278	12,871
Deferred revenue	10,036	12,777
Total Current Liabilities	57,648	62,819
Net Current Assets	122,756	111,412

As at 30 June 2023, we had net current assets of US\$122.8 million compared to net current assets of US\$111.4 million as at 31 December 2022. The increase in net current assets in 1HFY2023 was mainly attributable to a US\$7.2 million increase in trade and other receivables, a US\$3.6 million decrease in borrowings, a US\$2.7 million decrease in deferred revenue, a US\$1.2 million increase in financing receivables, and a US\$0.9 million decrease in accruals and other liabilities. This was offset by a US\$1.5 million increase in income tax liabilities, a US\$1.4 million decrease in cash and cash equivalents, a US\$0.6 million increase in trade and other payables, and a US\$0.5 million decrease in prepayments.

Management Discussion and Analysis (Continued)

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

	As at 30 June 2023 US\$'000	As at 31 December 2022 US\$'000
Cash and cash equivalents denominated in RMB	\$27,138	\$43,821
Cash and cash equivalents denominated in US\$	\$46,142	\$30,914
Cash denominated in Hong Kong dollars	\$279	\$237
	\$73,559	\$74,972

CAPITAL MANAGEMENT

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

We consider our capital structure as the aggregate of total equity and long-term debt less cash and short-term deposits. We manage our capital structure and make adjustments to it in order to have funds available to support the business activities which the Board intends to pursue in addition to maximizing the return to shareholders. The Board 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, we will spend our existing working capital and raise additional amounts as needed. Management reviews our capital management approach on an on-going basis and believes that this approach, given the relative size of the Group, is reasonable.

Management Discussion and Analysis (Continued)

CASH FLOW ANALYSIS

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

	1HFY2023 US\$'000	1HFY2022 US\$'000
Net cash provided by (used in) operating activities	12,002	(4,151)
Net cash used in investing activities	(1,773)	(7,476)
Net cash used in financing activities	(9,744)	(6,286)
Effects of exchange rate changes on cash	(1,898)	(2,863)
Decrease in cash and cash equivalents during period	(1,413)	(20,776)
Cash and cash equivalents, beginning of period	74,972	97,737
Cash and cash equivalents, end of period	73,559	76,961

Cash Provided by (Used in) Operating Activities

1HFY2023

Our net cash provided by operations was approximately US\$12.0 million in 1HFY2023. We had profit before income tax for the period of US\$16.9 million in 1HFY2023, and positive adjustments for depreciation of property, plant and equipment of US\$7.1 million, amortization of film assets of US\$3.2 million, settlement of equity and other non-cash compensation of US\$1.6 million, and allowance for expected credit loss of US\$0.8 million, reduced by changes in working capital of US\$10.7 million, taxes paid of US\$6.9 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US\$9.2 million; (ii) an increase in film assets of US\$3.2 million; (iii) a decrease in deferred revenue of US\$2.0 million; partially offset by: (i) an increase in trade and other payables of US\$2.7 million; (ii) a decrease of other assets of US\$0.9 million.

1HFY2022

Our net cash used in operations was approximately US\$4.2 million in 1HFY2022. We had profit before income tax for the period of US\$2.8 million in 1HFY2022, and positive adjustments for depreciation of property, plant and equipment of US\$7.0 million, net fair value losses on financial assets at FVTPL of US\$4.5 million, settlement of equity and other noncash compensation of US\$1.9 million, amortization of film assets of US\$1.5 million, and allowance for expected credit loss of US\$0.6 million, reduced by changes in working capital of US\$16.9 million, taxes paid of US\$5.8 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US\$12.6 million; (ii) a decrease in deferred revenue of US\$5.1 million; (iii) an increase of other assets of US\$3.0 million; (iv) an increase in film assets of US\$1.5 million; and (v) an increase of financing receivables of US\$0.6 million; partially offset by: (i) an increase in trade and other payables of US\$4.2 million; (ii) an increase in accruals and other liabilities of US\$1.8 million.

Management Discussion and Analysis (Continued)

Cash Used in Investing Activities

1HFY2023

Our net cash used in investing activities was approximately US\$1.8 million for 1HFY2023, primarily related to investments in IMAX theatre equipment amounting to US\$1.8 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

1HFY2022

Our net cash used in investing activities was approximately US\$7.5 million for 1HFY2022, primarily related to investment in film of US\$4.7 million and investments in IMAX theatre equipment amounting to US\$2.7 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

Cash Used in Financing Activities

1HFY2023

Our net cash used in financing activities was approximately US\$9.7 million for 1HFY2023 primarily due to: (i) dividends paid to owners of the Company of US\$5.1 million; (ii) repayment of borrowings US\$3.9 million; (iii) settlement of restricted share units and options of US\$1.1 million; and (iv) principal elements of lease payments of US\$0.5 million. It is partially offset by the proceeds from borrowings of US\$0.7 million.

1HFY2022

Our net cash used in financing activities was approximately US\$6.3 million for 1HFY2022 primarily due to: (i) repayment of borrowings US\$3.6 million; (ii) payments for shares bought back of US\$1.8 million; (iii) settlement of restricted share units and options of US\$0.6 million; and (iv) principal elements of lease payments of US\$0.3 million.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Lease Commitments

We have lease commitments within one year amounting to less than US\$0.1 million related primarily to leased office and apartment space in Shanghai.

Capital Commitments

As at 30 June 2023, we had capital expenditures contracted but not provided for of US\$1.9 million (31 December 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

Our capital expenditures primarily relate to the acquisition of IMAX theatre systems. During both 1HFY2023 and 1HFY2022, our capital expenditures were US\$1.8 million and US\$2.8 million, respectively.

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

Contingent Liabilities

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

As at 30 June 2023, we had drawn down RMB2.6 million (approximately US\$0.4 million) on our bank borrowing facility with Bank of China Limited with an interest rate of 3.85% (2022: 3.85%) per annum, and RMB3.0 million (approximately US\$0.4 million) on our letter of guarantee facility. We also had drawn down RMB64.4 million (approximately US\$8.9 million) on our bank borrowing facility with HSBC Bank (China) Company Limited with an interest rate of 3.85%~4.00% per annum. Except as disclosed above or as otherwise disclosed herein, as at 30 June 2023, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. The Directors confirm that there has been no material change in our commitments and contingent liabilities since 30 June 2023.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operating activities. Cash flow used in operating activities was US\$4.2 million in 1HFY2022, significantly impacted from the COVID-19 theatre closures in some major cities in Mainland China versus the cash flow provided by operating activities was US\$12.0 million in 1HFY2023. As the IMAX theatre network recovers from the COVID-19 closures and continues to grow, we believe our cash flow from operating activities will continue to increase and fund existing business operations and any initial capital expenditures required under revenue sharing arrangements.

In June 2022, we renewed an unsecured revolving facility with Bank of China Limited for up to RMB200.0 million (approximately US\$29.8 million) to fund ongoing working capital requirement. The total amounts drawn and available under the working capital loan at 30 June 2023 were RMB2.6 million and RMB187.4 million for bank borrowing facility, and RMB3.0 million and RMB7.0 million for letter of guarantee facility, respectively.

In June 2022, we also entered into an unsecured revolving facility with HSBC Bank (China) Company Limited, Shanghai Branch for up to RMB200.0 million (approximately US\$29.8 million) to fund ongoing working capital requirement. The total amounts drawn and available under the working capital loan at 30 June 2023 were RMB64.4 million and RMB135.6 million, respectively.

Management Discussion and Analysis (Continued)

STATEMENT OF INDEBTEDNESS

As at 30 June 2023:

- Except for the drawdown of RMB2.6 million on the bank borrowing facility with Bank of China Limited for up to RMB190 million, the drawdown of RMB3.0 million on the letter of guarantee facility with Bank of China Limited for up to RMB10 million, and the drawdown of RMB64.4 million on the bank borrowing facility with HSBC Bank (China) Company Limited for up to RMB200 million, we did not have any bank borrowings or committed bank facilities;
- we did not have any borrowing from IMAX Corporation or any related parties; and
- we did not have any hire purchase commitments or bank overdrafts.

Since 30 June 2023, being the latest date of our condensed interim statements, there has been no material adverse change to our indebtedness.

RECENT DEVELOPMENTS

On 13 July 2023, IMAX Corporation announced it has filed a proposal to acquire the outstanding 96.3 million shares in IMAX China for approximately HK\$10 per share in cash (US\$124 million). The offer represents an approximate 49% premium to the 30-trading day average closing price. Upon approval of the offer and the scheme of arrangement, IMAX Corporation will own 100% of IMAX China. The proposed acquisition of IMAX China will enable greater operational flexibility to pursue new growth opportunities and applications of IMAX technology in the Chinese market. The acquisition of IMAX China is subject to customary closing conditions, including the receipt of IMAX China shareholder and other approvals. The offer has been approved by both IMAX Corporation and IMAX China's Boards of Directors. There is no guarantee that the acquisition will be approved by IMAX China shareholders or that other closing conditions will be satisfied. The acquisition, if successful, is expected to close later this year.

Mr. Jim Athanasopoulos' term of employment with the Company has expired on 31 July 2023 pursuant to his employment agreement with the Company dated 30 November 2011, as amended, and he will take on the role of Senior Vice President, Global Operations, IMAX Theatres at IMAX Corporation starting from 1 August 2023. Mr. Jim Athanasopoulos will remain as an executive Director and a director of IMAX Hong Kong, and he will no longer hold any other positions in the Group since 1 August 2023. 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.

OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We had no off-balance sheet arrangements as at 30 June 2023.

Management Discussion and Analysis (Continued)

KEY FINANCIAL RATIOS

The following table lays out certain financial ratios as at the dates and for the periods indicated. We presented adjusted profit margin because we believe it presents a more meaningful picture of our financial performance than unadjusted numbers as it excludes the impact from share-based compensation and the related tax impact.

	As at 30 June 2023	As at 31 December 2022
Gearing ratio ⁽¹⁾	35.7%	40.0%
	1HFY2023	1HFY2022
Adjusted profit margin ⁽²⁾	33.3%	6.4%

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 period by revenue and multiplying the result by 100.

Gearing Ratio

Our gearing ratio decreased from 40.0% as at 31 December 2022 to 35.7% as at 30 June 2023, primarily due to an increase in equity of US\$2.3 million, a decrease in deferred revenue of US\$4.1 million, a decrease in borrowings of US\$3.6 million, a decrease in deferred tax liabilities of US\$2.4 million, and a decrease in accruals and other liabilities of US\$1.4 million, partially offset by an increase in current income tax liability of US\$1.5 million, and trade and other payable of US\$0.6 million.

Adjusted Profit Margin

Our adjusted profit margin increased from a profit of 6.4% as at 30 June 2022 to a profit of 33.3% as at 30 June 2023, primarily due to the reopening of theatres in Mainland China after COVID-19 control lifted by the government in 1HFY2023.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

The proposal of payment and the amount of our dividends will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant.

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

Management Discussion and Analysis (Continued)

As at 30 June 2023, the Company had a total equity of US\$42.7 million. Under the Companies Law of the Cayman Islands, subject to the provisions of memorandum of association of the Company or the articles of association (the “**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 interim dividend for the six months ended 30 June 2023.

MATERIAL ACQUISITIONS OR DISPOSALS

We have not undertaken any material acquisition or disposal for the six months ended 30 June 2023.

