
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Proposal, the Scheme, the Share Incentive Proposal, this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or otherwise transferred all your shares in IMAX China Holding, Inc., you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Scheme Document, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Scheme Document.

IMAX[®]

IMAX Corporation

(Incorporated in Canada with limited liability)

IMAX[®]

IMAX China Holding, Inc.

*(Incorporated in the Cayman Islands
with limited liability)*

(Stock Code: 1970)

**(1) PROPOSED PRIVATISATION OF
IMAX CHINA HOLDING, INC. BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
IMAX CHINA HOLDING, INC.**

Financial Adviser to the Offeror

Morgan Stanley

Morgan Stanley Asia Limited

Independent Financial Adviser to the Independent Board Committee



SOMERLEY CAPITAL LIMITED

Capitalised terms used hereunder shall have the same meanings as defined in this Scheme Document.

A letter from the Board is set out in Part IV of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Shareholders in relation to the Proposal, the Scheme and the Share Incentive Proposal is set out in Part V of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Proposal, the Scheme and the Share Incentive Proposal is set out in Part VI of this Scheme Document. The Explanatory Memorandum is set out in Part VII of this Scheme Document. The form of the Letter to the Share Incentive Holders is set out in Appendix VI of this Scheme Document.

The actions to be taken by the Shareholders are set out in Part II of this Scheme Document.

Notices convening the Court Meeting and the EGM to be held at Board Meeting Room, 5F, Shanghai Marriott Hotel City Centre, 555 Xi Zang (Middle) Road, Huangpu District, Shanghai, China on Tuesday, 10 October 2023 at 7:00 a.m. and 7:30 a.m. (or, if later, as soon thereafter as the Court Meeting shall have been concluded or adjourned) respectively are set out in Appendix IV and Appendix V of this Scheme Document respectively. Whether or not you are able to attend any of the Court Meeting and/or EGM or any adjournment(s) thereof in person, you are strongly urged to complete and sign the enclosed **PINK** form of proxy in respect of the Court Meeting and the enclosed **WHITE** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to deposit them at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event no later than the respective times and dates stated under Part II – Actions to be Taken of this Scheme Document. If the **PINK** form of proxy is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it. If the **WHITE** form of proxy is not so lodged at least 48 hours before the time appointed for the EGM, it will not be valid.

This Scheme Document is jointly issued by the Company and the Offeror.

The English language text of this Scheme Document, the Letter to the Share Incentive Holders and the Form of Acceptance shall prevail over the Chinese language text.

15 September 2023

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NOTICE TO U.S. INVESTORS

The Proposal and the Scheme relate to the cancellation of the securities of a company incorporated under the laws of the Cayman Islands by way of a scheme of arrangement provided for under the Companies Act. The Share Incentive Proposal relates to the cancellation of the share incentives of a company pursuant to the Takeovers Code. The Proposal, the Scheme and the Share Incentive Proposal are subject to Hong Kong procedural disclosure requirements and practices which are different from those of the United States.

A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules of the United States Securities Exchange Act of 1934. Accordingly, the Proposal, the Scheme and the Share Incentive Proposal are subject to the procedural and disclosure requirements and practices applicable in the Cayman Islands and Hong Kong to schemes of arrangement and securities offer, which differ from the disclosure and procedural and practice requirements applicable under United States federal securities laws.

The receipt of cash pursuant to the Proposal, the Scheme or the Share Incentive Proposal by a U.S. holder of the Scheme Shares or the Share Incentives may be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other, tax laws. Each holder of the Scheme Shares or the Share Incentives is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of the Proposal, the Scheme and the Share Incentive Proposal applicable to him/her/it.

It may be difficult for a U.S. holder of the Scheme Shares or the Share Incentives to enforce his/her/its rights and claims arising out of the U.S. federal securities laws, as the Offeror and the Company are incorporated in a country other than the United States, and some or all of their respective officers and directors may be residents of a country other than the United States. A U.S. holder of the Scheme Shares or the Share Incentives may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult for a U.S. holder of the Scheme Shares or the Share Incentives to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgement.

Neither the U.S. Securities and Exchange Commission nor any U.S. state securities commission has approved or disapproved the Proposal, the Scheme or the Share Incentive Proposal, or determined if this Scheme Document is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

Neither this Scheme Document nor the Letter to the Share Incentive Holders is intended to, and neither shall, constitute, or form part of, an offer or invitation to purchase or subscribe for any securities of the Company in the United States.

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Forward-Looking Statements: This Scheme Document may include forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “envisages”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Offeror’s, the Company’s or their respective affiliates’ intentions, beliefs or current expectations. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those made in or suggested by the forward-looking statements contained in this Scheme Document, and may not be indicative of results or developments in subsequent periods. The forward-looking statements and information contained in this Scheme Document are made as of the date hereof and each of the Offeror and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws or the Takeovers Code.

Financial information disclosed in respect of the Proposal, the Scheme and the Share Incentive Proposal has been or will have been prepared in accordance with non-U.S. accounting standards that may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

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In this Scheme Document, the following words and expressions shall have the following meanings unless the context otherwise requires:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement dated 13 July 2023 jointly issued by the Company and the Offeror in relation to, among other things, the Proposal, the Scheme and the Share Incentive Proposal
“Applicable Laws”	any and all laws, rules, regulations, judgments, decisions, decrees, orders, injunctions, treaties, directives, guidelines, standards, notices and/or other legal, regulatory and/or administrative requirements of any Authority
“Approval”	any approval, authorisation, ruling, permission, waiver, consent, licence, permit, clearance, registration or filing which is required or desirable under any Applicable Law, or any licence, permit or contractual obligation of any member of the Group, for or in connection with the Proposal or the implementation of the Proposal in accordance with its terms and conditions (including the withdrawal of the listing of the Shares from the Stock Exchange), in each case excluding any filing or notification to any Authority which does not require such Authority’s approval, acknowledgement, permission, consent or clearance
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Authority”	any supranational, national, federal, state, regional, provincial, municipal, local or other government, governmental, quasi-governmental, legal, regulatory or administrative authority, department, branch, agency, commission, bureau or body (including any securities or stock exchange) or any court, tribunal, or judicial or arbitral body
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner
“Board”	the board of Directors

“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“Companies Act”	the Companies Act (2023 Revision) of the Cayman Islands
“Company” or “IMAX China”	IMAX China Holding, Inc., an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1970)
“Condition(s)”	the condition(s) to the implementation of the Proposal and the Scheme as set out in the section headed “3. <i>Conditions of the Proposal and the Scheme</i> ” in Part VII – Explanatory Memorandum of this Scheme Document
“Court Hearing”	the hearing of the petition by the Grand Court for the sanction of the Scheme
“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Grand Court at 7:00 a.m. on Tuesday, 10 October 2023 at Board Meeting Room, 5F, Shanghai Marriott Hotel City Centre, 555 Xi Zang (Middle) Road, Huangpu District, Shanghai, China, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Director(s)”	the director(s) of the Company
“Disinterested Shareholders”	the holders of Disinterested Shares, including, for the avoidance of doubt, any member of the Morgan Stanley group acting in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code
“Disinterested Shares”	the Shares other than any Shares which are beneficially owned by the Offeror or any Offeror Concert Party, including, for the avoidance of doubt, any Share(s) held by any member of the Morgan Stanley group on a non-discretionary and non-proprietary basis for and on behalf of its clients who are not the Offeror or an Offeror Concert Party

“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
“EGM”	an extraordinary general meeting of the Company to be convened at 7:30 a.m. on Tuesday, 10 October 2023 (or, if later, immediately after the Court Meeting has been concluded or adjourned) at Board Meeting Room, 5F, Shanghai Marriott Hotel City Centre, 555 Xi Zang (Middle) Road, Huangpu District, Shanghai, China, for the purpose of approving, among other things, any reduction of the share capital of the Company as a result of the cancellation of the Scheme Shares; and the implementation of the Scheme
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of the Executive Director
“exempt fund managers”	has the meaning ascribed to it in the Takeovers Code
“exempt principal traders”	has the meaning ascribed to it in the Takeovers Code
“Form of Acceptance”	the form of acceptance despatched to the Share Incentive Holders in connection with the Share Incentive Proposal
“Grand Court”	the Grand Court of the Cayman Islands
“Greater China”	for the purposes of this Scheme Document only, Mainland China, Hong Kong, Macau and Taiwan
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IMAX Barbados”	IMAX (Barbados) Holding, Inc., a company incorporated in Barbados with limited liability and a controlling shareholder of the Company
“Independent Board Committee”	the independent committee of the Board, comprising Ms. Yue-Sai KAN, Mr. John DAVISON, Ms. Dawn TAUBIN and Mr. Peter LOEHR (being all of the independent non-executive Directors)

“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company, with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, to advise the Independent Board Committee as to: (i) whether the terms of the Proposal, the Scheme and the Share Incentive Proposal are, or are not, fair and reasonable; (ii) voting by the Disinterested Shareholders on the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Proposal at the EGM; and (iii) acceptance of the Share Incentive Proposal
“Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“Last Full Trading Date”	10 July 2023, being the last full day on which the Shares were traded on the Stock Exchange before publication of the Announcement
“Last Trading Date”	11 July 2023, being the last day on which the Shares were traded on the Stock Exchange before publication of the Announcement
“Latest Practicable Date”	12 September 2023, being the latest practicable date for ascertaining certain information contained in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
“Long Stop Date”	31 December 2023, or such later date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive and consented to by Morgan Stanley
“LTIP”	the inactive long term incentive plan adopted by the Company in October 2012, under which no further incentives will be offered or granted pursuant to the LTIP with effect from the listing of the shares of the Company on the Main Board of the Stock Exchange on 8 October 2015

“LTIP Option(s)”	share option(s) granted by the Company pursuant to the LTIP
“LTIP Option Holder”	holder of LTIP Option(s)
“LTIP Option Holder Undertaking”	an irrevocable undertaking given by the LTIP Option Holder, details of which are set out in the section headed “4. Share Incentive Proposal – LTIP Option Offer” in Part VII – Explanatory Memorandum of this Scheme Document
“LTIP Option Offer”	the offer made by the Offeror to the LTIP Option Holder
“Macau”	the Macau Special Administrative Region of the PRC
“Meeting Record Date”	Tuesday, 10 October 2023, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM
“Morgan Stanley”	Morgan Stanley Asia Limited, a company incorporated in Hong Kong with limited liability and licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and the financial adviser to the Offeror in connection with the Proposal and the Share Incentive Proposal
“Offer Period”	the period from the date of the Announcement until the earliest of any of (i) the Effective Date; (ii) the date on which the Scheme lapses; or (iii) the date on which an announcement is made of the withdrawal of the Scheme
“Offer Price”	the offer price of HK\$10.00 for the cancellation of each Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Offeror”	IMAX Corporation, a company incorporated in Canada with limited liability and listed on the New York Stock Exchange (NYSE: IMAX) and the ultimate controlling shareholder of the Company

“Offeror Concert Parties”	persons who are acting in concert or presumed to be acting in concert with the Offeror under the Takeovers Code, including: (a) IMAX Barbados; and (b) members of the Morgan Stanley group (except in the capacity of exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code)
“Offeror LTIP”	the Second Amended and Restated Long-Term Incentive Plan adopted by the Offeror, as amended from time to time
“Offeror Option(s)”	option(s) granted by the Offeror pursuant to the Offeror LTIP
“Offeror PSU(s)”	performance share unit(s) (vested or unvested) granted by the Offeror pursuant to the Offeror LTIP
“Offeror RSU(s)”	restricted share unit(s) (vested or unvested) granted by the Offeror pursuant to the Offeror LTIP
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS Participant
“PRC” or “China”	the People’s Republic of China and, for the purpose of this Scheme Document only, excluding Hong Kong, Macau and Taiwan
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the Conditions set out in this Scheme Document
“PSU(s)”	performance share unit(s) (vested or unvested) granted by the Company pursuant to the PSU Scheme
“PSU Holder(s)”	holder(s) of PSU(s)
“PSU Scheme”	the rules on the post-IPO performance share unit scheme adopted by the Company on 12 March 2020, as amended from time to time