SIGNIFICANT INVESTMENTS AND DIVESTMENTS

We are entitled to IMAX Hong Kong Holding’s share of any distributions and dividends paid by TCL-IMAX Entertainment in respect of profit from Greater China as a result of a preferred share we hold in IMAX Hong Kong Holding, which holds 50% of TCL-IMAX Entertainment, a 50:50 joint venture between IMAX Hong Kong Holding (which is indirectly wholly owned by IMAX Corporation) and Sino Leader (Hong Kong) Limited (which is wholly owned by TCL Multimedia Technology Holdings Limited). The purpose of the investment was to enable the Group to share in any profit earned in Greater China by TCL-IMAX Entertainment. We do not have any management or operational role, responsibilities or rights in TCL-IMAX Entertainment, nor are we subject to any funding obligations (either in respect of capital funding or bearing of losses) in relation to TCL-IMAX Entertainment. As at 30 June 2023, the fair value of TCL-IMAX Entertainment was nil (31 December 2022: nil). TCL-IMAX Entertainment will start liquidation process in the second half year of 2023.

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 (“**IMAX Enhanced Business**”). IMAX Shanghai Culture is planned to be liquidated based on the business strategic decision. IMAX Enhanced Business will be taken over by IMAX Shanghai Multimedia after the liquidation of IMAX Shanghai Culture.

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.

Corporate Governance Highlights and Other Information

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2023, 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, and 103,650 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, and on 16 June 2023 at an average price per Share of HK\$7.1210 on the Stock Exchange, for satisfying, or preparing for the satisfaction of, the vesting of the RSUs or PSUs.

Save for the above, there have been no convertible securities issued or granted by the Group, no exercise of any conversion or subscription rights, nor any purchase, sale or redemption by the Group of the Company's listed securities during the six months ended 30 June 2023.

SECURITIES TRANSACTIONS BY DIRECTORS

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 for the six months ended 30 June 2023.

CORPORATE GOVERNANCE PRACTICES

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

Chairman and Non-executive Director of the Company, Mr. Richard Gelfond, and Non-executive Director of the Company, Mr. Robert Lister, 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. Saved as disclosed above, during the six months ended 30 June 2023, the Company has complied with all the code provisions of the CG Code.

Corporate Governance Highlights and Other Information (Continued)

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 six months ended 30 June 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 30 June 2023	Unused amount as at 30 June 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:

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

The Company has deployed in the first half of 2023, and intends to continue to deploy in 2023, proceeds from the Listing consistent with the manner described in the Prospectus.

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 Interim Report, the Company has maintained the prescribed public float under the Listing Rules throughout the six months ended 30 June 2023.

Corporate Governance Highlights and Other Information (Continued)

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 auditors, external legal advisers and other independent professional advisors as needed.

Audit Committee

The Company set up the 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 were updated on 30 November 2018. 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 auditors and provide advice and comments to the Board.

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

The audit committee members have reviewed this Interim Report, including the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2023. The Interim Report, including the unaudited condensed consolidated interim financial information of the Group, for the six months ended 30 June 2023 have also been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Remuneration Committee

The Company set up the 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 were updated on 22 February 2023. The primary duties of the remuneration committee are to assist the Board in determining the policy and structure for the remuneration of Directors and senior management, evaluating the performance of Directors and senior management, reviewing and approving incentive schemes and Directors' service contracts and fixing the remuneration packages for all Directors and senior management. The remuneration packages of all Directors and senior management were 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.

Corporate Governance Highlights and Other Information (Continued)

During the six months ended 30 June 2023, the remuneration committee reviewed the proposed amendments to the Share Option Scheme, RSU Scheme and PSU Scheme and recommended the Board to approve such amendments. Please refer to the Company's announcement dated 28 April 2023 and circular dated 16 May 2023 for further details.

Nomination Committee

The Company set up the 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 review the time and contribution required from Directors. 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; Mr. Peter Loehr, an Independent Non-executive Director; and Ms. Yue-Sai Kan, an Independent Non-executive Director. Mr. Richard Gelfond is the chair of the nomination committee.

Pursuant to the Director Nomination Policy and the Board Diversity Policy adopted by the Company in November 2018, 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. The nomination committee is satisfied that the composition of the Board is sufficiently diverse.

CONNECTED TRANSACTIONS

Continuing Connected Transactions Subject to Reporting and Announcement Requirements

During the six months ended 30 June 2023, the Group has continued to engage 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.

Corporate Governance Highlights and Other Information (Continued)

During the six months ended 30 June 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 relevant employee(s) from IMAX Corporation to IMAX Shanghai Multimedia will be beneficial for the development of the business of the Group given their relevant industry experience and knowledge.

(iii) *Fees*

IMAX Shanghai Multimedia shall reimburse IMAX Corporation for the cost of all wages and benefits with respect to the seconded employees in proportion to the time actually spent by such employees 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 employees.

(b) *Annual Caps, Transaction Amount, and Listing Rules Requirements*

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.

US\$nil was charged to the Group by IMAX Corporation under the Personnel Secondment Agreement during the six months ended 30 June 2023.

Corporate Governance Highlights and Other Information (Continued)

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.

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 in the respective territories.

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

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

The Trademark License Agreements were amended on 21 September 2015.

(ii) Term

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

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

Corporate Governance Highlights and Other Information (Continued)

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:

- (a) the 25-year term of the Trademark License Agreements is inherently beneficial to the Company as it is only under the trademark licenses that we can use the “IMAX” brand to carry on the IMAX theatre business in Greater China;
- (b) 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;
- (c) 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
- (d) 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: (i) 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; (ii) IMAX Shanghai Multimedia or IMAX Hong Kong (as applicable) is ordered or adjudged bankrupt; or (iii) the assets of any of such parties are appropriated by any government.

In addition, IMAX Corporation shall have the right to terminate a Trademark License Agreement in the event that: (i) 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 (ii) 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.

Corporate Governance Highlights and Other Information (Continued)

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

(iv) Fees

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

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

(b) Annual Caps and Transaction Amount

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

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

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

Approximately US\$990,000 was charged to the Group by IMAX Corporation under the Trademark License Agreements during the six months ended 30 June 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" in the Company's 2022 annual report dated 17 March 2023, announcement requirements under Chapter 14A of the Listing Rules.

Corporate Governance Highlights and Other Information (Continued)

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

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

3. **Technology License Agreements**

(a) *Description of the Technology License Agreements*

(i) *Subject matter*

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

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.

Corporate Governance Highlights and Other Information (Continued)

(ii) *Term*

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

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

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

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

(iii) *Termination*

Each of the Technology License Agreements is subject to limited termination provisions. Each Technology License Agreement will automatically and immediately terminate if: (i) 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; (ii) IMAX Shanghai Multimedia and IMAX Hong Kong (as applicable) is ordered or adjudged bankrupt; or (iii) 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 (i) 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 (ii) 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.

Corporate Governance Highlights and Other Information (Continued)

(iv) Fees

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

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

(b) Annual Caps and Transaction Amount

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

Approximately US\$1,486,000 was charged to the Group by IMAX Corporation under the Technology License Agreements during the six months ended 30 June 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" in the Company's 2022 annual report dated 17 March 2023, 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 license 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.

Corporate Governance Highlights and Other Information (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:

- (a) 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;
- (b) 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
- (c) 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:

- (a) mutual agreement of the parties;
- (b) 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;

Corporate Governance Highlights and Other Information (Continued)

- (c) 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;
- (d) 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;
- (e) 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
- (f) 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:

- (a) 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;
- (b) 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
- (c) 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.

Corporate Governance Highlights and Other Information (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 six months ended 30 June 2023, the DMR conversion fees charged to the Group by IMAX Corporation were approximately US\$698,000. The number of Greater China DMR Films converted was 13 (including 10 Chinese language films and 3 Other Films).

For the six months ended 30 June 2023, one Greater China DMR Film 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" in the Company's 2022 annual report dated 17 March 2023, announcement requirements under Chapter 14A of the Listing Rules.

Corporate Governance Highlights and Other Information (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 (a) finance and accounting services, (b) legal services, (c) human resources services, (d) IT services, (e) marketing services, (f) theatre design services, (g) theatre project management services, and (h) 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) entered into the amended and restated services agreements to amend the term of the Services Agreements to one year commencing from 1 January 2023 and ending on 31 December 2023. Please also refer to the Company's announcement dated 23 February 2023 for further details.

(ii) Term and Termination

Each of the Services Agreements has a one-year term commencing on 1 January 2023 unless terminated upon any of the following:

- (a) mutual agreement of the parties;
- (b) 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;
- (c) at the non-breaching party's election, material breach of the Services Agreements by either party;
- (d) expiration or termination of the Trademark License Agreements entered into between the same persons as are parties to the Services Agreements; or
- (e) on release of the Escrow Documents.

Corporate Governance Highlights and Other Information (Continued)

(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:

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

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

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

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

(b) *Annual Caps and Transaction Amounts*

In accordance with Rule 14A.53 of the Listing Rules, we have set the annual cap for the maximum aggregate fees payable under the Services Agreements at HK\$6,000,000 for the year ending 31 December 2023. This annual cap has been calculated on the basis of: (i) the historical transaction amounts under the Services Agreements; (ii) the business development plans of the Group; (iii) the expected increase in the cost of theatre system maintenance; and (iv) the flexibility of having a buffer for the Company to cater for any unexpected increase in the variable service fees payable under the Services Agreements.

Approximately US\$369,000 was charged to the Group by IMAX Corporation under the Services Agreements during the six months ended 30 June 2023.

Corporate Governance Highlights and Other Information (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.

At the end of FY2023, the Company will re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, where and if applicable, including the requirements for the setting of new monetary annual caps for the maximum aggregate fees payable under the Services Agreements for an additional period.

6. **IMAX Shanghai Services Agreement**

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

(i) *Subject matter*

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

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

(ii) *Term and termination*

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

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

(iii) *Fees*

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

Corporate Governance Highlights and Other Information (Continued)

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 historical transaction amounts under the IMAX Shanghai Services Agreement; (ii) the business development plans of the Group; (iii) the expected increase in the cost of theatre system maintenance payable by IMAX Corporation; and (iv) the flexibility of having a buffer for the Company to cater for any unexpected increase in the usage of the theatre services provided under the IMAX Shanghai Services Agreement.

Approximately US\$29,000 was charged to IMAX Corporation by the Group under the IMAX Shanghai Services Agreement during the six months ended 30 June 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.

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.

Corporate Governance Highlights and Other Information (Continued)

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 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 Group in connection with the Enhanced Business (the “**Enhanced Business Technology Royalties**”, and together with the Enhanced Business Trademark Royalties, the “**Enhanced Business Royalties**”);
- (4) in consideration for the Group’s contribution to the overall development and exploitation of the Enhanced Business worldwide, IMAX Corporation shall pay to IMAX Shanghai Culture a certain percentage of net proceeds to be received by IMAX Corporation from a third-party partner in respect of any agreements entered into with China Domestic OEMs in connection with the Enhanced Business (the “**Revenue Sharing**”); and
- (5) the existing DMR Services Agreements and Services Agreements shall apply to the Enhanced Business and IMAX Corporation shall provide DMR conversion services and other services to IMAX Shanghai Multimedia and IMAX Hong Kong for the development of the Enhanced Business in Greater China under equivalent terms as the existing DMR Services Agreements and Services Agreements.

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

Corporate Governance Highlights and Other Information (Continued)

(ii) *Term and Termination*

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

(iii) *Fees*

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

- (1) Enhanced Business Trademark Royalties: Within thirty (30) days after 31 March, 30 June, 30 September and 31 December of each financial year and for the duration of the term of the Enhanced Business Agreement, IMAX Shanghai Culture shall pay to IMAX Corporation an amount equal to 5% of all revenues and other compensation received by IMAX Shanghai Multimedia and IMAX Hong Kong in connection with the Enhanced Business conducted in their respective territories in such financial year (including New Deal/Renewal Proceeds received from IMAX Corporation but excluding the portion of Existing Agreement Renewal Proceeds received from IMAX Corporation);
- (2) Enhanced Business Technology Royalties: Within thirty (30) days after 31 March, 30 June, 30 September and 31 December of each financial year and for the duration of the term of the Enhanced Business Agreement, IMAX Shanghai Culture shall pay to IMAX Corporation an amount equal to 5% of all revenues and other compensation received by IMAX Shanghai Multimedia and IMAX Hong Kong in connection with the Enhanced Business conducted in their respective territories in such financial year (including New Deal/Renewal Proceeds received from IMAX Corporation but excluding the portion of Existing Agreement Renewal Proceeds received from IMAX Corporation); and
- (3) Revenue Sharing: Within thirty (30) days after the end of each financial year, IMAX Corporation shall pay to IMAX Shanghai Culture an amount equal to: (a) 25% of all Existing Agreement Renewal Proceeds; and (b) 100% of all New Deal/Renewal Proceeds.

(b) *Annual Caps and Transaction Amounts*

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

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

Corporate Governance Highlights and Other Information (Continued)

Approximately US\$10,500 and US\$10,500 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 six months ended 30 June 2023, respectively. Approximately US\$211,000 was received/receivable by the Group from IMAX Corporation for the Revenue Sharing under the Enhanced Business Agreement during the six months ended 30 June 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.

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” in the Company's 2022 annual report dated 17 March 2023, 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

Corporate Governance Highlights and Other Information (Continued)

certain equipment produced by IMAX Corporation in relation to the theatre systems, including projection systems, sound systems, screens, 3D polarised viewing glasses, glasses cleaning machines and other IMAX products or equipment, for sale or lease in Mainland China by IMAX Shanghai Multimedia and in Hong Kong, Macau and Taiwan by IMAX Hong Kong.

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

(ii) *Term*

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

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

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

(iii) *Termination*

The Equipment Supply Agreements are subject to limited termination provisions. Either IMAX Corporation, or IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, may serve a notice on the other party to terminate the respective Equipment Supply Agreement if: (a) the other party is ordered or adjudged bankrupt or the assets of the other party are appropriated by any government; (b) the other party is in default of its material obligations under the Equipment Supply Agreement or (save for IMAX Corporation) the other intercompany 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

Corporate Governance Highlights and Other Information (Continued)

parties to the Equipment Supply Agreements in April 2014, which amended certain terms of the Equipment Supply Agreements. The purchase price originally payable under the Equipment Supply Agreements was cost plus 15%, which was agreed on an arm's length basis between the parties at the time of their entry into the Equipment Supply Agreements. Accordingly, the Directors consider that the percentage used in the formulae for determining the purchase price payable is on commercial terms or better, fair and reasonable and in the interests of the Shareholders as a whole.

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

(b) *Annual Caps and Transaction Amount*

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

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

The number of IMAX theatre systems installed pursuant to the Equipment Supply Agreements for the six months ended 30 June 2023 was 8, and the purchase price paid/payable to IMAX Corporation by the Group was approximately US\$1,164,000.

(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” in the Company's 2022 annual report dated 17 March 2023, 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.

Corporate Governance Highlights and Other Information (Continued)

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:

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

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

(ii) *Term and Termination*

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

- (a) mutual agreement of the parties;
- (b) 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;
- (c) 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;

Corporate Governance Highlights and Other Information (Continued)

- (d) 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;
- (e) 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
- (f) 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:

- (a) 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;
- (b) 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;
- (c) 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;
- (d) 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

Corporate Governance Highlights and Other Information (Continued)

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

The 110% of actual costs fee basis described in paragraph (e) above is intended to address a situation where an IMAX format Hollywood film is distributed into Greater China and none, or only a handful of, IMAX theatres outside Greater China (the Master Distribution Agreements do not quantify the number of IMAX theatres that would need to release the film outside Greater China to preserve practical flexibility). In this event, the fees are calculated on the basis that IMAX Corporation does not expect to receive a significant amount of revenue in respect of that film outside Greater China to offset the cost of the DMR conversion, therefore it is appropriate for the Group to pay the full conversion fee required under the DMR Services Agreement. During the years ended 31 December 2021 and 2022, as well as for the six months ended 30 June 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.

Corporate Governance Highlights and Other Information (Continued)

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

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

- in relation to the fixed fees payable by the Company for the conversion of IMAX films under the Master Distribution Agreements, since these are fixed, they are expected to become increasingly less significant to the Group over time compared to the revenue generated from Hollywood films as the IMAX theatre network continues to expand and as a result of increases in ticket prices, both of which would increase the aggregate Greater China IMAX box office for those films, in turn increasing the Group's revenue; and
- in relation to the percentage of Greater China box office payable to the Group for the release of IMAX films (i.e. the 9.5% of box office fee typically paid on Hollywood films and 12.5% of box office fee typically paid on Greater China DMR Films), this is a fee effectively negotiated with the relevant studios rather than IMAX Corporation, which does not receive any part of that fee itself and merely passes through to the Group the portion of box office it receives which is attributable to the exploitation of IMAX films in Greater China. The higher box office percentage paid by studios producing Greater China DMR Films is generally consistent with that earned by IMAX Corporation outside of Greater China and the lower percentage for Hollywood films reflects the reduced overall amount that Hollywood studios generally earn for their films in Greater China as compared to the U.S. and other parts of the world.

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

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

Corporate Governance Highlights and Other Information (Continued)

(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 six months ended 30 June 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 14. The conversion fees paid/payable by the Group to IMAX Corporation was US\$2,525,000 and the revenue received/receivable by the Group from IMAX Corporation pursuant to the Master Distribution Agreements amounted to US\$7,452,000.

For the six months ended 30 June 2023, the number of IMAX Original Films distributed by IMAX Corporation into Greater China for which distribution fees were paid/payable by the Company under the Master Distribution Agreements was nil and the distribution fee paid/payable by the Group to IMAX Corporation was US\$nil.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the Master Distribution Agreements will be, on an annual basis, more than 5% and the total consideration is expected to exceed HK\$10,000,000, the Master Distribution Agreements would, in the absence of the grant of a waiver by the Stock Exchange set out in “– Waivers – Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements” in the Company’s 2022 annual report dated 17 March 2023, 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 six months ended 30 June 2023 include the DMR Software License Agreement, and Tool and Equipment Supply Contract (each as described in “Connected Transactions – Exempt Connected Transactions” in the Prospectus), which are exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Corporate Governance Highlights and Other Information (Continued)

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

As at 30 June 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 will be 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
Daniel Manwaring ⁽⁵⁾	719,697(L) ⁽¹⁾	Beneficial Owner	0.21%
Jiande Chen	672,659(L) ⁽²⁾	Beneficial Owner	0.20%
Jim Athanasopoulos	3,932,203(L) ⁽³⁾	Beneficial Owner	1.16%
Mei-Hui (Jessie) Chou	1,092,821(L) ⁽⁴⁾	Beneficial Owner	0.32%
John Davison	454,526(L)	Beneficial Owner	0.13%
Yue-Sai Kan	435,108(L)	Beneficial Owner	0.13%
Dawn Taubin	454,526(L)	Beneficial Owner	0.13%
Peter Loehr	328,860(L)	Beneficial Owner	0.10%

(L) Long position

Notes:

- (1) Of which 719,697 are RSUs and/or PSUs.
- (2) Of which 552,048 are options, RSUs and/or PSUs.
- (3) Of which 3,355,237 are options, RSUs and/or PSUs.
- (4) Of which 796,061 are options, RSUs and/or PSUs.
- (5) Mr. Daniel Manwaring was appointed as the Chief Executive Officer of the Company with effect from 9 January 2023.

(b) Long Position in Shares of Associated Corporations

Name of Director or Chief Executive Officer	Interest in common shares	Nature of Interest	Approximate Percentage
Richard Gelfond	4,245,169(L) ⁽¹⁾	Beneficial Owner	7.78%
Robert Lister ⁽³⁾	510,034(L) ⁽²⁾	Beneficial Owner	0.93%
Jim Athanasopoulos	4,068(L)	Beneficial Owner	0.01%

(L) Long position

Notes:

- (1) Of which 3,856,491 are options, restricted share units and/or performance share units of IMAX Corporation.
- (2) Of which 375,416 are options, restricted share units and/or performance share units of IMAX Corporation.
- (3) Mr. Robert Lister was appointed as the Non-executive Director of the Company with effect from 1 May 2023.

Corporate Governance Highlights and Other Information (Continued)

Save as disclosed above, as at 30 June 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 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

As at 30 June 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 30 June 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 executive officer of the Company.

Interests and Long Positions in Shares of the Company

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)	71.63
IMAX Barbados	Beneficial interest	243,262,600(L)	71.63

(L) Long position

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 30 June 2023.

Corporate Governance Highlights and Other Information (Continued)

REMUNERATION POLICY

As at 30 June 2023, the Group had approximately 101 employees. All of the employees were based in Greater China.

The Company 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. 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.

As at the date of this Interim 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 30 June 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 33,959,314. The number of Shares that may be issued in respect of options and awards granted under the LTIP and other Sub-Plans during the six months ended 30 June 2023 is 661,066. 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.

Corporate Governance Highlights and Other Information (Continued)

During the six months ended 30 June 2023, the Company did not grant any options pursuant to the LTIP to any employee participants, related entity participants or service providers. As of 30 June 2023, there were outstanding 1,518,800 shares (representing approximately 0.447% of the then issued share capital of the Company) underlying options granted pursuant to the LTIP to certain directors, senior management and employees of the Group at no consideration. Details of the options outstanding are set out below:

Name of Grantee ⁽³⁾	Date of Grant	Exercise Price	Option Period	Number of share options				
				Outstanding at 1 January 2023	Granted during the period	Exercised during the period	Lapsed/cancelled during the period	Outstanding at 30 June 2023
Directors								
Jim Athanasopoulos	25 October 2014	US\$1.1852 ⁽²⁾	Three years from date of grant ⁽¹⁾	1,518,800	—	—	—	1,518,800
Total				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 the Reporting Period, no options under the LTIP lapsed or were cancelled.

Corporate Governance Highlights and Other Information (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

Corporate Governance Highlights and Other Information (Continued)

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.

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 six months ended 30 June 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 30 June 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 out below:

Name of Grantee ⁽¹⁰⁾	Date of Grant	Exercise Price	Vesting Period	Number of Shares under the options				Outstanding at June 30, 2023
				Outstanding at January 1, 2023	Granted during the six months ended June 30, 2023	Exercised during the six months ended June 30, 2023	Lapsed/cancelled during the six months ended June 30, 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 ⁽⁹⁾	84,671	—	—	—	84,671
	1 August 2017	HK\$21.43	Three years from date of grant ⁽⁴⁾	136,518	—	—	—	136,518
	1 August 2018	HK\$23.10	Three years from date of grant ⁽⁵⁾	122,460	—	—	—	122,460
	1 August 2019	HK\$18.24	Three years from date of grant ⁽⁶⁾	210,883	—	—	—	210,883

Corporate Governance Highlights and Other Information (Continued)

Name of Grantee ⁽¹⁰⁾	Date of Grant	Exercise Price	Vesting Period	Number of Shares under the options				Outstanding at June 30, 2023
				Outstanding at January 1, 2023	Granted during the six months ended June 30, 2023	Exercised during the six months ended June 30, 2023	Lapsed/cancelled during the six months ended June 30, 2023	
Mei-Hui (Jessie) Chou	25 April 2016	HK\$45.31	Four years from date of grant ⁽⁶⁾	19,382	—	—	19,382	—
	7 March 2017	HK\$36.94	Four years from date of grant ⁽¹⁾	50,496	—	—	—	50,496
	7 March 2018	HK\$24.45	Four years from date of grant ⁽²⁾	69,345	—	—	—	69,345
	7 March 2019	HK\$20.71	Four years from date of grant ⁽⁷⁾	107,119	—	—	—	107,119
Employees	25 April 2016	HK\$45.31	Four years from date of grant ⁽⁶⁾	28,265	—	—	28,265	—
Employees	7 March 2017	HK\$36.94	Four years from date of grant ⁽¹⁾	28,278	—	—	—	28,278
Employees	7 March 2018	HK\$24.45	Four years from date of grant ⁽²⁾	41,608	—	—	—	41,608
Employees	7 March 2019	HK\$20.71	Four years from date of grant ⁽⁷⁾	64,272	—	—	—	64,272
Employee	1 August 2019	HK\$18.24	Four years from date of grant ⁽⁹⁾	31,701	—	—	—	31,701
Total				1,343,039	—	—	47,647	1,295,392

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.