“PSU Tranche”	has the meaning given to it in the section headed “4. Share Incentive Proposal – Share Award Offer” in Part VII – Explanatory Memorandum of this Scheme Document
“Record Date”	Thursday, 19 October 2023 or such other time and date as shall have been announced to the Shareholders, being the record date for determining the entitlements of the Scheme Shareholders under the Scheme and the Share Incentive Holders under the Share Incentive Proposal
“Registered Owner”	any person (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
“Relevant Period”	the period commencing on 13 January 2023, being that date that falls six months prior to the date of the Announcement, and ending on the Latest Practicable Date
“relevant securities”	has the meaning given to it in Note 4 to Rule 22 of the Takeovers Code
“RSU(s)”	restricted share unit(s) (vested or unvested) granted by the Company pursuant to the RSU Scheme
“RSU Holder(s)”	holder(s) of RSU(s)
“RSU Scheme”	the rules on the restricted share unit scheme adopted by the Company on 21 September 2015, as amended from time to time
“RSU Tranche”	has the meaning given to it in the section headed “4. Share Incentive Proposal – Share Award Offer” in Part VII – Explanatory Memorandum of this Scheme Document
“Scheme”	the scheme of arrangement under Section 86 of the Companies Act for the implementation of the Proposal

“Scheme Document”	this composite scheme document of the Offeror and the Company containing, among other things, further details of the Proposal and the Share Incentive Proposal, a letter from the Board, a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the recommendations of the Independent Board Committee and notices to convene the Court Meeting and EGM together with forms of proxy in relation thereto
“Scheme Share(s)”	the Share(s) in issue on the Record Date, other than the Shares in which IMAX Barbados is interested
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Share(s) as at the Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) with a nominal value of US\$0.0001 each in the issued capital of the Company
“Share Award Offer”	the offer made by the Offeror to the RSU Holders and PSU Holders
“Share Award Trustee”	Computershare Hong Kong Trustees Limited, the trustee appointed to hold Shares pending the vesting of RSUs and PSUs granted pursuant to the RSU Scheme and the PSU Scheme
“Share Incentive(s)”	any LTIP Option(s), Share Option(s), RSU(s) and/or PSU(s) (as the case may be)
“Share Incentive Holder(s)”	holder(s) of Share Incentives
“Share Incentive Proposal”	the LTIP Option Offer, the Share Option Offer and the Share Award Offer, details of which are set out in the section headed “4. Share Incentive Proposal” in Part VII – Explanatory Memorandum of this Scheme Document
“Share Option(s)”	share option(s) granted by the Company pursuant to the Share Option Scheme

“Share Option Holder(s)”	holder(s) of Share Option(s)
“Share Option Holder Undertaking”	an irrevocable undertaking given by each of the Share Option Holders, details of which are set out in the section headed “4. Share Incentive Proposal – Share Option Offer” in Part VII – Explanatory Memorandum of this Scheme Document, and together, the “Share Option Holder Undertakings”
“Share Option Offer”	the offer made by the Offeror to the Share Option Holders
“Share Option Scheme”	the rules on the post-IPO share option scheme adopted by the Company on 21 September 2015, as amended from time to time
“Shareholder(s)”	the registered holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC in Hong Kong as amended from time to time
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“U.S.” or “United States”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and except for references to the expected date of the Grand Court hearing of the petition for the sanction of the Scheme and the Effective Date, which are the relevant dates in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.

Unless otherwise specified in this Scheme Document, conversions of US\$ into HK\$ are made in this Scheme Document, for illustration only, at the rate of US\$1.00 to HK\$7.75. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at that rate or at any other rates or at all.

1. ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 5 October 2023 to Tuesday, 10 October 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, 4 October 2023. A subsequent purchaser of Shares will need to obtain a proxy form from the transferor if he or she wishes to attend or vote at the Court Meeting or the EGM.

A **PINK** form of proxy for use at the Court Meeting and a **WHITE** form of proxy for use at the EGM are enclosed with this Scheme Document. Subsequent purchasers of Shares to be voted at the Court Meeting or the EGM will need to obtain a form of proxy from the transferor.

Whether or not you are able to attend any of the Court Meeting and/or EGM or any adjournment(s) thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **PINK** form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly urged to complete and sign the enclosed **WHITE** form of proxy in respect of the EGM in accordance with the instructions printed thereon, and to deposit them at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event no later than the following times and dates in order to be valid:

- the **PINK** form of proxy for use at the Court Meeting must be lodged no later than 7:00 a.m. on Sunday, 8 October 2023 but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it); and
- the **WHITE** form of proxy for use at the EGM must be lodged no later than 7:30 a.m. on Sunday, 8 October 2023, failing which it will not be valid.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be revoked by operation of law.

Voting at the Court Meeting and the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and the EGM, if, among other things, the resolutions are passed by the requisite majorities of the Disinterested Shareholders or the Shareholders (as the case may be). You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM on Tuesday, 10 October 2023 by no later than 7:00 p.m. If all of the resolutions are passed at the Court Meeting and/or the EGM, further announcement(s) will be made in relation to, among other things, the outcome of the Court Hearing and, if the Scheme is sanctioned, the Record Date, the Effective Date and the date of withdrawal of the listing of the Shares from the Stock Exchange, in accordance with the requirements of the Takeovers Code and the Listing Rules.

2. ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Share(s) are registered in the name of a Registered Owner (other than HKSCC Nominees), you should contact the Registered Owner and give instructions to and/or make arrangements with the Registered Owner as to the manner in which the Share(s) beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the EGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM or, as applicable, the latest time for lodging transfers of Shares, in order to provide the Registered Owner with sufficient time to complete his/her forms of proxy or transfer documents accurately and to submit them by the relevant deadlines. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM, any such Beneficial Owner should comply with the requirements of such Registered Owner.

The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof should he/she/it so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

3. ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE DEPOSITED IN CCASS

If you are a Beneficial Owner whose Share(s) are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant:

- (a) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS Participant, regarding voting instructions to be given to such Other CCASS Participants if you wish to vote at the Court Meeting and/or at the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which the Share(s) beneficially owned by you should be voted at the Court Meeting and/or the EGM; or
- (b) become a Shareholder of record and thereby have the right to attend and vote at the Court Meeting and/or the EGM (as appropriate) by withdrawing any or all of your Share(s) from CCASS and becoming a Registered Owner of such Share(s). For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Share(s) are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Share(s) into your name so as to qualify to attend and vote at the Court Meeting and/or the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Share(s) from CCASS and register them in your name.

The procedures for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

4. ACTIONS TO BE TAKEN BY SHARE INCENTIVE HOLDERS

The Letter to the Share Incentive Holders is being sent to each Share Incentive Holder, together with this Scheme Document and a Form of Acceptance. If you are a Share Incentive Holder and you wish to accept the Share Incentive Proposal, you must complete and return the duly completed and executed Form of Acceptance so as to reach the Company at 7/F, Verdant Place, No. 128 West Nanjing Road, Huangpu District, Shanghai, PRC, for the attention of the Legal Department and marked “IMAX Corporation – Share Incentive Proposal” by no later than 4:30 p.m. (Hong Kong time) on Tuesday, 17 October 2023 (or such later date and time as may be notified to you by the Offeror and the Company). No acknowledgement of receipt of any Form of Acceptance or other document evidencing the grant of Offeror RSUs and/or Offeror PSUs or any other document will be given.

The Offeror is making an appropriate offer to the Share Incentive Holders in accordance with Rule 13 of the Takeovers Code:

- (a) Under the LTIP Option Offer, the Offeror is offering the LTIP Option Holder a “see-through” price of HK\$0.8147 per LTIP Option (being the Offer Price minus the exercise price per LTIP Option) for the cancellation of each LTIP Option.
- (b) Under the Share Option Offer, the Offeror is offering the Share Option Holders a nominal value of US\$0.0001 per Share Option (equivalent to HK\$0.0008 per Share Option) (both vested and unvested) for the cancellation of each Share Option, as the exercise price of each Share Option exceeds the Offer Price and the “see-through” price is negative.
- (c) Under the Share Award Offer, the Offeror is implementing certain arrangements such that (i) the RSU Holders will receive Offeror RSUs for the cancellation of all of the RSUs held by them; and (ii) the PSU Holders will receive Offeror PSUs for the cancellation of all of the PSUs held by them, with the vesting of such Offeror RSUs and Offeror PSUs being consistent with the original vesting schedules and the original vesting conditions applicable to the corresponding RSUs and PSUs.

Further details are set out in the section headed “4. *Share Incentive Proposal*” in Part VII – Explanatory Memorandum of this Scheme Document.

You are urged to read the instructions and other terms and conditions of the Share Incentive Proposal in the Letter to the Share Incentive Holders, substantially in the form set out in Appendix VI to this Scheme Document, and the enclosed Form of Acceptance.

5. EXERCISE YOUR RIGHT TO VOTE

If you are a Shareholder or a Beneficial Owner, you are strongly encouraged to exercise your right to vote or give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the EGM.

If you are a Registered Owner holding Share(s) on behalf of one or more Beneficial Owners, you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote.

If you keep any Share(s) in a share lending programme, you are encouraged to recall any outstanding Shares on loan to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Share(s) are deposited in CCASS, you are strongly encouraged to provide your broker, custodian, nominee or other relevant person without delay with instructions or make arrangements with HKSCC Nominees in relation to the manner in which those Share(s) should be voted at the Court Meeting and/or at the EGM, and/or withdraw some or all of your Share(s) from CCASS and become a Registered Owner of such Shares and exercise your right to vote (in person or by proxy) at the Court Meeting and/or the EGM.

IF APPROVED, THE PROPOSAL WILL BE BINDING ON ALL OF THE SCHEME SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING OR THE EGM.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

The expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the following expected timetable. Unless otherwise specified, all times and dates refer to Hong Kong local dates and times.