Corporate Governance Highlights and Other Information (Continued)

As of 30 June 2023, the maximum aggregate number of new Shares available for offers under the Share Option Scheme was 33,959,314, representing approximately 10% of the issued share capital of the Company as at the date of this Interim Report.

During the six months ended 30 June 2023, 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.

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.

Corporate Governance Highlights and Other Information (Continued)

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.

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.

Corporate Governance Highlights and Other Information (Continued)

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.

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 30 June 2023, the maximum aggregate number of new Shares available for grants under the RSU Scheme was 33,959,314, representing approximately 10% of the issued share capital of the Company as at the date of this Interim Report.

Corporate Governance Highlights and Other Information (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 six months ended 30 June 2023, the Company had granted an aggregate number of 1,898,832 RSUs to directors, senior management and employees of the Group representing 0.559% of the issued share capital of the Company as of 30 June 2023, no RSU has been cancelled or lapsed. As of 30 June 2023, there were outstanding 2,850,001 Shares (representing approximately 0.839% 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 six months ended 30 June 2023 ⁽¹⁸⁾	Vested during the six months ended 30 June 2023 ⁽¹⁹⁾	Lapsed/ cancelled during the six months ended 30 June 2023	Outstanding at 30 June 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	—	—
Jim Athanasopoulos	7 June 2023	Three years from date of grant ⁽⁴⁾	—	125,296	—	—	125,296
	8 December 2020	32 months from date of grant ⁽⁶⁾	86,309	—	—	—	86,309
	9 March 2021	Two years from date of grant ⁽³⁾	19,197	—	19,197	—	—
	1 August 2021	Three years from date of grant ⁽⁶⁾	224,455	—	—	—	224,455
Mei-Hui (Jessie) Chou	1 August 2022	Three years from date of grant ⁽¹²⁾	489,929	—	—	—	489,929
	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 ⁽³⁾	19,197	—	19,197	—	—
	7 March 2022	Three years from date of grant ⁽⁹⁾	188,565	—	62,848	—	125,717
John Davison	7 March 2023	Three years from date of grant ⁽¹³⁾	—	156,740	—	—	156,740
	7 June 2023	Vested on 7 June 2023	—	125,296	125,296	—	—
	7 June 2023	Vested on 7 June 2023	—	125,296	125,296	—	—
	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	—	—

Corporate Governance Highlights and Other Information (Continued)

Name of Grantee ⁽¹⁶⁾	Date of Grant	Vesting Period	Number of Shares under RSUs				
			Outstanding at 1 January 2023 ⁽¹⁷⁾	Granted during the six months ended 30 June 2023 ⁽¹⁸⁾	Vested during the six months ended 30 June 2023 ⁽¹⁹⁾	Lapsed/ cancelled during the six months ended 30 June 2023	Outstanding at 30 June 2023 ⁽¹⁷⁾
Senior Management							
Daniel Manwaring ⁽¹⁵⁾	7 March 2023	Three years from date of grant ⁽¹³⁾	—	454,546	—	—	454,546
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	—	216,119
Employees	7 March 2023	Three years from date of grant ⁽¹³⁾	—	472,978	—	—	472,978
Total			2,338,402	1,898,832	1,387,233	—	2,850,001

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.

Corporate Governance Highlights and Other Information (Continued)

- (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.
- (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) Mr. Daniel Manwaring was appointed as the Chief Executive Officer of the Company with effect from 9 January 2023.
- (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 30 June 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 and 6 June 2023, being the trading date immediately before the relevant date of the grant, was HK\$9.40 and HK\$6.32, respectively; the fair value of the Shares on 7 March 2023 and 7 June 2023, being the date of grant, was HK\$9.28 and HK\$6.39, respectively. Details of the accounting standard and policy adopted for Shares are set out in Note 2 to the annual financial statements for the year ended 31 December 2022.
- (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\$8.00.

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.

Corporate Governance Highlights and Other Information (Continued)

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.

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.

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.

Corporate Governance Highlights and Other Information (Continued)

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.

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 30 June 2023, there were outstanding 887,986 PSUs (representing approximately 0.261% 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 six months ended 30 June 2023 ⁽⁶⁾⁽⁹⁾	Vested during the six months ended 30 June 2023	Lapsed/cancelled during the six months ended 30 June 2023	Outstanding at 30 June 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

Corporate Governance Highlights and Other Information (Continued)

Name of Grantee ⁽¹⁾	Date of Grant	Vesting Period	Number of Shares under PSUs			
			Outstanding	Granted	Vested	Lapsed/ cancelled
			at 1 January 2023 ⁽⁵⁾⁽¹²⁾	during the six months ended 30 June 2023 ⁽⁵⁾⁽¹³⁾	during the six months ended 30 June 2023	during the six months ended 30 June 2023
			Outstanding at 30 June 2023 ⁽⁵⁾⁽¹²⁾			
Mei-Hui (Jessie) Chou	12 March 2020	Three years from date of grant ⁽¹⁾	33,824	—	33,824 ⁽⁶⁾	—
	9 March 2021	Three years from date of grant ⁽²⁾	30,764	—	—	—
	7 March 2022	Three years from date of grant ⁽³⁾	62,855	—	—	—
	7 March 2023	Three years from date of grant ⁽⁴⁾	—	52,247	—	—
Senior Management						
Daniel Manwaring ⁽¹⁰⁾	7 March 2023	Three years from date of grant ⁽⁴⁾	—	151,515	—	—
Yifan (Yvonne) He	9 March 2021	Three years from date of grant ⁽²⁾	18,458	—	—	—
	7 March 2022	Three years from date of grant ⁽³⁾	26,938	—	—	—
	7 March 2023	Three years from date of grant ⁽⁴⁾	—	31,348	—	—
Employees	12 March 2020	Three years from date of grant ⁽¹⁾	50,735	—	50,735 ⁽⁶⁾	—
Employees	9 March 2021	Three years from date of grant ⁽²⁾	46,145	—	—	—
Employees	7 March 2022	Three years from date of grant ⁽³⁾	67,345	—	—	—
Employees	7 March 2023	Three years from date of grant ⁽⁴⁾	—	125,392	—	—
Total			744,011	360,502	216,527	—
						887,986

Notes:

- (1) The PSUs granted will vest in whole or in part promptly following the public disclosure of the Company's financial statements for the year of 2022 based on fulfillment of relevant performance conditions over a three-year performance period commencing on 1 January 2020 and ending on 31 December 2022.
- (2) The PSUs granted will vest in whole or in part promptly following the public disclosure of the Company's financial statements for the year of 2023 based on fulfillment of relevant performance conditions over a three-year performance period commencing on 1 January 2021 and ending on 31 December 2023.
- (3) The PSUs granted will vest in whole or in part promptly following the public disclosure of the Company's financial statements for the year of 2024 based on fulfillment of relevant performance conditions over a three-year performance period commencing on 1 January 2022 and ending on 31 December 2024.
- (4) 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%.

Corporate Governance Highlights and Other Information (Continued)

- (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 30 June 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 annual financial statements for the year ended 31 December 2022.
- (14) No PSU has been cancelled or lapsed during the period.

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.

Corporate Governance Highlights and Other Information (Continued)

CHANGE OF CHIEF EXECUTIVE OFFICER, NON-EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER

Change of Chief Executive Officer

Mr. Daniel Wade Manwaring has been appointed as the Chief Executive Officer of the Company with effect from 9 January 2023. Mr. Jiande Chen has returned to his full-time position as Vice Chairman of the Company and remains as an Executive Director of the Company with effect from 9 January 2023.

For details, please refer to the announcement of the Company dated 12 December 2022.

Change of Non-executive Director

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 to focus on personal developments. 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.

For details, please refer to the announcement of the Company dated 28 April 2023.

Change of Chief Financial Officer and Chief Operating Officer

Mr. Jim Athanasopoulos' term of employment with the Company has expired on 31 July 2023 pursuant to his employment agreement with the Company dated 30 November 2011, as amended, and he will take on the role of Senior Vice President, Global Operations, IMAX Theatres at IMAX Corporation starting from 1 August 2023. Mr. Jim Athanasopoulos will remain as an executive Director and a director of IMAX Hong Kong, and he will no longer hold 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.

For details, please refer to the announcement of the Company dated 1 August 2023.

Report on Review of Interim Financial Information

To the Board of Directors of IMAX China Holding, Inc.

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 72 to 120, which comprises the condensed consolidated interim statement of financial position of IMAX China Holding, Inc. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2023 and the condensed consolidated interim statement of comprehensive income (loss), the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and notes, comprising material accounting policy information and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 July 2023

Condensed Consolidated Interim Financial Information

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (LOSS) (In thousands of U.S. dollars)

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Revenues	7	45,342	32,713
Cost of sales	8	(16,624)	(14,088)
Gross profit	7	28,718	18,625
Selling, general and administrative expenses	8	(8,979)	(9,545)
Other operating expenses	8	(2,503)	(1,873)
Provisions of impairment losses on financial assets	8	(807)	(613)
Other losses	13	–	(4,470)
Operating profit		16,429	2,124
Interest income		726	728
Interest expense	9	(282)	(48)
Profit before income tax		16,873	2,804
Income tax expense	10	(2,997)	(2,038)
Profit for the period attributable to owners of the Company		13,876	766
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		(7,011)	(12,519)
Other comprehensive loss:		(7,011)	(12,519)
Total comprehensive income (loss) for the period, attributable to owners of the Company		6,865	(11,753)
Profit per share attributable to owners of the Company – basic and diluted (expressed in U.S. dollars per share):			
From profit for the period – basic	11	0.04	0.00
From profit for the period – diluted	11	0.04	0.00

(The accompanying notes are an integral part of this condensed consolidated interim financial information.)

Condensed Consolidated Interim Financial Information (Continued)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (In thousands of U.S. dollars)

	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	76,474	86,689
Other assets	13	2,693	3,414
Deferred tax assets	15	8,254	6,697
Variable consideration receivables from contracts		1,791	2,045
Financing receivables		49,734	53,327
		138,946	152,172
Current assets			
Other assets	13	1,592	1,871
Contract acquisition costs		746	760
Film assets		123	82
Inventories		4,684	4,826
Prepayments		2,648	3,099
Variable consideration receivables from contracts		578	502
Financing receivables		29,003	27,852
Trade and other receivables	14	67,471	60,267
Cash and cash equivalents		73,559	74,972
		180,404	174,231
Total assets		319,350	326,403

Condensed Consolidated Interim Financial Information (Continued)

	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
LIABILITIES			
Non-current liabilities			
Accruals and other liabilities	19	584	1,042
Deferred revenue	21	13,197	14,570
Deferred tax liabilities	15	12,521	14,900
		26,302	30,512
Current liabilities			
Trade and other payables	18	22,453	21,845
Accruals and other liabilities	19	8,631	9,546
Income tax liabilities		7,250	5,780
Borrowings	20	9,278	12,871
Deferred revenue	21	10,036	12,777
		57,648	62,819
Total liabilities		83,950	93,331
EQUITY			
Equity attributable to owners of the Company			
Share capital		34	34
Share premium and reserves		214,499	226,047
Retained profits		20,867	6,991
Total equity		235,400	233,072
Total equity and liabilities		319,350	326,403

(The accompanying notes are an integral part of this condensed consolidated interim financial information.)

The condensed consolidated interim financial information on pages 72 to 120 was approved by the board of directors on 26 July 2023 and was signed on its behalf.