Hong Kong time
(unless otherwise specified)

Despatch of this Scheme Document and the Letter to the Share Incentive Holders	Friday, 15 September 2023
Latest time for Share Option Holders to lodge notice of exercise of their Share Options in order to become entitled to attend and vote at the Court Meeting and the EGM	4:30 p.m. on Wednesday, 4 October 2023
Latest time for lodging transfers of Shares in order to become entitled to attend and vote at the Court Meeting and the EGM	4:30 p.m. on Wednesday, 4 October 2023
Register of members of the Company closed for determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and entitlements of the Shareholders to attend and vote at the EGM (<i>Note 1</i>)	Thursday, 5 October 2023 to Tuesday, 10 October 2023 (both days inclusive)
Latest time for lodging PINK forms of proxy in respect of the Court Meeting (<i>Note 2</i>)	7:00 a.m. on Sunday, 8 October 2023
Latest time for lodging WHITE forms of proxy in respect of the EGM (<i>Note 2</i>)	7:30 a.m. on Sunday, 8 October 2023
Meeting Record Date	Tuesday, 10 October 2023
Court Meeting (<i>Note 3</i>)	7:00 a.m. on Tuesday, 10 October 2023
EGM (<i>Note 3</i>)	7:30 a.m. on Tuesday, 10 October 2023 (or, if later, immediately after the conclusion or adjournment of the Court Meeting)
Announcement of the results of the Court Meeting and the EGM	no later than 7:00 p.m. on Tuesday, 10 October 2023
Expected last time for trading of the Shares on the Stock Exchange	4:10 p.m. on Wednesday, 11 October 2023

Latest time for Share Option Holders to lodge notice of exercise of their Share Options in order to qualify for entitlements under the Scheme	4:30 p.m. on Friday, 13 October 2023
Court Hearing	Tuesday, 17 October 2023 (Cayman Islands time)
Latest time and date for lodging the Form of Acceptance in relation to the Share Incentive Proposal (<i>Note 4</i>)	4:30 p.m. on Tuesday, 17 October 2023
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme	4:30 p.m. on Tuesday, 17 October 2023
Announcement of (1) the results of the Court Hearing, (2) the expected Effective Date, and (3) the expected date of withdrawal of the listing of the Shares from the Stock Exchange	no later than 8:30 a.m. on Wednesday, 18 October 2023
Register of members of the Company closed for determining entitlements under the Scheme (<i>Note 5</i>)	Wednesday, 18 October 2023 onwards
Record Date	Thursday, 19 October 2023
Effective Date and the effective date of the Share Incentive Proposal (<i>Note 6</i>)	Thursday, 19 October 2023 (Cayman Islands time)
Grant of Offeror RSUs and Offeror PSUs and cancellation of all Share Incentives pursuant to the Share Incentive Proposal (<i>Note 7</i>)	Thursday, 19 October 2023
Announcement of (1) the Effective Date, (2) the results of the Share Incentive Proposal and (3) the withdrawal of the listing of the Shares from the Stock Exchange	no later than 8:30 a.m. on Friday, 20 October 2023
Withdrawal of the listing of the Shares from the Stock Exchange becomes effective (<i>Note 8</i>)	9:00 a.m. on Tuesday, 24 October 2023
Latest time to (1) despatch cheques for cash payment of the Offer Price to the Scheme Shareholders under the Scheme and (2) despatch cheques or effect bank transfer for cash payment to the Share Incentive Holders who have accepted the LTIP Option Offer and/or the Share Option Offer (<i>Note 9</i>)	on or before Tuesday, 31 October 2023

Notes:

1. The register of members of the Company will be closed during such period for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM. This book closure period is not for determining the entitlements under the Scheme.
2. Forms of proxy should be deposited at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event no later than the respective times and dates stated above. In the case of the **PINK** form of proxy in respect of the Court Meeting, it may also be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). If the **WHITE** form of proxy is not lodged at least 48 hours before the time appointed for the EGM, it will not be valid. The completion and return of a form of proxy for the Court Meeting or the EGM will not preclude a Shareholder from attending and voting at the relevant meeting or any adjournment thereof in person. In such event, the relevant form of proxy will be revoked by operation of law.
3. The Court Meeting and the EGM will be held at Board Meeting Room, 5F, Shanghai Marriott Hotel City Centre, 555 Xi Zang (Middle) Road, Huangpu District, Shanghai, China at the times and dates specified above. Please refer to the notice of Court Meeting set out in Appendix IV of this Scheme Document and the notice of EGM set out in Appendix V of this Scheme Document for details.
4. Form of Acceptance, duly completed in accordance with the instructions on them, must be lodged with the Company at 7/F, Verdant Place, No. 128 West Nanjing Road, Huangpu District, Shanghai, PRC, for the attention of the Legal Department and marked "IMAX Corporation – Share Incentive Proposal" by no later than 4:30 p.m. (Hong Kong time) on Tuesday, 17 October 2023 (or such later date and time as may be notified to you by the Offeror and the Company).
5. The register of members of the Company will be closed during such period for the purpose of determining the Scheme Shareholders who are qualified for entitlements under the Scheme.
6. The Scheme will become effective upon the fulfilment or waiver (as applicable) of all of the Conditions to the Proposal as set out in the section headed "3. *Conditions of the Proposal and the Scheme*" in Part VII – Explanatory Memorandum of this Scheme Document.
7. Pursuant to the Share Award Offer, on the Effective Date, each RSU Holder (who accepts the Share Award Offer) will be granted Offeror RSUs under the Offeror LTIP with respect to the unvested RSUs held by him/her as at the Record Date, and each PSU Holder (who accepts the Share Award Offer) will be granted Offeror PSUs under the Offeror LTIP with respect to the unvested PSUs held by him/her as at the Record Date. All Share Incentives will be cancelled on the Effective Date.
8. If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on Tuesday, 24 October 2023.
9. Cheques for payment of the Offer Price to the Scheme Shareholders will be despatched within 7 business days (as defined in the Takeovers Code) following the Effective Date by ordinary post in postage pre-paid envelopes addressed to the person(s) entitled thereto at their respective addresses as appearing on the register of members of the Company as at the Record Date or, in the case of joint holders, at the address appearing on the register of members of the Company as at the Record Date of the joint holder whose name then stands first in the Register in respect of the relevant joint holding.

Payment (by cheque or bank transfer) for acceptances under the LTIP Option Offer and the Share Option Offer in respect of LTIP Options and Share Options in issue as at the Record Date will be despatched or made within 7 business days (as defined in the Takeovers Code) following the Effective Date and (if made by way of cheques) shall be despatched by ordinary post in postage pre-paid envelopes addressed to the relevant Share Incentive Holders at their respective last known addresses as notified by the Share Incentive Holders to the Group or (if made by way of bank transfers) shall be paid into the relevant Share Incentive Holders' bank account as customarily used by them to receive other compensations from the Group (or as otherwise notified by such Share Incentive Holders to the Group).

**IMAX China Holding, Inc.**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1970)

Executive Directors:

Mr. Jiande CHEN
Mr. Jim ATHANASOPOULOS
Ms. Mei-Hui CHOU (Jessie)

Non-executive Directors:

Mr. Richard GELFOND
Mr. Robert LISTER

Independent Non-executive Directors:

Mr. John DAVISON
Ms. Yue-Sai KAN
Ms. Dawn TAUBIN
Mr. Peter LOEHR

Registered Office:

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

Corporate Headquarters:

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

Principal Place of Business

in Hong Kong:
5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

15 September 2023

To the Shareholders and Share Incentive Holders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF
IMAX CHINA HOLDING, INC. BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
IMAX CHINA HOLDING, INC.**

1. INTRODUCTION

On 13 July 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Offer Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares from the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, the Scheme Shares will be cancelled and extinguished on the Effective Date. Contemporaneously with such cancellation and extinguishment, the share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued to the Offeror.

The Shares in which IMAX Barbados (a wholly-owned subsidiary of the Offeror) is interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to approximately 71.63% and 28.37% by IMAX Barbados and the Offeror, respectively, and the listing of the Shares will be withdrawn from the Stock Exchange.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal, the Scheme and the Share Incentive Proposal, and to give you notices of the Court Meeting and the EGM, together with the forms of proxy in relation thereto. Your attention is also drawn to (i) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; (iii) the Explanatory Memorandum set out in Part VII of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III of this Scheme Document.

2. TERMS OF THE PROPOSAL

Subject to the Scheme becoming effective, all of the Scheme Shares will be cancelled in exchange for HK\$10.00 in cash for each Scheme Share.

The Offeror will not increase the Offer Price and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Offer Price.

Your attention is drawn to the section headed “2. *Terms of the Proposal – The Scheme*” in Part VII – Explanatory Memorandum of this Scheme Document.

Settlement of the Offer Price to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

Highest and lowest prices

Your attention is drawn to the section headed “2. *Terms of the Proposal – Highest and lowest prices*” in Part VII – Explanatory Memorandum of this Scheme Document.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Proposal and the Scheme will only become effective and binding on the Company and all of the Scheme Shareholders if the Conditions set out in the section headed “3. *Conditions of the Proposal and the Scheme*” in Part VII – Explanatory Memorandum of this Scheme Document are fulfilled or waived (as applicable).

When all of the Conditions are fulfilled or waived (as applicable), the Scheme will become effective and binding on the Offeror, the Company and all Scheme Shareholders.

Warning: Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

4. SHARE INCENTIVE PROPOSAL

Your attention is drawn to the section headed “4. *Share Incentive Proposal*” in Part VII – Explanatory Memorandum of this Scheme Document.

5. CONFIRMATION OF FINANCIAL RESOURCES

The Offeror has appointed Morgan Stanley as its financial adviser in connection with the Proposal and the Share Incentive Proposal.

Your attention is drawn to the section headed “5. *Confirmation of Financial Resources*” in Part VII – Explanatory Memorandum of this Scheme Document.

6. SHAREHOLDING STRUCTURE OF THE COMPANY

Your attention is drawn to the section headed “6. *Shareholding Structure of the Company*” in Part VII – Explanatory Memorandum of this Scheme Document.

7. INFORMATION ON THE GROUP

Your attention is drawn to the section headed “7. *Information on the Group*” in Part VII – Explanatory Memorandum of this Scheme Document.

8. INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “8. *Information on the Offeror*” in Part VII – Explanatory Memorandum of this Scheme Document.

9. INTENTION OF THE OFFEROR WITH REGARD TO THE GROUP

Your attention is drawn to the section headed “9. *Intention of the Offeror with regard to the Group*” in Part VII – Explanatory Memorandum of this Scheme Document.

The Board is pleased to note that as at the Latest Practicable Date, the Offeror intended for the Group to continue to carry on its existing business and the Offeror did not have any plan to make any material change to: (a) the business of the Group (including any redeployment of any fixed asset of the Group); or (b) the continued employment of the employees of the Group (other than in the ordinary course of business).

10. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Ms. Yue-Sai KAN, Mr. John DAVISON, Ms. Dawn TAUBIN and Mr. Peter LOEHR (being all of the independent non-executive Directors), has been established by the Board to make a recommendation to the Disinterested Shareholders and the Share Incentive Holders (as applicable) as to: (i) whether the terms of the Proposal, the Scheme and the Share Incentive Proposal are, or are not, fair and reasonable; (ii) voting by the Disinterested Shareholders on the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Proposal at the EGM; and (iii) acceptance by the Share Incentive Holders of the Share Incentive Proposal.

As Mr. Richard GELFOND (being a non-executive Director and the chairman of the Board) is also the Chief Executive Officer of the Offeror and Mr. Robert LISTER (being a non-executive Director) is also the Chief Legal Officer and Senior Executive Vice President of the Offeror, Mr. Richard GELFOND and Mr. Robert LISTER are regarded as being interested in the Proposal and do not form part of the Independent Board Committee.

The Board, with the approval of the Independent Board Committee, has appointed Somerley as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Share Incentive Proposal pursuant to Rule 2.1 of the Takeovers Code.

The Independent Financial Adviser has advised the Independent Board Committee that it considers that the terms of the Proposal, the Scheme and the Share Incentive Proposal are fair and reasonable so far as the Disinterested Shareholders and the Share Incentive Holders are respectively concerned, and accordingly, it advises the Independent Board Committee to recommend to (a) the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme; and (b) the Share Incentive Holders to accept the Share Incentive Proposal.

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

The Independent Board Committee, having been so advised, considers that the terms of the Proposal, the Scheme and the Share Incentive Proposal are fair and reasonable so far as the Disinterested Shareholders and the Share Incentive Holders are respectively concerned. Accordingly, the Independent Board Committee recommends (a) the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme; and (b) the Share Incentive Holders to accept the Share Incentive Proposal.

The full text of the letter from the Independent Board Committee in relation to its recommendations with respect to the Proposal, the Scheme and the Share Incentive Proposal is set out in Part V of this Scheme Document.

11. REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed “*11. Reasons for and Benefits of the Proposal*” in Part VII – Explanatory Memorandum of this Scheme Document.

12. ACTIONS TO BE TAKEN

Your attention is drawn to Part II – Actions to be Taken of this Scheme Document.

13. COURT MEETING AND EGM

In accordance with the directions of the Grand Court, the Court Meeting will be held at Board Meeting Room, 5F, Shanghai Marriott Hotel City Centre, 555 Xi Zang (Middle) Road, Huangpu District, Shanghai, China on Tuesday, 10 October 2023 at 7:00 a.m. The EGM will be held at Board Meeting Room, 5F, Shanghai Marriott Hotel City Centre, 555 Xi Zang (Middle) Road, Huangpu District, Shanghai, China on Tuesday, 10 October 2023 at 7:30 a.m. (or, if later, as soon thereafter as the Court Meeting shall have been concluded or adjourned).

For the purpose of exercising your right to vote at the Court Meeting and/or the EGM, you are requested to read carefully the section headed “*13. Court Meeting and EGM*” in Part VII – Explanatory Memorandum of this Scheme Document, Part II – Actions to be Taken of this Scheme Document, the notice of Court Meeting in Appendix IV of this Scheme Document and the notice of EGM in Appendix V of this Scheme Document.

Only Scheme Shareholders as at the Meeting Record Date may attend and vote at the Court Meeting to approve the Scheme. IMAX Barbados, as an Offeror Concert Party, will provide an undertaking to the Grand Court not to attend and vote at the Court Meeting. The Offeror has also undertaken to the Grand Court to be bound by the Scheme, so as to ensure that it will comply with and be subject to the terms and conditions of the Scheme.

All Shareholders as at the Meeting Record Date will be entitled to attend the EGM and to vote on the special resolution to approve and give effect to (a) any reduction of the issued share capital of the Company on the Effective Date by cancelling the Scheme Shares; and (b) the contemporaneous issuance to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled and the application of the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares.

As the Share Award Trustee is not acting in concert with the Offeror, any Shares held by the Share Award Trustee are Disinterested Shares and are entitled to be voted at the Court Meeting and the EGM. However, pursuant to Rule 17.05A of the Listing Rules and the rules of the RSU Scheme and the PSU Scheme, the Share Award Trustee shall not exercise the voting rights attached to the Shares held by it. As at the Latest Practicable Date, the Share Award Trustee did not hold any Shares.

14. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect immediately from 9:00 a.m. on Tuesday, 24 October 2023 subject to the Scheme becoming effective.

The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares from the Stock Exchange will become effective.

15. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

If the Scheme is not approved or the Proposal otherwise lapses, an announcement will be made by the Offeror and the Company, and:

- (a) no Scheme Shares will be cancelled or extinguished, the shareholding structure of the Company will not change as a result of the Proposal, and the Company will continue to have sufficient public float as required by the Listing Rules;
- (b) the listing of the Shares on the Stock Exchange will not be withdrawn;
- (c) as the Share Incentive Proposal is conditional upon the Scheme becoming effective, the Share Incentive Proposal will lapse; and
- (d) there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses: (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

16. REGISTRATION AND PAYMENT

Your attention is drawn to the section headed “*16. Registration and Payment*” in Part VII – Explanatory Memorandum of this Scheme Document.

17. OVERSEAS SCHEME SHAREHOLDERS AND OVERSEAS SHARE INCENTIVE HOLDERS

Your attention is drawn to the section headed “*17. Overseas Scheme Shareholders and Overseas Share Incentive Holders*” in Part VII – Explanatory Memorandum of this Scheme Document.

18. TAXATION ADVICE

Your attention is drawn to the section headed “*18. Taxation Advice*” in Part VII – Explanatory Memorandum of this Scheme Document.

19. COSTS OF THE SCHEME

Your attention is drawn to the section headed “*19. Costs of the Scheme*” in Part VII – Explanatory Memorandum of this Scheme Document.

20. GENERAL

As Mr. Richard GELFOND (being a non-executive Director and the chairman of the Board) is also the Chief Executive Officer of the Offeror and Mr. Robert LISTER (being a non-executive Director) is also the Chief Legal Officer and Senior Executive Vice President of the Offeror, Mr. Richard GELFOND and Mr. Robert LISTER are regarded as being interested in the Proposal. Accordingly, Mr. Richard GELFOND and Mr. Robert LISTER have not participated in, and will abstain from voting in, any vote of the Board in relation to the Proposal, the Scheme and the Share Incentive Proposal.

The Directors (including members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in Part V of this Scheme Document) believe that the terms of the Proposal, the Scheme and the Share Incentive Proposal are fair and reasonable so far as the Disinterested Shareholders and the Share Incentive Holders are respectively concerned.

21. RECOMMENDATIONS

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal, the Scheme and the Share Incentive Proposal as set out in the letter from the Independent Board Committee to the Disinterested Shareholders and the Share Incentive Holders in Part V of this Scheme Document.

Your attention is also drawn to the recommendations of the Independent Financial Adviser in respect of the Proposal, the Scheme and the Share Incentive Proposal as set out in Part VI of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Proposal, the Scheme or the Share Incentive Proposal.

22. FURTHER INFORMATION

You are urged to read carefully:

- (a) the letter from the Independent Board Committee to the Disinterested Shareholders and the Share Incentive Holders set out in Part V of this Scheme Document;
- (b) the letter from the Independent Financial Adviser to the Independent Board Committee set out in Part VI of this Scheme Document;
- (c) the Explanatory Memorandum set out in Part VII of this Scheme Document;
- (d) the appendices of this Scheme Document, including the Scheme set out in Appendix III of this Scheme Document;
- (e) the notice of Court Meeting set out in Appendix IV of this Scheme Document; and
- (f) the notice of EGM set out in Appendix V of this Scheme Document.

In addition, a **PINK** form of proxy in respect of the Court Meeting and a **WHITE** form of proxy in respect of the EGM are enclosed with this Scheme Document.

If you are a Share Incentive Holder, you are also urged to read carefully the Letter to the Share Incentive Holders, substantially in the form set out in Appendix VI to this Scheme Document, and the enclosed Form of Acceptance.

On behalf of the Board
IMAX China Holding, Inc.
Yifan (Yvonne) He
Joint Company Secretary



IMAX China Holding, Inc.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1970)

15 September 2023

To the Disinterested Shareholders and Share Incentive Holders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF
IMAX CHINA HOLDING, INC. BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
IMAX CHINA HOLDING, INC.**

We refer to the scheme document (the “**Scheme Document**”) dated 15 September 2023 jointly issued by the Company and the Offeror in relation to the Proposal and the Share Incentive Proposal, of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as given to them in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Disinterested Shareholders and the Share Incentive Holders (as applicable) as to: (i) whether the terms of the Proposal, the Scheme and the Share Incentive Proposal are, or are not, fair and reasonable; (ii) voting by the Disinterested Shareholders on the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Proposal at the EGM; and (iii) acceptance by the Share Incentive Holders of the Share Incentive Proposal.

Somerley, the Independent Financial Adviser, has been appointed by the Company with our approval, to advise us in respect of the Proposal, the Scheme and the Share Incentive Proposal.

We wish to draw your attention to (a) the letter from the Board as set out in Part IV of the Scheme Document; (b) the letter from the Independent Financial Adviser as set out in Part VI of the Scheme Document which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations; and (c) the Explanatory Memorandum as set out in Part VII of the Scheme Document.

PART V LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, having considered the terms of the Proposal, the Scheme and the Share Incentive Proposal, and having taken into account the advice and recommendation of the Independent Financial Adviser to us, and in particular the factors, reasons and recommendations as set out in the Independent Financial Adviser's letter, consider that the terms of the Proposal, the Scheme and the Share Incentive Proposal are fair and reasonable so far as the Disinterested Shareholders and the Share Incentive Holders are respectively concerned.

Accordingly, we recommend:

- (1) at the Court Meeting, the Disinterested Shareholders to vote in favour of the Scheme;
- (2) at the EGM, the Shareholders to vote in favour of the special resolution to: (i) approve and give effect to any reduction of the issued share capital of the Company on the Effective Date by cancelling the Scheme Shares; and (ii) contemporaneously issue to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares; and
- (3) the Share Incentive Holders to accept the Share Incentive Proposal.

Yours faithfully,

Independent Board Committee

Mr. John DAVISON	Ms. Yue-Sai KAN	Ms. Dawn TAUBIN	Mr. Peter LOEHR
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>Non-executive</i>	<i>Non-executive</i>	<i>Non-executive</i>	<i>Non-executive</i>
<i>Director</i>	<i>Director</i>	<i>Director</i>	<i>Director</i>

Set out below is the letter of advice from Somerley Capital Limited, the Independent Financial Adviser to the Independent Board Committee regarding the Proposal, the Scheme and the Share Incentive Proposal, prepared for the purpose of incorporation in this Scheme Document.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

15 September 2023

To: the Independent Board Committee of IMAX China Holding, Inc.

Dear Sirs,

**(1) PROPOSED PRIVATISATION OF
IMAX CHINA HOLDING, INC. BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
IMAX CHINA HOLDING, INC.**

I. INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Share Incentive Proposal. Details of the Proposal, the Scheme and the Share Incentive Proposal are contained in the Scheme Document dated 15 September 2023, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 13 July 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Offer Price of HK\$10.00 in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange. As at the Latest Practicable Date, there were 6,184,783 outstanding Share Incentives, comprising 1,518,800 LTIP Options, 1,295,392 Share Options, 2,482,605 RSUs and 887,986 PSUs. The Offeror is making appropriate offers to the Share Incentive Holders in accordance with Rule 13 of the Takeovers Code.

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Ms. Yue-Sai KAN, Mr. John DAVISON, Ms. Dawn TAUBIN and Mr. Peter LOEHR (being all of the independent non-executive Directors), has been established by the Board to make recommendations to the Disinterested Shareholders and the Share Incentive Holders (as applicable) as to: (i) whether the terms of the Proposal, the Scheme and the Share Incentive Proposal are, or are not, fair and reasonable; (ii) whether to vote in favour of the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Proposal at the EGM; and (iii) acceptance by the Share Incentive Holders of the Share Incentive Proposal. As Mr. Richard GELFOND (being a non-executive Director and the chairman of the Board) is also the Chief Executive Officer of the Offeror and Mr. Robert LISTER (being a non-executive Director) is also the Chief Legal Officer and Senior Executive Vice President of the Offeror, Mr. Richard GELFOND and Mr. Robert LISTER are regarded as being interested in the Proposal and do not form part of the Independent Board Committee. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise them as regards their recommendation on the Proposal, the Scheme and the Share Incentive Proposal.

We are not associated with the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Proposal, the Scheme and the Share Incentive Proposal. There has been no business relationship between the Company, its associated companies or the Offeror and us in the past two years. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them. We are not aware of any relationship or interest between us and the Company, the Offeror or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee in respect of the Proposal, the Scheme and the Share Incentive Proposal.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group (“**Management**”), which we have assumed to be true, accurate and complete in all material aspects at the Latest Practicable Date. We have also assumed that all representations contained or referred to in the Scheme Document were true, accurate and complete at the time they were made and remain so at the Latest Practicable Date. The Disinterested Shareholders and the Share Incentive Holders will be informed of any material change in this regard as soon as possible up to the Effective Date.

We have reviewed, among other things, the Announcement, the Scheme Document, the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 (“**2022 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2023 (“**2023 Interim Report**”). We have sought and received confirmation from the Directors that no material fact has been omitted from the information supplied and opinions expressed to us by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material fact has been omitted or withheld. We have not, however, conducted any independent investigation into the businesses and affairs of the Group, nor have we carried out any independent verification on the information supplied.

II. TERMS AND CONDITIONS OF THE PROPOSAL, THE SCHEME AND THE SHARE INCENTIVE PROPOSAL

1. The Scheme

The Proposal comprises the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Offer Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares from the Stock Exchange.

Subject to the Scheme becoming effective, all of the Scheme Shares will be cancelled in exchange for HK\$10.00 in cash for each Scheme Share.