Jiande Chen
Director

Jim Athanasopoulos
Director

Condensed Consolidated Interim Financial Information (Continued)

CONDENSED CONSOLIDATED INTERIM 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 Profits (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									
Profit for the period	-	-	-	-	-	-	13,876	-	13,876
Foreign currency translation	-	-	-	-	-	-	-	(7,011)	(7,011)
Total comprehensive income	-	-	-	-	-	-	13,876	(7,011)	6,865
Dividends recognised as distribution (note 26)	-	(5,087)	-	-	-	-	-	-	(5,087)
Restricted share units and performance stock units vested	-	1,725	824	(2,549)	-	-	-	-	-
Acquisition of shares for settlement of restricted share units and performance stock units	-	-	(1,068)	-	-	-	-	-	(1,068)
China long-term incentive plan	-	-	-	1,618	-	-	-	-	1,618
Total transactions with owners, recognised directly in equity	-	(3,362)	(244)	(931)	-	-	-	-	(4,537)
Balance as at 30 June 2023 (unaudited)	34	262,510	(966)	(27,147)	5,631	(4,000)	20,867	(21,529)	235,400

Condensed Consolidated Interim Financial Information (Continued)

	Share Capital	Share Premium	Treasury Shares	Capital Reserves	Statutory Surplus Reserves	FVOCI Reserve	Retained Profits (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 period	-	-	-	-	-	-	766	-	766
Foreign currency translation	-	-	-	-	-	-	-	(12,519)	(12,519)
Total comprehensive income (loss)	-	-	-	-	-	-	766	(12,519)	(11,753)
Dividends recognised as distribution (note 26)	-	(9,173)	-	-	-	-	-	-	(9,173)
Restricted share units vested	-	1,492	717	(2,209)	-	-	-	-	-
Acquisition of shares for settlement of restricted share units	-	-	(587)	-	-	-	-	-	(587)
China long-term incentive plan	-	-	-	1,865	-	-	-	-	1,865
Shares buy-back	-	-	(1,831)	-	-	-	-	-	(1,831)
Shares buy-back transaction costs	-	-	(13)	-	-	-	-	-	(13)
Shares cancelled	-	(1,844)	1,844	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity	-	(9,525)	130	(344)	-	-	-	-	(9,739)
Balance as at 30 June 2022 (unaudited)	34	267,598	(399)	(25,910)	5,631	(4,000)	(3,001)	(7,567)	232,386

(The accompanying notes are an integral part of this condensed consolidated interim financial information.)

Condensed Consolidated Interim Financial Information (Continued)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(In thousands of U.S. dollars)

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Cash flows from operating activities			
Cash provided by operations	22	19,096	1,712
Income taxes paid		(6,870)	(5,811)
Interest paid		(224)	(52)
Net cash provided by (used in) operating activities		12,002	(4,151)
Cash flows from investing activities			
Investment in interest in a film classified as financial assets at fair value through profit or loss ("FVTPL")		–	(4,706)
Investment in equipment under joint revenue sharing arrangements		(1,752)	(2,726)
Purchase of property, plant and equipment		(21)	(44)
Net cash used in investing activities		(1,773)	(7,476)
Cash flows from financing activities			
Dividends paid to owners of the Company		(5,087)	–
Repayment of borrowings		(3,850)	(3,600)
Settlement of share-based payments		(1,068)	(587)
Principal elements of lease payments		(456)	(255)
Payments for shares buy-back		–	(1,844)
Proceeds from borrowings		717	–
Net cash used in financing activities		(9,744)	(6,286)
Effects of exchange rate changes on cash		(1,898)	(2,863)
Decrease in cash and cash equivalents during period		(1,413)	(20,776)
Cash and cash equivalents, beginning of period		74,972	97,737
Cash and cash equivalents, end of period		73,559	76,961

(The accompanying notes are an integral part of this condensed consolidated interim financial information.)

Condensed Consolidated Interim Financial Information (Continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(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, 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 has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 October 2015.

The condensed consolidated interim financial information is presented in United States dollars (“US\$” or “\$”), unless otherwise stated.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the condensed consolidated interim financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard 34 (“IAS 34”), “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The preparation of condensed consolidated interim financial information in conformity with IAS 34 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 condensed consolidated interim financial information are disclosed in note 5.

Condensed Consolidated Interim Financial Information (Continued)

2. Summary of significant accounting policies (Continued)

(b) Summary of significant accounting policies

Except as described in note 3, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

Taxes on income during the six months ended 30 June 2023 and 2022 are accrued using the tax rate that would be applicable to expected total annual profits.

3. New accounting standards and accounting changes

A number of new or amended standards became applicable for annual reporting period commencing on 1 January 2023. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 (Amendments) and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
IFRS 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

Condensed Consolidated Interim Financial Information (Continued)

3. New accounting standards and accounting changes (Continued)

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

4. Financial risk

(a) Financial risk management objectives

The Group's activities expose it to a variety of financial risks: 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.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

There have been no changes in the risk management policies since the last year end.

Condensed Consolidated Interim Financial Information (Continued)

4. Financial risk (Continued)

(a) Financial risk management objectives (Continued)

(i) 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 the six months ended 30 June 2023 would have been approximately \$0.4 million worse/better (30 June 2022: \$0.4 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 \$5,000 for the six months ended 30 June 2023 (2022: less than \$1,000).

(ii) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade and other receivables, financing receivables, variable consideration receivables from contracts and amounts due from related companies. The Group’s maximum exposure to credit risk is the carrying amounts of these financial assets.

For the six months ended 30 June 2023, 58.1% (30 June 2022: 59.2%) of the Group’s revenue was derived from its customers comprising 10% or more of total revenue. See note 7(b) for each significant customer’s revenue by segment. As at 30 June 2023, the Group had concentration of credit risk as 55.5% (31 December 2022: 41.8%) of the total trade and other receivables due from the Group’s largest three (31 December 2022: two) customers.

Condensed Consolidated Interim Financial Information (Continued)

4. Financial risk (Continued)

(a) Financial risk management objectives (Continued)

(ii) Credit risk (Continued)

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtors;
- significant increases in credit risk on other financial instruments of the same debtors;
- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors and changes in the operating results of the debtors; and
- COVID-19.

The Group has policies in place to ensure that receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. The credit period granted to the customers and the credit quality of these customers are assessed, which takes into account their financial position, past experience and available forward-looking information.

For trade receivables (including trade receivables from third parties, trade receivables from IMAX Corporation and accrued trade receivables), financing receivables and variable consideration receivables from contracts, management performs an initial credit evaluation prior to entering into an arrangement with a customer and then regularly monitors the credit quality of each customer through an analysis of collections history and aging. The Group classifies its customers into four categories to indicate the credit quality worthiness for internal purposes only:

Good standing – theatre continues to be in good standing with the Group as the client's payments and reporting are up-to-date.

Condensed Consolidated Interim Financial Information (Continued)

4. Financial risk (Continued)

(a) Financial risk management objectives (Continued)

(ii) 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 non-accrual 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 these 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 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.

Condensed Consolidated Interim Financial Information (Continued)

4. Financial risk (Continued)

(a) Financial risk management objectives (Continued)

(ii) Credit risk (Continued)

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.

During the six months ended 30 June 2023, the Group recorded an allowance for expected credit losses of \$0.8 million (2022: \$0.6 million), reflecting a reduction in the credit quality of its theatre related trade and other receivables, financing receivables and variable consideration receivables from contracts as a result of the COVID-19 global pandemic. Management's judgements regarding expected credit losses are based on the facts available to management and involve estimates about the future. 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 Group will continue to monitor economic trends and conditions and portfolio performance and adjust its allowance for expected credit losses accordingly.

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	552	10	51	613
Exchange differences	(231)	(167)	(9)	(407)
As at 30 June 2022 (unaudited)	5,265	3,506	252	9,023
As at 1 January 2023	5,692	3,407	355	9,454
Increase (decrease) in allowance for expected credit losses	396	429	(18)	807
Write-off	(364)	–	–	(364)
Exchange differences	(152)	(138)	(3)	(293)
As at 30 June 2023 (unaudited)	5,572	3,698	334	9,604

Condensed Consolidated Interim Financial Information (Continued)

4. Financial risk (Continued)

(a) Financial risk management objectives (Continued)

(ii) 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 30 June 2023 and 31 December 2022 was determined as follows for trade receivables:

30 June 2023 (unaudited)	0-30 days	31-60 days	61-90 days	Over 90 days	Total
Expected loss rate	2.82%	3.60%	4.07%	8.38%	
Gross carrying amount					
– trade receivables	7,056	1,841	2,356	54,970	66,223
Loss allowance	199	66	96	4,607	4,968

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

The Group recorded an allowance for expected credit losses of \$0.3 million for the six months ended 30 June 2023 (2022: \$0.6 million), reflecting a reduction of the credit quality of its theatre and studio related trade receivable, which management believes is primarily related to the COVID-19 global pandemic.

Accrued trade receivables

Management recorded an allowance for expected credit losses of less than \$0.1 million for the six months ended 30 June 2023 (2022: a net recovery of allowance for expected credit losses of less than \$0.1 million).

Condensed Consolidated Interim Financial Information (Continued)

4. Financial risk (Continued)

(a) Financial risk management objectives (Continued)

(ii) Credit risk (Continued)

Trade and other receivables: (Continued)

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

Management recorded an allowance for expected credit losses of \$nil for the six months ended 30 June 2023 (2022: a net recovery of 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.

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 30 June 2023 and 31 December 2022:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Investment in finance leases:		
Gross carrying amount	27,403	26,831
Expected loss rate	1.04%	1.10%
Loss allowance	284	295
Financed sales receivables:		
Gross carrying amount	55,032	57,755
Expected loss rate	6.20%	5.39%
Loss allowance	3,414	3,112

Condensed Consolidated Interim Financial Information (Continued)

4. Financial risk (Continued)

(a) Financial risk management objectives (Continued)

(ii) Credit risk (Continued)

Financing receivables (Continued)

The ability of the Group to collect its financing receivable balances is heavily dependent on the viability and solvency of individual theatre operators, which is significantly influenced by consumer behavior and general economic conditions. Theatre operators may experience financial difficulties, such as those imposed by the COVID-19 global pandemic, that could cause them to be unable to fulfill their payment obligations to the Group.

The Group considers financing receivables in the credit quality classification of “Credit watch”, “Pre-approved transactions” and “Transactions suspended” with potential collection concerns. The Group recorded an allowance for expected credit losses for financing receivables of approximately \$0.4 million for the six months ended 30 June 2023 (2022: less than \$0.1 million), reflecting a reduction in the credit quality of its theatre related financing receivables, which management believes is primarily related to the COVID-19 global pandemic. Management’s judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future.

Variable consideration receivables from contracts

The ability of the Group to collect its variable consideration receivables is heavily dependent on the viability and solvency of individual theatre operators, which is significantly influenced by consumer behavior and general economic conditions. Theatre operators may experience financial difficulties, such as those imposed by the COVID-19 global pandemic, that could cause them to be unable to fulfill their payment obligations to the Group. Based on management’s assessment, the Group recorded a recovery of an allowance for expected credit losses for variable consideration receivables of less than \$0.1 million for the six months ended 30 June 2023 (2022: an allowance for expected credit losses of less than \$0.1 million).

(iii) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

The Group monitors rolling forecasts of the Group’s short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient committed borrowing facilities from the Group’s Controlling Shareholder.

The Group’s financial liabilities, specifically trade and other payables and accruals and other liabilities, in relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date are disclosed in notes 18 and 19. The borrowings are due within one year.

Condensed Consolidated Interim Financial Information (Continued)

4. Financial risk (Continued)

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

In order to carry out current operations and pay for administrative costs, the Group will spend its existing working capital and raise additional amounts as needed. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Group, is reasonable.

(c) Fair value estimation

See note 6 for disclosures of the fair value estimation of the Group's financial assets and liabilities.

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. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those that applied to the Group's Annual Report 2022.

Condensed Consolidated Interim Financial Information (Continued)

6. Financial instruments

(a) *Financial instruments*

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

	Financial assets at amortised cost	Total
30 June 2023 (unaudited)		
Assets as per statement of financial position		
Net financed sales receivable	51,618	51,618
Net investment in finance leases	27,119	27,119
Variable consideration receivables from contracts	2,369	2,369
Trade and other receivables	67,471	67,471
Cash and cash equivalents	73,559	73,559
	222,136	222,136
Liabilities as per statement of financial position		
Trade and other payables	22,453	22,453
Borrowings	9,278	9,278
Lease liabilities	1,303	1,303
	33,034	33,034

Condensed Consolidated Interim Financial Information (Continued)

6. Financial instruments (Continued)

 (a) *Financial instruments (Continued)*

	Financial assets at amortised cost	Financial assets at FVTPL	Total
31 December 2022 (audited)			
Assets as per statement of financial position			
Net financed sales receivable	54,643	–	54,643
Net investment in finance leases	26,536	–	26,536
Variable consideration receivables from contracts	2,547	–	2,547
Interest in a film classified as financial assets at FVTPL	–	–	–
Trade and other receivables	60,267	–	60,267
Cash and cash equivalents	74,972	–	74,972
	218,965	–	218,965
		Liabilities at amortised cost	Total
Liabilities as per statement of financial position			
Trade and other payables		21,845	21,845
Borrowings		12,871	12,871
Lease liabilities		1,774	1,774
		36,490	36,490

Condensed Consolidated Interim Financial Information (Continued)

6. Financial instruments (Continued)

(b) Fair value measurements

The Group has classified its financial instruments into three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The 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 projected GBO results and forecasted distribution costs at the end of the reporting period. As of 30 June 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 13 for details.

The carrying value of the Group's cash and cash equivalents, trade and other receivables, trade and other payables and accruals and other liabilities due within one year 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 30 June 2023 and 31 December 2022, respectively.

Condensed Consolidated Interim Financial Information (Continued)

6. Financial instruments (Continued)

(b) Fair value measurements (Continued)

The estimated fair values of the net financed sales receivable and net investment in finance leases are estimated based on discounting future cash flows at currently available interest rates with comparable terms as at 30 June 2023 and 31 December 2022, respectively.

	As at 30 June 2023 (Unaudited)		As at 31 December 2022 (Audited)	
	Carrying Amount	Estimated Fair Value	Estimated Carrying Amount	Fair Value
Net financed sales receivable	51,618	51,670	54,643	54,685
Net investment in finance leases	27,119	27,123	26,536	26,660
Variable consideration receivables from contracts	2,369	2,369	2,547	2,547
Interest in a film classified as financial assets at FVTPL	–	–	–	–
Borrowings	9,278	9,278	12,871	12,871
Lease liabilities	1,303	1,303	1,774	1,774

There were no significant transfers within Level 1, Level 2 and Level 3 during the six months ended 30 June 2023 (30 June 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.

Condensed Consolidated Interim Financial Information (Continued)

7. Revenue and segment information

Management, including the Group's executive directors, assesses segment performance based on segment revenues, gross margins and film performance. Selling, general and administrative expenses, other operating expenses, provisions of impairment losses on financial assets, other losses, interest income, interest expense and income tax expense are not allocated to the segments.

During the six months ended 30 June 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.

Condensed Consolidated Interim Financial Information (Continued)

7. Revenue and segment information (Continued)

(a) Operating Segments

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Revenue		
Content Solutions	14,178	6,519
Technology Products and Services	30,896	26,112
Subtotal for reportable segments	45,074	32,631
All Other	268	82
Total	45,342	32,713
Gross profit (loss)		
Content Solutions	12,199	5,178
Technology Products and Services	16,734	13,396
Subtotal for reportable segments	28,933	18,574
All Other	(215)	51
Total gross profit	28,718	18,625
Selling, general and administrative expenses	(8,979)	(9,545)
Other operating expenses	(2,503)	(1,873)
Provisions of impairment losses on financial assets	(807)	(613)
Other losses	–	(4,470)
Interest income	726	728
Interest expense	(282)	(48)
Profit before income tax	16,873	2,804

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.

Condensed Consolidated Interim Financial Information (Continued)

7. Revenue and segment information (Continued)

(a) Operating Segments (Continued)

The following table summarizes revenue recognised under IFRS 15 and IFRS 16, respectively.

	Six months ended 30 June			
	Recognised under IFRS 15		Recognised under IFRS 16	
	2023	2022	2023	2022
Revenue				
Content Solutions				
Film Remastering	14,178	6,519	–	–
	14,178	6,519	–	–
Technology Products and Services				
System Sales	3,741	4,382	3,289	525
System Rentals	–	–	11,207	5,166
Maintenance	11,040	14,099	–	–
Finance Income	1,619	1,940	–	–
	16,400	20,421	14,496	5,691
Subtotal for reportable segments	30,578	26,940	14,496	5,691
All Other	268	82	–	–
Total	30,846	27,022	14,496	5,691

Of the revenue recognised under IFRS15, approximately \$12.7 million for the six months ended 30 June 2023 (2022: \$16.0 million) were recognised over time, while \$18.1 million were recognised at a point in time (2022: \$11.0 million).

Of the system rentals, approximately \$9.5 million for the six months ended 30 June 2023 (2022: \$4.5 million) were from revenues under operating leases and approximately \$1.7 million for the six months ended 30 June 2023 (2022: \$0.7 million) were from revenues under finance leases.

The selling profit for the Group's finance leases was approximately \$1.8 million for the six months ended 30 June 2023 (2022: less than negative \$0.1 million).

Condensed Consolidated Interim Financial Information (Continued)

7. Revenue and segment information (Continued)

(b) 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 \$13.3 million during the six months ended 30 June 2023 (30 June 2022: \$10.2 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 \$7.7 million during the six months ended 30 June 2023 (30 June 2022: \$3.3 million) are derived from a related party. These revenues are attributable to Content Solutions and Technology Products and Services.

Customer C

Revenues of approximately \$5.3 million during the six months ended 30 June 2023 (30 June 2022: \$0.2 million) are derived from a single external customer. These revenues are attributable to Content Solutions.

Customer D

Revenues of approximately \$1.3 million during the six months ended 30 June 2023 (30 June 2022: \$5.9 million) are derived from a single external customer. These revenues are attributable to Content Solutions and Technology Products and Services.

No other single customers comprises of more than 10% of total revenues during the six months ended 30 June 2023 or 2022.

Condensed Consolidated Interim Financial Information (Continued)

8. Expenses by nature

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Depreciation, including joint revenue sharing arrangements and film cost	7,723	7,243
Employee salaries and benefits	5,960	5,177
Theatre maintenance fees	3,326	2,810
Cost of theatre system sales and finance leases	2,730	2,104
Technology and trademark fees	2,476	1,867
Advertising and marketing expenses	1,904	1,805
Share-based compensation expenses	1,618	1,865
Professional fees	850	713
Increase in allowance for expected credit losses	807	613
Travel and transportation expenses	255	182
Foreign exchange losses	189	1,050
Lease expenses	112	119
Utilities and maintenance expenses	53	57
Other film (recoveries) costs	(6)	17
Recoveries of write-downs	(3)	(8)
Other costs	484	10
Other expenses	278	279
Auditor's remuneration		
– Non-audit services	19	17
– Audit services	138	199
Total cost of sales, selling, general and administrative expenses, other operating expenses and provisions of impairment losses on financial assets	28,913	26,119

Condensed Consolidated Interim Financial Information (Continued)

9. Interest expense

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Interest on bank borrowings	249	38
Interest on lease liabilities	33	10
Total	282	48

10. Income tax expense

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Current income tax:		
Current tax on profits for the period	4,792	1,935
Dividend withholding tax paid	2,379	–
Adjustments in respect of prior years	(74)	78
Total current income tax	7,097	2,013
Deferred income tax (note 15):		
Origination of deductible temporary differences and losses (note 15)	(4,100)	25
Total deferred income tax	(4,100)	25
Income tax expense	2,997	2,038

Income tax expense for the six months ended 30 June 2023 and 2022 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Condensed Consolidated Interim Financial Information (Continued)

11. Profit per share

Reconciliations of the numerator and denominator of the basic and diluted per-share computations are comprised of the following:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit for the period	13,876	766
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of period	338,553	341,743
Weighted average number of shares increased (decreased) during the period	424	(905)
Weighted average number of shares used in computing basic profit per share	338,977	340,838
Adjustments for:		
Stock options	–	72
Restricted share units	1,301	1,492
Performance stock units	330	239
Weighted average number of shares used in computing diluted profit per share	340,608	342,641

Condensed Consolidated Interim Financial Information (Continued)

12. Property, plant and equipment

	Theatre System Components	Office and Production Equipment	Right-of-use Assets	Leasehold Improvements	Construction in Process	Total
As at 1 January 2023 (audited)						
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
Six months ended 30 June 2023 (unaudited)						
Opening net book amount	79,613	486	1,840	27	4,723	86,689
Exchange differences	(3,159)	(8)	(51)	(1)	5	(3,214)
Additions	-	21	-	-	217	238
Transfers	1,294	-	-	-	(1,294)	-
Transfer out	(166)	-	-	-	-	(166)
Disposals	(22)	-	-	-	-	(22)
Depreciation charge	(6,592)	(109)	(342)	(8)	-	(7,051)
Closing net book amount	70,968	390	1,447	18	3,651	76,474
As at 30 June 2023 (unaudited)						
Cost	150,808	2,893	1,990	1,695	3,651	161,037
Accumulated depreciation and impairment	(79,840)	(2,503)	(543)	(1,677)	-	(84,563)
Net book amount	70,968	390	1,447	18	3,651	76,474
As at 1 January 2022 (audited)						
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
Six months ended 30 June 2022 (unaudited)						
Opening net book amount	95,627	542	548	3	3,480	100,200
Exchange differences	(4,748)	(27)	(30)	(1)	(41)	(4,847)
Additions	-	44	-	-	2,637	2,681
Transfers	2,118	-	-	-	(2,118)	-
Depreciation charge	(6,474)	(106)	(388)	(2)	-	(6,970)
Closing net book amount	86,523	453	130	-	3,958	91,064
As at 30 June 2022 (unaudited)						
Cost	160,588	2,936	2,702	1,811	3,958	171,995
Accumulated depreciation and impairment	(74,065)	(2,483)	(2,572)	(1,811)	-	(80,931)
Net book amount	86,523	453	130	-	3,958	91,064

The recognised right-of-use assets all relate to the type of leased properties.

Condensed Consolidated Interim Financial Information (Continued)

13. Other assets

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Prepayments to IMAX Corporation (note 25(b))	577	728
Contribution to Enhanced Business (note i)	943	1,066
Deposits	72	77
Interest in a film classified as financial assets at fair value through profit or loss (note ii)	–	–
Other assets, current	1,592	1,871
Prepayments to IMAX Corporation (note 25(b))	1,531	1,505
Contribution to Enhanced Business (note i)	932	1,656
Deposits over one year	230	253
Other assets, non-current	2,693	3,414
Other assets	4,285	5,285

Notes:

- (i) On 25 July 2022, the Company, IMAX (Shanghai) Culture and Technology Co., Ltd. ("IMAX Shanghai Culture"), a wholly-owned subsidiary of the Company and IMAX Corporation entered into an Enhanced Business Required IMAX China Contribution Agreement pursuant to which IMAX Shanghai Culture agreed to acquire and have the exclusive right to, directly or through any member of the Group, develop and exploit the Enhanced Business in Greater China in consideration for payment to IMAX Corporation of the Required IMAX China Contribution. Enhanced Business operated and marketed as "IMAX Enhanced" by IMAX Corporation, which includes the licensing program business conducted in partnership with a third party to combine IMAX digitally remastered 4K HDR content and the third-party's audio encoding technologies to streaming platforms and IMAX certified CE devices worldwide. The total contribution paid by the Group for the Enhanced Business in Greater China is \$3.3 million and amortised on straight-line basis during the agreement period, i.e. 3 years.
- (ii) On 10 January 2022, IMAX Shanghai Culture entered into a joint film investment agreement with Wanda Film (Horgos) Co., Ltd. to invest RMB30.0 million (approximately \$4.7 million) in the movie "Mozart from Space", which was released on 15 July 2022. Pursuant to the investment agreement, IMAX Shanghai Culture has the right to receive share of the profits or losses of the film distribution. IMAX Shanghai Culture's commitment is limited to its RMB30.0 million (approximately \$4.7 million) investment and has no further investment obligation if the actual movie production cost exceeds the original budget.