The Offeror will not increase the Offer Price and does not reserve the right to do so.

2. The Share Incentive Proposal

(a) LTIP Option Offer

As at the Latest Practicable Date, there are 1,518,800 LTIP Options granted under the LTIP (all of which had vested and were exercisable), each giving the LTIP Option Holder the right to subscribe for one new Share per LTIP Option (if the Board determines, in its absolute discretion, to settle with Shares). The exercise price of the LTIP Options is US\$1.1852 per LTIP Option (approximately HK\$9.1853 per LTIP Option).

Under the LTIP Option Offer, the Offeror is offering the LTIP Option Holder a “see-through” price of HK\$0.8147 per LTIP Option (being the Offer Price minus the exercise price per LTIP Option) for the cancellation of each LTIP Option. The LTIP Option Offer is conditional upon the Scheme becoming effective.

(b) Share Option Offer

As at the Latest Practicable Date, there are 1,295,392 Share Options granted under the Share Option Scheme (all of which had vested and were exercisable), each giving the Share Option Holders the right to subscribe for one new Share per Share Option (if the Board determines, in its absolute discretion, to settle with Shares). The relevant exercise price applicable to each Share Option ranges from HK\$18.24 to HK\$36.94 per Share Option.

Under the Share Option Offer, the Offeror is offering the Share Option Holders a nominal value of US\$0.0001 per Share Option (equivalent to HK\$0.0008 per Share Option) for the cancellation of each Share Option, as the exercise price of each Share Option exceeds the Offer Price and the “see-through” price is negative. The Share Option Offer is conditional upon the Scheme becoming effective.

(c) Share Award Offer

As at the Latest Practicable Date, there are 2,482,605 RSUs granted under the RSU Scheme and 887,986 PSUs granted under the PSU Scheme which have not yet vested, each giving the RSU Holders and the PSU Holders (as the case may be) a contingent right upon the vesting of such RSUs or PSUs to receive one new Share per RSU or PSU for no consideration (if the Board determines, in its absolute discretion, to settle with Shares).

Under the rules of the RSU Scheme and the PSU Scheme, there is no automatic acceleration or cancellation of unvested RSUs and PSUs triggered by a takeover or scheme of arrangement of the Company. The unvested RSUs and PSUs will therefore not be accelerated for vesting as a result of the Proposal.

The Offeror is implementing the arrangements set out in detail in the sub-section headed “4. Share Incentive Proposal – Share Award Offer” in the Explanatory Memorandum contained in the Scheme Document, to the effect that (i) the RSU Holders will receive Offeror RSUs for the cancellation of all of the RSUs held by them; and (ii) the PSU Holders will receive Offeror PSUs for the cancellation of all of the PSUs held by them, with the vesting of such Offeror RSUs and Offeror PSUs being consistent with the original vesting schedules and the original vesting conditions applicable to the corresponding RSUs and PSUs. The number of Offeror RSUs to be granted to each RSU Holder in respect of a particular RSU Tranche held by such RSU Holder shall be determined based on the number of unvested RSUs multiplied by the Offer Price and divided by closing price per share of the Offeror on the relevant date of grant of the RSUs. The same principle will be applied in determining the number of Offeror PSUs to be granted to each PSU Holder.

The Share Award Offer is conditional on the Scheme becoming effective.

Any RSU Holder or PSU Holder who does not accept the Share Award Offer will not receive any Offeror RSUs or Offeror PSUs (as the case may be) under the Share Award Offer in respect of his/her outstanding RSUs and/or PSUs as at the Record Date. The Board will then exercise its discretion to cancel such RSUs and PSUs for nil consideration in accordance with the terms and conditions of the RSU Scheme and PSU Scheme.

Further details of the terms of the Proposal, the Scheme and the Share Incentive Proposal are set out in the letter from the Board and the Explanatory Statement contained in the Scheme Document.

3. Conditions of the Proposal and the Scheme

The Proposal and the Scheme will only become effective and binding on the Company and all of the Scheme Shareholders if, among other things, the following Conditions are fulfilled:

- (a) the approval of the Scheme (by way of poll) at the Court Meeting by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders entitled to vote at the Court Meeting, present and voting either in person or by proxy at the Court Meeting (with IMAX Barbados having provided an undertaking to the Grand Court not to attend and vote at the Court Meeting), provided that:
 - (i) the Scheme is approved (by way of a poll) by not less than 75% of the votes attaching to the Disinterested Shares cast by the Disinterested Shareholders, present and voting either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of a poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all of the Disinterested Shares;
- (b) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to (i) approve and give effect to any reduction of the issued share capital of the Company on the Effective Date by cancelling the Scheme Shares; and (ii) contemporaneously issue to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares; and
- (c) the sanction of the Scheme (with or without modifications) by the Grand Court and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration.

The Conditions in paragraphs (a) to (c) cannot be waived. The Proposal and the Scheme are subject to other standard Conditions as set out in the Explanatory Statement contained in the Scheme Document.

As at the Latest Practicable Date, none of the above Conditions has been fulfilled or waived. All of the Conditions must be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

Further details of the Conditions are set out in the Explanatory Statement contained in the Scheme Document.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Proposal, the Scheme and the Share Incentive Proposal, we have taken into consideration the following principal factors and reasons:

1. Background and information of the Company

(a) Shareholding and option structures of the Company

As at the Latest Practicable Date, the Company had 339,593,143 Shares in issue. The Offeror and the Offeror Concert Parties held 243,262,600 Shares, representing approximately 71.63% of the issued share capital of the Company. The Offeror is a company incorporated in Canada and is listed on the New York Stock Exchange. The Disinterested Shareholders held the remaining balance of 96,330,543 Shares, representing approximately 28.37% of the issued share capital of the Company. This shareholding level of 28.37% is slightly above the minimum 25% free float requirement under Stock Exchange regulations and has limited both the trading liquidity of the Shares and the Company's programme of buying back Shares in the market. During the years from 2018 to 2022, the Company repurchased approximately 21.1 million Shares, which compares with the approximately 96.3 million Shares now held by the Disinterested Shareholders.

The Share Incentive Holders held 6,184,783 outstanding Share Incentives, comprising 1,518,800 LTIP Options, 1,295,392 Share Options, 2,482,605 RSUs, and 887,986 PSUs. Save for the above, as at the Latest Practicable Date, there were no outstanding shares, options, warrants, convertible securities or other relevant securities issued by the Company.

(b) Principal businesses of the Group

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

The Group derives a majority of its revenue from two primary sources, namely:

- (i) content solutions business ("**Content Solutions**") which principally involves content enhancement, including the digital remastering of films and other content into IMAX formats for distribution to the IMAX network ("**IMAX DMR Films**").

For the six months ended 30 June 2023 and 2022, Content Solutions accounted for approximately 31.3% and 19.9% of the Group's revenue, respectively; and

(ii) technology products and services business (“**Technology Products and Services**”) which principally involves the sales, lease, and maintenance of IMAX systems. For the six months ended 30 June 2023 and 2022, Technology Products and Services accounted for approximately 68.1% and 79.8% of the Group’s revenue, respectively. This segment includes the following activities for the percentage of the full year of 2022 and 2021 revenues as shown in brackets:

- (1) sale or lease of IMAX systems (“**IMAX Systems**”) (27.9%/36.6%);
- (2) a portion of exhibitor’s box office generated from IMAX films over the term of the arrangement and fixed upfront fee generated from hybrid revenue sharing arrangements (“**Revenue Sharing Arrangements**”) (15.6%/20.2%);
- (3) the maintenance of IMAX systems (“**IMAX Maintenance**”) (34.8%/22.7%);
and
- (4) certain ancillary theatre business activities such as after-market sales of IMAX system parts and 3D glasses (“**Other Theatre Business**”) (1.2%/0.8%).

Revenue from these two primary sources can be further described as follows:

(i) *IMAX DMR Films*

Under IMAX DMR Films, the Group generates revenue from a certain percentage of IMAX box office received by their studio partners for the conversion and release of Hollywood and Chinese language films to the IMAX theatre network. The following table sets out the number of films the Group released in the IMAX format in the first half of 2023 and 2022 and the full years of 2022, 2021, 2020 and 2019 in Greater China:

	For the six months ended 30 June		For the year ended 31 December			
	2023	2022	2022	2021	2020	2019
Hollywood films	14	8	10	13	16	30
Hollywood films (Hong Kong, Taiwan and Macau only)	5	8	14	16	8	7
Chinese language films	10	4	13	21	9	14
Other films	3	–	2	–	–	–
Other films (Hong Kong, Taiwan and Macau only)	1	–	6	–	–	–
Total IMAX films released	33	20	45	50	33	51

(ii) IMAX Systems

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

(iii) Revenue Sharing Arrangements

The Group has two types – full revenue sharing arrangements and hybrid revenue sharing arrangements.

Under full revenue sharing arrangements, the Group leases IMAX theatre systems to its exhibitor partners, and provides related services, in return for ongoing fees of contingent rent based on a percentage of the IMAX box office from the relevant IMAX theatre. Under full revenue sharing arrangements, the customer pays no upfront fee.

Under hybrid revenue sharing arrangements, the Group receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theatre. The Group also receives a fixed upfront fee. Contingent rent revenue from revenue sharing arrangements is recognised when reported by its exhibitor partners.

(iv) IMAX Maintenance

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

(v) Other Theatre Business

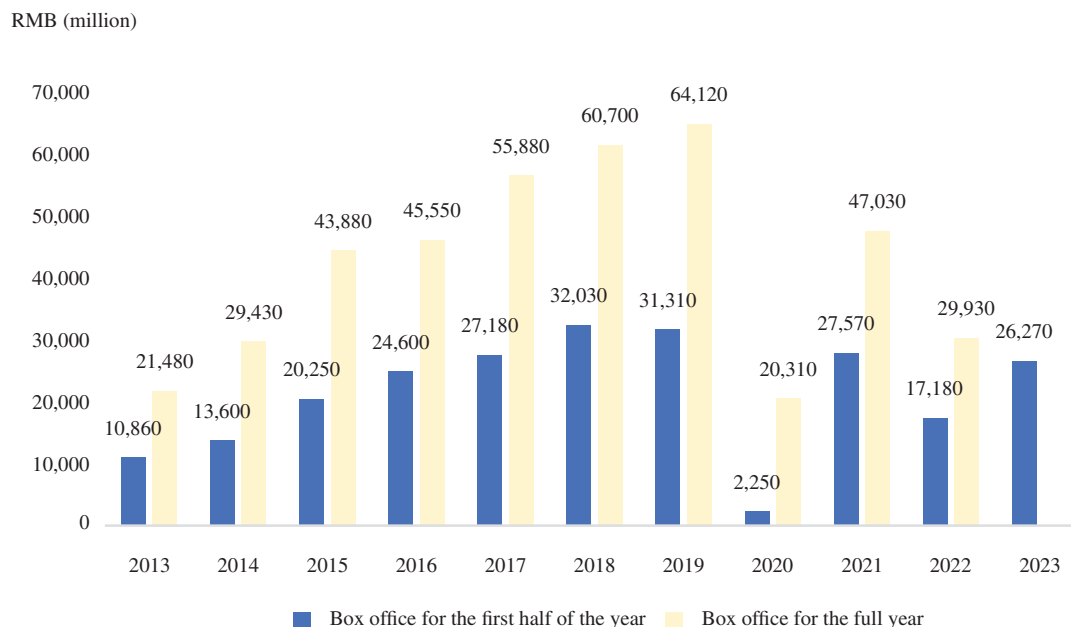
Under Other Theatre Business, the Group generates revenue from the aftermarket sales of 3D glasses, screen sheets, parts and other items.