The investment was classified as financial assets at FVTPL. As at 31 December 2022, the estimated fair value of the interest in a film was \$nil and a decrease in fair value of \$4.5 million was recorded in net fair value losses on financial assets at FVTPL within other losses during the six months ended 30 June 2022.

Condensed Consolidated Interim Financial Information (Continued)

14. Trade and other receivables

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Trade receivables:		
Trade receivables from third parties	37,226	38,654
Less: allowance for expected credit losses of trade receivables from third parties	(4,968)	(4,744)
Trade receivables from third parties – net	32,258	33,910
Trade receivables from IMAX Corporation (note 25(b))	28,997	20,901
Accrued trade receivables	6,820	5,890
Less: allowance for expected credit losses of accrued trade receivables	(604)	(556)
Accrued trade receivables – net	6,216	5,334
Total trade receivables	67,471	60,145
Other receivables:		
Loan and interest receivables from related parties (note 25(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	67,471	60,267

The fair value of trade and other receivables approximates the carrying value.

Condensed Consolidated Interim Financial Information (Continued)

14. Trade and other receivables (Continued)

The aging analysis of the trade receivables, including receivables from IMAX Corporation, based on invoice date is as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
0-30 days	7,056	6,560
31-60 days	1,841	2,474
61-90 days	2,356	2,180
Over 90 days	54,970	48,341
	66,223	59,555

15. Deferred income tax

The movement in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Deferred income tax assets		
Opening balance	6,697	6,899
Exchange differences	(164)	(480)
Credited to profit or loss (note 10)	1,721	278
Closing balance	8,254	6,697
Deferred income tax liabilities		
Opening balance	14,900	17,642
Credited to profit or loss (note 10)	(2,379)	(2,742)
Closing balance	12,521	14,900

Condensed Consolidated Interim Financial Information (Continued)

15. Deferred income tax (Continued)

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 carried-forward tax losses of IMAX Shanghai Culture. The subsidiary has incurred losses over the last few years and the Company has resolved to liquidate this subsidiary in June 2023. As a result, the Group has concluded that the deferred tax assets will be recoverable as it is probable that the loss can be utilised in the foreseeable future and IMAX Shanghai Culture's holding company has sufficient taxable income against which the loss can be utilised.

16. 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 six months ended 30 June 2023, the joint venture has completed its de-registration.

17. 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 six months ended	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	444,335	–	44.43	–
Share cancellation (note 17(b))	–	(1,448,000)	–	(144.80)
Number of shares as at 30 June (unaudited)	339,593,143	340,634,805	33,959.31	34,063.48

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

(a) Share capital (Continued)

The holders of common shares are entitled to receive dividends if, as and when declared by the directors of the Group. The holders of the common shares are entitled to one vote for each common share held at all meetings of the shareholders.

(b) Treasury shares

For the six months ended 30 June:

	Notes	Number of shares		US\$'000	
		2023	2022	2023	2022
Treasury shares					
At beginning of period		595,546	722,739	722	529
Acquisition of shares by the Trust	(i)	1,077,571	416,367	1,068	587
Shares issued for vested restricted share units		444,335	–	–	–
Vested restricted share units and performance stock units settled from treasury shares		(796,128)	(472,982)	(824)	(717)
Vested restricted share units settled from issued shares		(437,092)	(380,791)		
Shares bought back on-market	(ii)	–	1,448,000	–	1,831
Buy-back transaction costs	(ii)	–	–	–	13
Shares cancelled	(ii)	–	(1,448,000)	–	(1,844)
At end of period		884,232	285,333	966	399

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 six months ended 30 June 2022, the Company conducted shares buy-back pursuant to a general mandate granted by the shareholders to the Directors during the Annual General Meeting held on 6 May 2021 and resolutions of the Board adopted on 27 July 2021.

During the six months ended 30 June 2022, 1,448,000 shares were purchased back by the Company from the market and were cancelled. The shares were acquired at an average price of \$1.26, with prices ranging from \$1.25 to \$1.30.

No shares were purchased back during the six months ended 30 June 2023.

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

(c) Share-based payments

IMAX Corporation issued share-based compensation to eligible Group employees under IMAX Corporation's 2013 Long-Term Incentive Plan and the China Long-Term Incentive Plan, as described below.

On 11 June 2013, IMAX Corporation's shareholders approved the IMAX 2013 Long-Term Incentive Plan ("IMAX LTIP") at IMAX Corporation's Annual and Special Meeting. Awards to employees under the IMAX LTIP may consist of stock options, restricted share units ("RSUs"), and other awards.

IMAX Corporation's Stock Option Plan ("SOP") which shareholders approved in June 2008, permitted the grant of stock options to employees. As a result of the implementation of the IMAX LTIP on 11 June 2013, stock options will no longer be granted under the SOP.

A separate China Long-Term Incentive Plan (the "China LTIP") was adopted by the Group in October 2012. Each stock option issued prior to the IPO ("China IPO Option"), stock options issued after the IPO ("China Option"), RSU ("China RSUs"), performance stock units ("China PSUs") or cash settled share-based payment ("CSSBP") issued under the China LTIP represents an opportunity to participate economically in the future growth and value creation of the Company.

The compensation costs recorded in the condensed consolidated interim statement of comprehensive income (loss) for these plans were \$1.6 million during the six months ended 30 June 2023 (30 June 2022: \$1.9 million).

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

(i) Stock Options

China IPO Options Summary

The China IPO Options issued 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 7 years.

During the six months ended 30 June 2023, the Group recorded an expense of \$nil (30 June 2022: \$nil) related to equity-settled China IPO Options issued under the China LTIP.

Condensed Consolidated Interim Financial Information (Continued)

17. 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)

China IPO Options were priced using Binomial Model. Expected volatility rate is estimated based on a blended volatility method which take 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 Option activity in the Group:

For the six months ended 30 June:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Options outstanding, beginning and end of period	1,518,800	4,893,800	1.19	1.43
Options exercisable, end of period	1,518,800	4,893,800	1.19	1.43

As at 30 June 2023, the weighted average remaining contractual life of options outstanding is 0.3 years (31 December 2022: 0.8 years).

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

(c) **Share-based payments (Continued)**

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

(i) *Stock Options (Continued)*

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 six months ended 30 June 2023, the Group recorded an expense of less than \$0.1 million (30 June 2022: less than \$0.1 million) related to China Options issued under the China LTIP.

The following table summarizes certain information in respect of China Options activity in the Group:

For the six months ended 30 June:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Options outstanding, beginning of period	1,343,039	1,343,039	3.23	3.23
Expired	(47,647)	–	5.84	–
Options outstanding, end of period	1,295,392	1,343,039	3.13	3.23
Options exercisable, end of period	1,285,881	1,144,839	3.14	3.36

As at 30 June 2023, the weighted average remaining contractual life of options outstanding is 2.0 years (31 December 2022: 2.4 years).

Condensed Consolidated Interim Financial Information (Continued)

17. 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. China RSUs were not issued before 2015. The grant date fair value of each China RSU is equal to the share price of the Company's stock at the grant date. The Group recorded an expense of \$1.3 million for the six months ended 30 June 2023 (30 June 2022: \$1.5 million) related to China RSU grants issued to employees in the plan. The annual termination probability assumed for the six months ended 30 June 2023 was nil (30 June 2022: nil).

RSUs granted under the 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.

China RSUs under China LTIP Summary

The following table summarizes certain information in respect of China RSUs activity under the China LTIP:

For the six months ended 30 June:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
RSUs outstanding, beginning of period	2,338,402	2,397,235	1.41	1.98
Granted	1,898,832	1,441,576	1.06	1.21
Vested and settled	(854,299)	(853,773)	1.67	2.14
Vested and unsettled	(532,934)	(381,044)	0.83	1.01
Forfeited	–	(1,624)	–	1.83
RSUs outstanding, end of period	2,850,001	2,602,370	1.21	1.65

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

(c) **Share-based payments (Continued)**

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

(iii) *Performance Stock Units*

During the six months ended 30 June 2020, the Group expanded its share-based compensation program to include performance stock units ("PSUs"). The Group grants PSU awards which vests based on a combination of employee service and the achievement of certain EBITDA-based targets. These awards vest over a three-year performance period. The fair value of PSUs with EBITDA-based targets is equal to the closing price on the date of grant.

The amount and timing of compensation expense recognised for PSUs with EBITDA-based targets is dependent upon management's assessment of the likelihood and timing of achieving these targets. If, as a result of management's assessment, it is projected that a greater number of PSUs will vest than previously anticipated, a life-to-date adjustment to increase compensation expense is recorded in the period such determination is made. Conversely, if, as a result of management's assessment, it is projected that a lower number of PSUs will vest than previously anticipated, a life-to-date adjustment to decrease compensation expense is recorded in the period such determination is made.

At the conclusion of the three-year performance period, the number of PSUs that ultimately vest can range from 0% to a maximum vesting opportunity of 175% of the initial award, depending upon actual performance versus the established EBITDA.

During the six months ended 30 June 2023, the Group recorded an expense of \$0.3 million (2022: \$0.4 million) related to China PSUs issued under the China LTIP.

The following table summarized the activity in respect of PSUs issued under the IMAX LTIP for the six months ended 30 June:

For the six months ended 30 June:

	Number of Shares		Weighted Average Grant Date Fair Value Per Share	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
PSUs outstanding, beginning of period	744,011	598,867	1.47	1.81
Granted (note i)	522,896	246,931	1.38	1.31
Vested and settled (note i)	(378,921)	–	1.81	–
PSUs outstanding, end of period	887,986	845,798	1.27	1.67

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

(c) **Share-based payments (Continued)**

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

(iii) *Performance Stock Units (Continued)*

Notes:

- (i) During the six months ended 30 June 2023, the amount 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 six months ended 30 June 2023 reflects the Group's performance assessment of its first PSU awards.

(d) **Reserves**

The Group's reserves and movement therein for the current and prior periods are presented in the condensed consolidated interim statement of changes in equity.

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 six months ended 30 June 2023 (30 June 2022: \$9.2 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, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly-owned foreign subsidiaries in the PRC, appropriation from net profit (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective reserves. The percentage of net profit to be appropriated to the reserves is not less than 10% of the net profit. When the balance of the reserves reaches 50% of the registered capital, further transfer needs not be made. Furthermore, 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 six months ended 30 June 2023, \$nil statutory surplus reserves were appropriated (2022: \$nil).

Condensed Consolidated Interim Financial Information (Continued)

17. Share capital and reserves (Continued)

(d) Reserves (Continued)

FVOCI reserve

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

The Group has one preferred share investments in IMAX (Hong Kong) Holdings, Limited. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The changes in the fair value are accumulated within the FVOCI reserve. There was no change to fair value of this investment as of 30 June 2023 and 31 December 2022 based on the Group's evaluation.