2. Industry overview

As all revenue earned by the Group is generated from the activities of IMAX theatres operating in Greater China and over 95% of the IMAX theatres in operation are located in the PRC, we have reviewed the trends and outlook of the film industry of the PRC.

Details of the box office revenue in the PRC are set out in the Chart 1 below.

Chart 1: Box office revenue in the PRC



Sources: Top Consulting¹ and China Movie Database²

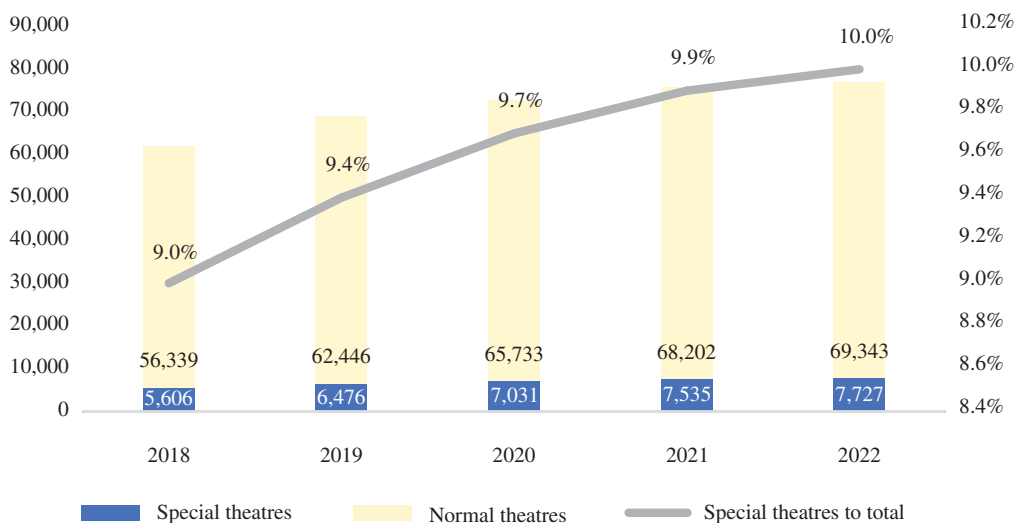
The annual box office revenue in the PRC grew from approximately RMB21,480 million in 2013 to RMB64,120 million in 2019 (pre-COVID-19 period), representing a compound annual growth rate (“CAGR”) of approximately 20.0% during the period. However, due to the outbreak of COVID-19 pandemic and the implementation of relevant control measures, box office revenue in 2020 decreased dramatically by approximately 68.3% to approximately RMB20,310 million, a level similar to 2013. After the partial relaxation of the COVID-19-related restrictive measures, box office revenue in 2021 rebounded by approximately 131.6% to approximately RMB47,030 million, only to slump again in 2022 by approximately 36.4% to approximately RMB29,930 million principally attributable to rolling closure of theatres throughout the year due to the resurgence of the COVID-19 pandemic and the reduced supply of Hollywood releases in the PRC. PRC box office revenue in the first half of 2023 was approximately RMB26,270 million, representing an increase of approximately 52.9% as compared to the corresponding period in the prior year, and slightly lower than the level for the corresponding period in 2017 and 2021, ranking fifth in the period 2013-2023.

1 Top Consulting, or Beijing Top Century Culture Consulting Co. LTD (北京拓普世紀資訊諮詢有限公司), is a Beijing-based film consulting company, providing data information, industry research, market research, business consulting, and other services to customers in the PRC film industry.

2 China Movie Database (中國電影數據信息網) is a PRC box office data platform operated by National Commission for the Management of Special Funds for the Development of Film Industry (國家電影事業發展專項資金管理委員會辦公室).

IMAX is a type of special theatre operating in the PRC and includes special designed theatre systems, larger screens, special theatre geometry, and advanced projectors and sound systems. It also includes film conversion and capture technologies, all of which offer moviegoers a different and more immersive film viewing experience compared to a conventional theatre and film. Other offerings that position themselves as non-conventional, special theatres operating in the PRC market include Dolby cinema and certain others. Set out below in Chart 2 are the numbers of special and normal theatres in the PRC for the period from 2018 to 2022.

Chart 2: Number of special and normal theatres in the PRC



Source: Top Consulting

As shown in Chart 2 above, the number of both special and normal theatres grew during 2018 to 2022. The percentage of special theatres to the total number of theatres also edged up, from approximately 9% to 10%, with special theatres increasing at a faster rate than normal theatres.

In macro-economic terms, several commentators, including investment banks and credit rating agencies, expected the projected gross domestic product growth in 2023 to be between 4.5% and 5.7%, down from 4.9% to 6.3% as previously forecast. The downward adjustments were mainly due to (i) a lack of tangible stimulus measures; (ii) liquidity concerns in the property sector; and (iii) retail sales rising only by 2.5% in July from a year ago, below expectations for a 4.5% increase.

3. Financial performance of the Group

Set out in the table below is a summary of the financial results of the Group for the six months ended 30 June 2023 (“6M2023”) and 2022 (“6M2022”) and the years ended 31 December 2022 (“FY2022”), 2021 (“FY2021”), 2020 (“FY2020”) and 2019 (“FY2019”) (collectively, “Review Period”).

	For the six months ended 30 June		For the year ended 31 December			
	2023	2022	2022	2021	2020	2019
	(Unaudited) US\$'000	(Unaudited) US\$'000	(Audited) US\$'000	(Audited) US\$'000	(Audited) US\$'000	(Audited) US\$'000
Revenue	45,342	32,713	73,330	112,801	52,331	124,294
Cost of sales	(16,624)	(14,088)	(33,633)	(44,613)	(32,984)	(47,647)
Gross profit	28,718	18,625	39,697	68,188	19,347	76,647
Selling, general and administrative expenses	(8,979)	(9,545)	(15,530)	(16,820)	(14,381)	(16,465)
Other operating expenses (Provisions)/Reversals of net impairment losses on financial assets	(2,503) (807)	(1,873) (613)	(3,968) (1,319)	(6,062) 3,997	(3,900) (10,892)	(6,534) (483)
Other losses	–	(4,470)	(4,470)	–	–	–
Operating profit/(loss)	16,429	2,124	14,410	49,303	(9,826)	53,165
Interest income	726	728	1,040	1,643	1,330	1,771
Interest expense	(282)	(48)	(169)	(458)	(108)	(93)
Profit/(Loss) before income tax	16,873	2,804	15,281	50,488	(8,604)	54,843
Income tax expense	(2,997)	(2,038)	(4,523)	(12,271)	(18,135)	(11,950)
Profit/(Loss) for the period/year attributable to the Shareholders	13,876	766	10,758	38,217	(26,739)	42,893
Gross profit margin	63.3%	56.9%	54.1%	60.4%	37.0%	61.7%
Net profit/(loss) margin	30.6%	2.3%	14.7%	33.9%	(51.1)%	34.5%
Earnings/(Loss) per Share (basic and diluted) (US\$)	0.04	0.00	0.03	0.11	(0.08)	0.12
Dividend per Share (US\$)	Nil	0.001	0.016	0.055	0.040	0.040
– Final	Not applicable	Not applicable	0.015	0.027	0.020	0.020
– Interim	Nil	0.001	0.001	0.028	0.020	0.020

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) Revenue

Revenue generated by the Group was all derived from Greater China, namely the PRC, Hong Kong, Taiwan and Macau. The Group's revenue has recently shown considerable volatility due primarily to the COVID-19 pandemic. Set out below is the summary of the Group's segmental revenue for FY2022, FY2021, FY2020 and FY2019.

	For the year ended 31 December							
	2022		2021		2020		2019	
	US\$'000	% to total revenue	US\$'000	% to total revenue	US\$'000	% to total revenue	US\$'000	% to total revenue
IMAX Technology Network (Note 1)								
IMAX DMR Films	14,908	20.3%	21,750	19.3%	7,721	14.7%	28,128	22.6%
Revenue Sharing Arrangements – contingent rent	10,399	14.2%	17,623	15.6%	7,461	14.3%	24,791	19.9%
	<u>25,307</u>	<u>34.5%</u>	<u>39,373</u>	<u>34.9%</u>	<u>15,182</u>	<u>29.0%</u>	<u>52,919</u>	<u>42.5%</u>
IMAX Technology Sales and Maintenance (Note 2)								
IMAX Systems	20,479	27.9%	41,413	36.6%	23,953	45.8%	41,543	33.4%
Revenue Sharing Arrangements – upfront fees	1,013	1.4%	5,150	4.6%	1,285	2.5%	7,162	5.8%
IMAX Maintenance	25,539	34.8%	25,581	22.7%	11,156	21.3%	21,387	17.2%
Other Theatre Business	855	1.2%	858	0.8%	543	1.0%	941	0.8%
	<u>47,886</u>	<u>65.3%</u>	<u>73,002</u>	<u>64.7%</u>	<u>36,937</u>	<u>70.6%</u>	<u>71,033</u>	<u>57.2%</u>
Others	137	0.2%	426	0.4%	212	0.4%	342	0.3%
	<u>48,023</u>	<u>65.5%</u>	<u>73,428</u>	<u>65.1%</u>	<u>37,149</u>	<u>71.0%</u>	<u>71,375</u>	<u>57.5%</u>
Total revenue	<u>73,330</u>	<u>100.0%</u>	<u>112,801</u>	<u>100.0%</u>	<u>52,331</u>	<u>100.0%</u>	<u>124,294</u>	<u>100.0%</u>

Notes:

1. IMAX technology network (“**IMAX Technology Network**”) earns revenue based on contingent box office receipts and includes the IMAX DMR Films and contingent rent from the Revenue Sharing Arrangements.
2. IMAX technology sales and maintenance (“**IMAX Technology Sales and Maintenance**”) includes results from IMAX Systems, IMAX Maintenance and Other Theatre Business, as well as upfront fees from the Revenue Sharing Arrangements.

FY2020

The revenue of the Group for the year ended 31 December 2020 was approximately US\$52.3 million, representing a drop of approximately US\$72.0 million or approximately 57.9% as compared with approximately US\$124.3 million for the year ended 31 December 2019. The drop was primarily driven by (i) a decrease in IMAX Technology Network revenue of approximately US\$37.7 million, primarily due to the decrease in box office revenue as a result of the outbreak of the COVID-19 pandemic; and (ii) a decrease in IMAX Technology Sales and Maintenance revenue of approximately US\$34.1 million, mainly attributable to 12 fewer sales and sales-type lease arrangements due to a construction slowdown, 13 fewer hybrid revenue sharing installations and suspension of regular maintenance services during the theatre closure period as a result of the outbreak of COVID-19 pandemic.

FY2021

The revenue of the Group rebounded by approximately US\$60.5 million or approximately 115.7% to approximately US\$112.8 million for the year ended 31 December 2021. The rebound was predominantly driven by (i) an increase in IMAX Technology Network revenue of approximately US\$24.2 million, primarily due to the increase in the box office revenue generated by IMAX films after theatre re-openings; and (ii) an increase in IMAX Technology Sales and Maintenance revenue of approximately US\$36.1 million, mainly attributable to 13 more sales and sales-type lease arrangements, 9 new hybrid revenue sharing installations and the resumption of regular maintenance services due to further normalisation of business activities previously impacted by the COVID-19 pandemic.

FY2022

The revenue of the Group declined by approximately US\$39.5 million or approximately 35.0% to approximately US\$73.3 million for the year ended 31 December 2022. The decline was mainly driven by (i) a decrease in IMAX Technology Network revenue of approximately US\$14.1 million, principally attributable to a decrease in box office revenue as a result of the COVID-19 theatre temporary closures in some major cities in the PRC, weaker performance during the Chinese New Year and National Holiday periods and certain top IMAX Hollywood films globally not securing release dates in the PRC; and (ii) a decrease in IMAX Technology Sales and Maintenance revenue of approximately US\$25.1 million attributable to 18 fewer sales and sales-type lease arrangements due to a slowdown in new theatre development, driven by the significant reduction of industry box office and revenues impacted by local COVID-19 control policies and fewer Hollywood films.