18. Trade and other payables

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Trade payables	681	996
Payables to IMAX Corporation (note 25(b))	21,127	20,110
Other payables	645	739
	22,453	21,845

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
0-30 days	4,821	5,143
31-60 days	397	778
61-90 days	829	909
Over 90 days	16,406	15,015
	22,453	21,845

As at 30 June 2023 and 31 December 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.

Condensed Consolidated Interim Financial Information (Continued)

19. Accruals and other liabilities

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Value-added tax payable	2,394	2,893
Accrued marketing and advertising expenses	1,836	1,787
Lease liabilities	1,303	1,774
Accrued salaries and benefits	813	29
Accrued professional fees	599	681
Withholding individual income tax	104	102
Other tax payable	90	520
Accrued legal fees	86	23
Accrued selling expenses	73	75
Other accrued expenses	1,917	2,704
Accruals and other liabilities, total	9,215	10,588
Accruals and other liabilities, current	8,631	9,546
Accruals and other liabilities, non-current	584	1,042
	9,215	10,588

Maturity analysis of lease liabilities

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Not later than one year	719	732
Later than one year and not later than five years	584	1,042
	1,303	1,774

Condensed Consolidated Interim Financial Information (Continued)

20. Borrowings

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Unsecured short-term bank loans	9,278	12,871

The bank loan as at 30 June 2023 was repayable in one year with variable interest rate based on Loan Prime Rate issued by the People's Bank of China and was repriced every six/twelve month. The ranges of the effective interest rates on the Group's borrowings for the six months ended 30 June 2023 are 3.85% to 4.00% per annum (2022: 4.15%).

The carrying amounts of the Group's borrowings are denominated in RMB.

The Group has access to following undrawn borrowing facilities as described below. The facility is subject to annual review.

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Unsecured bank borrowing facility	44,695	43,127
Unsecured letter of guarantee facility	965	1,027
	45,660	44,154

Bank of China Facility

In June 2022, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("IMAX Shanghai Multimedia"), one of the Company's wholly-owned subsidiaries in the PRC, renewed its unsecured revolving facility for up to RMB200.0 million (approximately \$29.8 million), including RMB10.0 million (approximately \$1.5 million) for letters of guarantee, to fund ongoing working capital requirements (the "Bank of China Facility"). The Bank of China Facility expires in September 2023. As at 30 June 2023, the outstanding borrowings under the Bank of China Facility were RMB2.6 million (approximately \$0.4 million) and outstanding letters of guarantee were RMB3.0 million (approximately \$0.4 million). As at 30 June 2023, the amount available for future borrowings under the Bank of China Facility was RMB187.4 million (approximately \$25.9 million) and the amount available for letters of guarantee was RMB7.0 million (approximately \$1.0 million). The amount available for future borrowings under the Bank of China Facility is not subject to a standby fee.

Condensed Consolidated Interim Financial Information (Continued)

20. Borrowings (Continued)

HSBC China 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 China Facility”). As at 30 June 2023, the outstanding borrowings under the HSBC China Facility were RMB64.4 million (approximately \$8.9 million) and the amount available for future borrowings under the HSBC China Facility was RMB135.6 million (approximately \$18.8 million).

21. Deferred revenue

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Theatre system deposits	15,421	17,721
Maintenance prepayments	7,812	9,626
	23,233	27,347
Deferred revenue, current	10,036	12,777
Deferred revenue, non-current	13,197	14,570
	23,233	27,347

The following table shows the amount of revenue recognised in the condensed consolidated statements of comprehensive income (loss) for the six months ended 30 June 2023 and 2022 relating to deferred revenue brought forward:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Upfront revenue	2,379	4,210
Maintenance revenue	4,385	5,207
Total	6,764	9,418

The unsatisfied performance obligations out of the carrying value of the Group’s backlog as at 30 June 2023 was approximately \$143.9 million (31 December 2022: \$156.7 million).

Condensed Consolidated Interim Financial Information (Continued)

22. Statement of cash flow supplemental information

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit before income tax for the period	16,873	2,804
Adjustment for:		
Depreciation of property, plant and equipment	7,051	6,970
Amortisation of film assets	3,160	1,549
Net fair value losses on financial assets at FVTPL	–	4,470
Equity settled and other non-cash compensation	1,618	1,865
Allowance for expected credit losses	807	613
Loss on disposal of property, plant and equipment	22	–
Write-downs	(3)	(8)
Interest expense	282	48
Foreign exchange losses	29	288
Changes in working capital		
Trade and other receivables	(9,156)	(12,601)
Financing receivables	(12)	(572)
Variable consideration receivable from contracts	135	231
Film assets	(3,207)	(1,485)
Inventories	38	36
Trade and other payables	2,667	4,167
Accruals and other liabilities	(486)	1,756
Deferred revenue	(2,047)	(5,148)
Prepayments	370	348
Contract acquisition costs	42	(590)
Other assets	913	(3,029)
Cash provided by operations	19,096	1,712

23. Commitments

(a) Capital commitments

As at the end of the current interim period, the Group's capital commitment is shown below:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Capital expenditure contracted but not provided for in the condensed consolidated interim financial information in respect of:		
Acquisition of property, plant and equipment	1,918	3,182

Condensed Consolidated Interim Financial Information (Continued)

23. Commitments (Continued)

(b) Operating lease commitments – Group as lessee

The Group leases various offices, apartments, and warehouses under non-cancellable operating lease agreements. The operating lease commitment as at 30 June 2023 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 as at 30 June 2023 under IFRS 16.

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Within one year	43	88

24. Contingencies and guarantees

As of 30 June 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.

25. 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 71.63% of the Company's shares as at 30 June 2023.

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

IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd. ("IMAX Fei Er Mu") was the joint venture established by the Group with 50% equity interest. It was de-registered during the six months ended 30 June 2023.

Suzhou IMAX Fei Er Mu Project Investment Partnership Enterprise (Limited Partnership) ("Suzhou IMAX Fei Er Mu") was an investee of the Group with 50% equity interests and the remaining equity interests were held by a subsidiary of IMAX Fei Er Mu. They were de-registered during the six months ended 30 June 2023.

Condensed Consolidated Interim Financial Information (Continued)

25. 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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Purchase of goods:		
IMAX Corporation (theatres systems)	1,164	3,208
Purchase of services:		
IMAX Corporation (film related transactions)	3,223	1,461
IMAX Corporation (management fees – legal and administration services)	369	303
Other transactions:		
IMAX (Barbados) Holding, Inc. (dividends paid to)	3,649	–
IMAX Corporation (trademark and technology fees)	2,497	1,867
Gross revenue earned from film services through IMAX Corporation (Note below)	7,476	3,261
Revenue earned from Enhanced Business through IMAX Corporation	211	–
Revenue earned from maintenance services provided to IMAX Corporation	29	44

Goods and services are bought from IMAX Corporation (the Controlling Shareholder) on a cost-plus basis. Management services, trademark and technology fees are paid to IMAX Corporation (the Controlling Shareholder) based on service and fee agreements.

Note:

The amounts shown in the table are gross amount for transactions with IMAX Corporation. For the six months ended 30 June 2023, conversion cost of \$2.5 million (2022: \$1.5 million) paid to IMAX Corporation in relation to Hollywood films is considered as a payment to customer and is net against DMR revenue earned from IMAX Corporation as presented in the revenues of condensed consolidated interim statement of comprehensive income (loss), with the adoption of IFRS 15.

Condensed Consolidated Interim Financial Information (Continued)

25. Related party transactions (Continued)

(b) *Period/Year-end balances*

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Prepayments to related parties (note 13):		
IMAX Corporation	2,108	2,233
Receivables from related parties (note 14):		
IMAX Corporation	28,997	20,901
Loan and interest receivables from a joint venture (note 14):		
Suzhou IMAX Fei Er Mu	–	307
IMAX Fei Er Mu	–	207
Payables to related parties (note 18):		
IMAX Corporation	21,127	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 were unsecured, with fixed interest rates and repayable within one year. During the six months ended 30 June 2023, the remaining balances of loan and interest receivables from IMAX Fei Er Mu and Suzhou IMAX Fei Er Mu amounting to \$0.3 million were written off since the entities were de-registered.

(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:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Salaries and other short-term employee benefits	1,395	1,367
Post-employment benefits	23	23
Other benefits ¹	458	368
Share-based compensation	870	1,067
	2,746	2,825

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

Condensed Consolidated Interim Financial Information (Continued)

26. Dividends

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Dividends recognised as distribution during the period:		
2022 Final – HK\$0.117 per share	5,087	–
2021 Final – HK\$0.210 per share	–	9,173
	5,087	9,173

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.

No dividends in respect of the six months ended 30 June 2023 have been proposed.

27. Events after the reporting period

On 13 July 2023, IMAX Corporation announced it has filed a proposal to acquire the outstanding 96.3 million shares in the Company for approximately HK\$10 per share in cash \$124 million. The offer represents an approximate 49% premium to the 30-trading day average closing price. Upon approval of the offer and the scheme of arrangement, IMAX Corporation will own 100% of the Company.

The acquisition of the Company is subject to customary closing conditions, including the receipt of the Company's shareholders and other approvals. The offer has been approved by both IMAX Corporation and the Company's Boards of Directors. There is no guarantee that the acquisition will be approved by the Company's shareholders or that other closing conditions will be satisfied. The acquisition, if successful, is expected to close later this year.

Definitions

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

“1HFY”	the first half of the financial year, six months ended 30 June
“Annual Minimum Guaranteed Payment Commitment”	the annual minimum royalty commitment given by the relevant China Domestic OEM under an Existing Agreement for each year of the applicable license term, with any shortfall to be paid by the China Domestic OEM as directed under the applicable Existing Agreement
“Articles of Association”	the articles of association of the Company adopted on 21 September 2015 and effective from the Listing Date, as amended from time to time
“Board” or “Board of Directors”	the board of directors of the Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“CG Code”	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
“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
“EIT”	enterprise income tax

Definitions (Continued)

“Enhanced Business”	the 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 partner’s audio encoding technologies to streaming platforms and IMAX-certified CE devices worldwide
“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
“Exercise Price”	the price per Share at which a Grantee may subscribe for Shares upon the exercise of an option
“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

Definitions (Continued)

“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
“IMAX Shanghai Culture”	IMAX (Shanghai) Culture & Technology Co., Ltd., a company incorporated in the PRC with limited liability on 16 December 2021 and is a directly wholly-owned subsidiary of IMAX Shanghai Multimedia
“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
“IPO”	initial public offering
“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 10 of the Listing Rules

Definitions (Continued)

“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 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
“PSU(s)”	performance share unit(s)
“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 “Corporate Governance Highlights and Other Information – Sub-Plan: The Restricted Share Unit Scheme” in this Interim Report
“RSU(s)”	restricted share unit(s)
“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 “Corporate Governance Highlights and Other Information – Sub-Plan: The Share Option Scheme” in this Interim Report

Definitions (Continued)

“Shareholder(s)”	holder(s) of Shares
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCL-IMAX Entertainment”	TCL-IMAX Entertainment Co., Limited, a company incorporated in Hong Kong with limited liability on 3 January 2014, being the joint venture company jointly owned by IMAX Hong Kong Holding and Sino Leader (Hong Kong) Limited, which is wholly owned by TCL Multimedia Technology Holdings Limited
“U.S.” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“USD”, “US\$”, “\$” 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 Interim 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 films”	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
“distributor”	an organisation that distributes films to exhibitors or, in Mainland China, theatre circuits for exhibition at theatres

Glossary (Continued)

“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 film
“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 postproduction process and/or technology used by IMAX Corporation in connection with the conversion of a conventional film into an IMAX film

Glossary (Continued)

“IMAX film”	a film converted from a conventional film using 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 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
“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 deep blue with a radial light effect emanating from the center, creating a starburst or sunburst pattern. The lines radiating from the center are thin and closely spaced, creating a sense of depth and movement. The overall composition is clean and modern, emphasizing the iconic branding of IMAX.

IMAX[®]