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6M2023

Set out below is the summary of the Group's segmental revenue for 6M2023 and 6M2022.

	For the six months ended 30 June			
	2023		2022	
	<i>US\$'000</i>	<i>% to total revenue</i>	<i>US\$'000</i>	<i>% to total revenue</i>
Content Solutions				
Film remastering <i>(Note 1)</i>	14,178	31.3%	6,519	19.9%
	14,178	31.3%	6,519	19.9%
Technology Products and Services				
System sales <i>(Note 2)</i>	7,030	15.5%	4,907	15.0%
System rentals <i>(Note 3)</i>	11,207	24.7%	5,166	15.8%
Maintenance <i>(Note 4)</i>	11,040	24.3%	14,099	43.1%
Finance income <i>(Note 5)</i>	1,619	3.6%	1,940	5.9%
	30,896	68.1%	26,112	79.8%
Others	268	0.6%	82	0.3%
Total revenue	45,342	100.0%	32,713	100.0%

Notes:

1. Film remastering refers to IMAX DMR Films.
2. System sales refers to (a) upfront fees under Revenue Sharing Arrangements; (b) IMAX Systems; and (c) Other Theatre Business, excluding finance income as described in note 5 below.
3. System rentals refers to contingent rent under Revenue Sharing Arrangements.
4. Maintenance refers to IMAX Maintenance.
5. Finance income refers to the recognition of difference between initial payment received and the present value of fixed minimum ongoing payments over the specified arrangement period.

For the six months ended 30 June 2023, the Group's revenue amounted to approximately US\$45.3 million, representing an increase of approximately 38.5% as compared to the corresponding period in 2022 of approximately US\$32.7 million. The improvement in the revenue was primarily driven by (i) an increase in the Content Solutions revenue of approximately US\$7.7 million, as a result of the increase in box office revenue arising from the reopening of theatres in the PRC after COVID-19 controls being lifted and a larger number of films being released; and (ii) an increase in the Technology Products and Services revenue of approximately US\$4.8 million, primarily due to 3 more sales and sales-type lease arrangements and increased box office.

(ii) Gross profit and gross profit margin

FY2020

The gross profit of the Group for the year ended 31 December 2020 was approximately US\$19.3 million, representing a decrease of approximately US\$57.3 million or approximately 74.8% as compared with the year ended 31 December 2019. The decrease was largely in line with the drop in revenue during the year. The gross profit margin dropped to approximately 37.0% for the year ended 31 December 2020 from approximately 61.7% for the year ended 31 December 2019. The decrease in gross profit margin was mainly due to the net effect of (i) decrease in overall box office revenue due to COVID-19 pandemic; (ii) increased depreciation costs associated with continued growth in the IMAX theatre network under the Revenue Sharing Arrangements; (iii) lowering of fixed upfront fee in exchange for higher ongoing fees of contingent rent business; and (iv) reduced revenue and normalised fixed labour/overhead components of the business during the year.

FY2021

The gross profit of the Group for the year ended 31 December 2021 rebounded to approximately US\$68.2 million, representing an increase of approximately US\$48.9 million or approximately 253.4% from approximately US\$19.3 million for the year ended 31 December 2020. The gross profit margin rebounded to approximately 60.4% for the year ended 31 December 2021 as compared with approximately 37.0% for the year ended 31 December 2020. The higher gross profit and gross profit margin were primarily due to, among others, (i) an increase in overall box office revenue in 2021 due to reopening of theatres in the PRC; (ii) a decrease in depreciation costs associated with additional relief period extension on depreciation; (iii) an installation of 13 more systems with higher margin; and (iv) a resumption of regular maintenance services that were generally suspended due to the COVID-19 pandemic in prior year.

FY2022

The gross profit of the Group for the year ended 31 December 2022 declined to approximately US\$39.7 million, representing a decrease of approximately US\$28.5 million or approximately 41.8% from approximately US\$68.2 million for the year ended 31 December 2021. The decrease in gross profit was mainly attributable to (i) decrease in overall box office revenue in 2022; (ii) increased depreciation costs associated with a larger full revenue sharing network; and (iii) the installation of 18 fewer systems and seven fewer installations under hybrid revenue sharing arrangements. The gross profit margin declined to approximately 54.1% for the year ended 31 December 2022 as compared with approximately 60.4% for the year ended 31 December 2021 for the reasons as mentioned above.

6M2023

The gross profit of the Group for the six months ended 30 June 2023 was approximately US\$28.7 million, representing an increase of approximately US\$10.1 million or approximately 54.3% from approximately US\$18.6 million for the corresponding period in 2022. The increase in gross profit was mainly due to (i) the increase in overall box office revenue as a result of the reopening of theatres in PRC after COVID-19 control measures being lifted; and (ii) 3 more IMAX theatre system installations under sales and sales-type lease arrangements and one more hybrid revenue sharing arrangement. As a result of the above, and a high operating leverage inherent to the Group's Content Solutions and more local language films released with lower production costs and higher margins, the gross profit margin was enhanced to approximately 63.3% as compared to approximately 56.9% for the corresponding period in 2022.

(iii) Selling, general and administrative expenses (“SG&A Expenses”)FY2020

The SG&A Expenses for the year ended 31 December 2020 was approximately US\$14.4 million, representing a year-on-year decrease of approximately US\$2.1 million or approximately 12.7% as compared to the year ended 31 December 2019. The decrease was mainly attributable to the decrease in advertising and marketing expenses due to the temporarily closure of theatres in the PRC and disruption of normal marketing operations.

FY2021

The SG&A Expenses for the year ended 31 December 2021 increased to approximately US\$16.8 million, representing an increase of approximately US\$2.4 million or approximately 16.7% compared to the prior year. The increase was mainly due to the net effects of (i) the increase in employee salaries and benefits and share-based compensation expenses as a result of increased salary and bonus; and (ii) the increase in advertising and marketing expenses due to the resumption of more normalised marketing operations.

FY2022

The SG&A Expenses for the year ended 31 December 2022 decreased to approximately US\$15.5 million, representing a decrease of approximately US\$1.3 million or approximately 7.7%. The decrease was mainly due to the net effects of (i) the decrease in share-based compensation expenses; and (ii) the decrease in employee salaries and benefits, partially offset by foreign exchange loss mainly related to RMB cash held offshore China.

6M2023

The SG&A Expenses decreased slightly from approximately US\$9.5 million for the six months ended 30 June 2022 to approximately US\$9.0 million for the six months ended 30 June 2023, which was driven mainly by the lower foreign exchange loss.

(iv) Other operating expenses

Other operating expenses primarily include the annual license fees payable to IMAX Corporation (i.e., the Offeror) in respect of the licensing of trademark and technology, charged at an aggregate of 5% of the Group's revenue. The fluctuations in the other operating expenses under review were largely due to the changes in the Group's revenue.

(v) (Provisions)/Reversals of net impairment losses on financial assets

The provision of net impairment losses on financial assets increased from approximately US\$0.5 million for the year ended 31 December 2019 to approximately US\$10.9 million for the year ended 31 December 2020, representing an increase of approximately US\$10.4 million or approximately 20.8 times. The increase was primarily due to the provision for current expected credit losses, principally reflecting a reduction in the credit quality of its trade receivables, financing receivables and variable consideration receivable, which is primarily related to the outbreak of the COVID-19 pandemic.

The net impairment losses on financial assets reversed for the year ended 31 December 2021 were approximately US\$4.0 million, which was due to the subsequent cash collection on trade receivables, financing receivables and variable consideration receivables being better than expectation.

(vi) Other losses

Other losses for the six months ended 30 June 2022 and year ended 31 December 2022 of approximately US\$4.5 million represented the net fair value losses on financial assets at fair value through profit or loss, which was recognised for a film investment.

(vii) Profit/(Loss) for the period/year attributable to the Shareholders and dividend policy

FY2020

The net loss of approximately US\$26.7 million for the year ended 31 December 2020 was mainly due to the decrease in revenue and increase in provision of net impairment losses on financial assets as a result of the outbreak of the COVID-19 pandemic. Income tax expense remained high, mainly due to the recognition of withholding taxes associated with historical profits of a PRC subsidiary, even though the Group recorded a loss before income tax.

FY2021

The return to net profit for the year ended 31 December 2021 was mainly due to the increase in revenue, reversal of net impairment losses on financial assets as a result of better than expected collection on trade receivables, financing receivables and variable consideration receivables and the decrease in income tax expenses as a result of reduction in provisional tax for applicable withholding taxes associated with historical earnings of a PRC subsidiary.

FY2022

The profit for the year ended 31 December 2022 declined by approximately 71.7% to approximately US\$10.8 million. The decline in profit was chiefly due to the decreases in revenue and gross profit, increase in provision of net impairment losses on financial assets as a result of the resurgence of the COVID-19 pandemic in the PRC, and fair value losses recognised.

6M2023

The profit for the six months ended 30 June 2023 increased by approximately US\$13.1 million or approximately 16.4 times to approximately US\$13.9 million from approximately US\$0.8 million for the corresponding period in 2022. The significant increase was mainly due to the combined effects of: (i) the increase in revenue of approximately US\$12.6 million and gross profit of approximately US\$10.1 million due to relaxation of COVID-19 control measures in the PRC; and (ii) the absence of fair value losses recognised for the corresponding period in prior year of approximately US\$4.5 million.

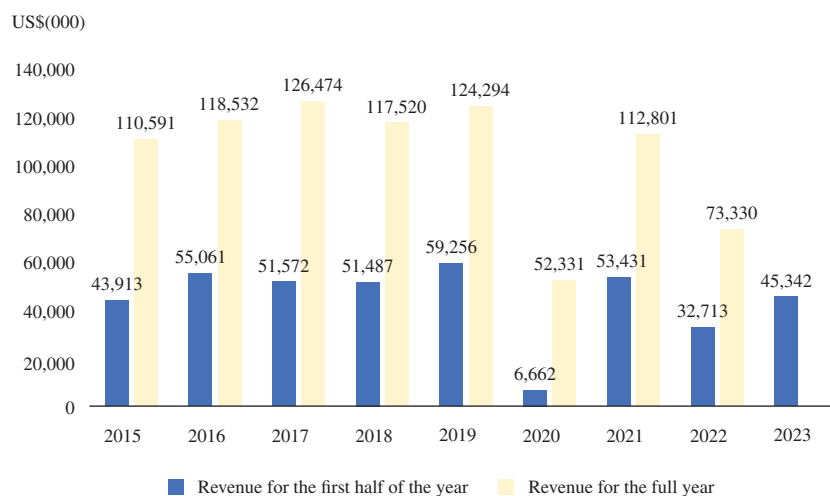
Dividend policy

The Group has paid a dividend in each full year during the Review Period. In 2021, the Board approved and updated the dividend policy, under which dividends to be distributed by the Company each year will be approximately 50% of the net profit attributable to owners of the Company for the previous financial year. For the six months ended 30 June 2023, no interim dividend has been declared (6M2022: US\$0.001 per Share).

4. Prospects of the Group and risk factors

As stated in the 2023 Interim Report, 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. The Company’s management is 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. According to Top Consulting, PRC box office revenue in the first half of 2023 was approximately RMB26,270 million, representing an increase of approximately 52.9% as compared to the corresponding period in 2022 (see Chart 1 above). Notwithstanding 6 months of reopening and the Company’s 6M2023 box office performance relative to 6M2022, the share price remains at levels similar to the closure period. The revenue of the Group for 6M2023 was approximately US\$45.3 million, lower than the corresponding periods in 2016 to 2019 (the pre-COVID-19 period) and 2021 (the year with relaxed COVID-19 control measures) ranging from approximately US\$51.5 million to approximately US\$59.3 million, as set out in the Chart 3 below, due to fewer number of sales/sales-type lease and hybrid installations in 6M2023.

Chart 3: Revenue of the Group



As illustrated in Chart 3, prior to the outbreak of COVID-19 pandemic, the revenue of the Group increased from approximately US\$110.6 million for the year ended 31 December 2015 to approximately US\$124.3 million for the year ended 31 December 2019, representing a growth rate of approximately 12.4%. This is below the growth of the annual box office in the PRC (see Chart 1 above) for the corresponding period, which increased by approximately 46.1% from approximately RMB43,880 million in 2015 to approximately RMB64,120 million in 2019. Based on Chart 3, the revenue growth of the Group has been slower than the growth of box office of the PRC market. The slower growth is mainly because, as discussed with the Management, the revenue of the Group is also driven by IMAX Maintenance and IMAX Systems sale installations not directly linked to box office.

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As disclosed in the 2023 Interim Report, 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 behaviour and willingness to spend discretionary income on movie-going after the COVID-19 pandemic may also affect the box office revenue of its exhibitor customers, and hence the income of the Group, until consumers behaviour normalises and consumer spending fully recovers.

As advised by the Management, the Company is encouraged by the normalisation of its business activities in 2023, including its 2023 box office results and market share gains relative to 2022. The Company is also encouraged by the Government's support for the films sector since the reopening in 2023 which includes factors such as (i) a temporary reduced tax rate on cinema tickets; (ii) longer lead time on film release date approvals to allow for marketing of films; and (iii) more foreign film releases with release dates often aligned with global release dates.

As a result of the financial difficulties faced by certain of the Group's exhibitor partners 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 behaviour and consumption partners, 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 business environment, it is difficult to predict the full extent of the adverse impact of the COVID-19 pandemic on the Group's results in future reporting periods. Progress towards the return to historical levels of movie theatre attendance and the effect on consumer behaviour are still unknown. The solvency of the Group's exhibitor partners, their ability to make timely payments, and any potential construction or installation delays involving the Group's exhibitor partners are highly uncertain and cannot be accurately forecasted.

An important factor affecting the growth and success of the IMAX Group is the availability and strategic selection of films for IMAX locations and the box office performance of such films. The Company relies principally on films produced by third-party filmmakers and studios, including both Hollywood and local language features converted into the Company's format. The number of films and commercial success of these films released to the IMAX network may be subject to macro and other evolving factors.

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The Company has signed deals with studios in the PRC to convert their films to the Company's format and release them to the IMAX network. As advised by the Management, the Company has demonstrated strong ability in selecting the right mix of Hollywood and local language films, the continued success of which is critical to its future business and financial results.

Currently, Hollywood productions are being disrupted by industrial action by the Writers Guild of America and the Screen Actors Guild. Promoting the release of new films during the strikes without having talent available is challenging. If the strikes are not settled on a reasonable timetable, both promotion and production of movies may be compromised.

5. Financial position of the Group

Set out in the table below is a summary of the financial position of Group as at 30 June 2023 and 31 December 2022, 2021, 2020 and 2019.

	As at 30 June 2023 <i>(unaudited)</i> <i>(US\$'000)</i>	2022 <i>(audited)</i> <i>(US\$'000)</i>	As at 31 December		2019 <i>(audited)</i> <i>(US\$'000)</i>
			2021 <i>(audited)</i> <i>(US\$'000)</i>	2020 <i>(audited)</i> <i>(US\$'000)</i>	
Non-current assets					
Property, plant and equipment	76,474	86,689	100,200	104,752	105,348
Financing receivables	49,734	53,327	60,681	48,958	48,056
Other non-current assets	12,738	12,156	10,200	22,626	21,376
	<u>138,946</u>	<u>152,172</u>	<u>171,081</u>	<u>176,336</u>	<u>174,780</u>
Current assets					
Financing receivables	29,003	27,852	18,278	16,755	10,938
Trade and other receivables	67,471	60,267	51,496	42,223	43,227
Cash and cash equivalents	73,559	74,972	97,737	88,472	89,308
Other current assets	10,371	11,140	11,166	11,008	10,014
	<u>180,404</u>	<u>174,231</u>	<u>178,677</u>	<u>158,458</u>	<u>153,487</u>
Current liabilities					
Trade and other payables	22,453	21,845	21,107	21,296	15,170
Borrowings	9,278	12,871	3,612	7,643	–
Deferred revenue	10,036	12,777	18,875	15,514	12,878
Other current liabilities	15,881	15,326	15,254	15,028	15,439
	<u>57,648</u>	<u>62,819</u>	<u>58,848</u>	<u>59,481</u>	<u>43,487</u>
Net current assets	<u>122,756</u>	<u>111,412</u>	<u>119,829</u>	<u>98,977</u>	<u>110,000</u>

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	As at 30 June 2023 <i>(unaudited)</i> <i>(US\$'000)</i>	2022 <i>(audited)</i> <i>(US\$'000)</i>	As at 31 December 2021 <i>(audited)</i> <i>(US\$'000)</i>	2020 <i>(audited)</i> <i>(US\$'000)</i>	2019 <i>(audited)</i> <i>(US\$'000)</i>
Non-current liabilities					
Deferred revenue	13,197	14,570	19,390	24,077	24,920
Deferred tax liabilities	12,521	14,900	17,642	19,134	–
Other non-current liabilities	584	1,042	–	496	829
	<u>26,302</u>	<u>30,512</u>	<u>37,032</u>	<u>43,707</u>	<u>25,749</u>
Equity					
Equity attributable to the Shareholders	<u>235,400</u>	<u>233,072</u>	<u>253,878</u>	<u>231,606</u>	<u>259,031</u>
Net asset value (“NAV”) per Share (Note)					
– US\$	US\$0.69	US\$0.69	US\$0.74	US\$0.67	US\$0.74
– HK\$ equivalent	HK\$5.37	HK\$5.33	HK\$5.75	HK\$5.16	HK\$5.76

Note: NAV per Share is calculated based on the equity attributable to the Shareholders divided by the number of Shares in issue as at the respective balance sheet date.

(i) Property, plant and equipment

Property, plant and equipment mainly represented theatre system components, including equipment under joint revenue sharing arrangements. The property, plant and equipment were generally decreasing during the Review Period as a result of the depreciation charges.

(ii) Financing receivables

Financing receivables consisted of net investment in finance leases and receivables from financed sales of theatre systems. The weighted average effective interest rate of financed sales receivables was between approximately 8.0% and 8.3% as at 31 December 2019 to 2022.

(iii) Trade and other receivables

The trade and other receivables mainly comprised: (i) net trade receivables from third parties (i.e., trade receivables less allowance for expected credit losses of trade receivables); and (ii) trade receivables from the Offeror arising from digital remastering revenue of Hollywood films. The trade and other receivables were generally increasing during the Review Period, of which the amount of trade receivables from the Offeror increased from approximately US\$11.6 million as at 31 December 2019 to US\$29.0 million as at 30 June 2023. Such increase was mainly because of the slowdown of payment process of the Offeror.

(iv) Trade and other payables

Trade and other payables chiefly comprised the payables to the Offeror, which were mainly for system purchase, conversion cost for digital remastering, trademark and technology fee, and service fee. The amounts were generally increasing during the Review Period, from approximately US\$12.9 million as at 31 December 2019 to US\$21.1 million as at 30 June 2023. Such increase was mainly due to the slowdown of payment process of the Company.

(v) Borrowings

All borrowings of the Group were bank borrowings during the Review Period. They were drawn to fund ongoing working capital requirements.

(vi) Deferred revenue

Deferred revenue derived from deposits received from theatre systems and maintenance prepayments. The total deferred revenue decreased from approximately US\$37.8 million as at 31 December 2019 to approximately US\$23.2 million as at 30 June 2023. Such decrease was mainly attributable to the reduction in backlog upfront fees, as the backlog number decreased from 253 as at 31 December 2019 to 197 as at 30 June 2023.

(vii) Deferred tax liabilities

Deferred tax liabilities represented primarily withholding tax on historical profits of a PRC subsidiary, which would become payable upon the repatriation of any such earnings. The deferred tax liabilities were approximately US\$19.1 million, US\$17.6 million, US\$14.9 million and US\$12.5 million as at 31 December 2020, 2021 and 2022, and 30 June 2023, respectively. The decrease was mainly because of the payment of dividend by the PRC subsidiary.

(viii) Net asset value

As at 31 December 2022, the NAV attributable to the Shareholders was approximately US\$233.1 million. The decrease in the NAV attributable to the Shareholders as compared with that as at 31 December 2021 was mainly attributable to the loss incurred for foreign currency translation and payment of dividends during the year ended 31 December 2022. Based on 339,148,808 Shares and 339,593,143 Shares in issue as at 31 December 2022 and the Latest Practicable Date, the NAV per Share as at 31 December 2022 and the Latest Practicable Date were approximately US\$0.69.

As at 30 June 2023, the NAV attributable to the Shareholders increased to approximately US\$235.4 million, the increase of which was generally in line with the profit attributable to the Shareholders during the six months ended 30 June 2023, and partially offset by the decrease in share premium and reserves, which was primarily attributable to the distribution of final dividend for the year ended 31 December 2022. Based on the 339,593,143 Shares in issue as at 30 June 2023 and the Latest Practicable Date, the NAV per Share as at 30 June 2023 was approximately US\$0.69, equivalent to approximately HK\$5.37.

Based on the financial position of the Group as at 30 June 2023, the Group was asset-light, with less than one-fourth of assets being represented by property, plant and equipment. As at 30 June 2023, the Group had no material borrowing and cash and cash equivalents were approximately US\$73.6 million. The Offer Price of HK\$10.00 represents an approximately 86.1% premium over the NAV per Share of approximately HK\$5.37.

6. Reasons for and benefits of the Proposal

As set out in the section headed “11. Reasons for and benefits of the Proposal” in the Explanatory Memorandum contained in the Scheme Document, trading liquidity in the Shares of the Company has declined significantly from an average daily trading volume of 982,361 Shares per day during 2018 to 301,831 Shares per day for the period from 1 January 2023 up to and including the Last Full Trading Date. This decline in liquidity limits the attractiveness of the Shares for market participants and impacts both the price for the Shares as well as the Company’s ability to raise new capital on attractive terms. In addition to the low average daily trading volume, the Company’s trading liquidity is low as compared to its total number of Shares in issue. For the period from 1 January 2023 up to and including the Last Full Trading Date, average daily trading volume of the Company’s Shares as a percentage of its total number of Shares in issue was 0.09%, significantly lower as compared to 0.29% during 2018. The low level of trading liquidity also impacts Shareholders’ ability to purchase and sell a significant quantity of Shares without adversely impacting the price. While the Company’s financial performance has been resilient despite the impact of COVID-19 over the past few years, the Company’s share price on the Last Full Trading Date remains near its all-time low (HK\$4.01) with a 75.9% decline compared to its all-time high since 2018 (HK\$29.80). While the Company has been effecting share repurchases to demonstrate its confidence in the long-term prospect of the Company, the potential cap on the Offeror’s ownership in the Company at 75% (in order to maintain its public float of 25%) will impede the Offeror’s ability to further repurchase shares, as it now owns close to 71.63%.

The Offeror believes that the Proposal provides an opportunity for the Scheme Shareholders to dispose of their Shares at a compelling premium over recent market prices without being subject to any liquidity discount. The Offer Price of HK\$10.00 for each Scheme Share represents a premium of approximately 39.47% over the closing price of HK\$7.1700 per Share as quoted on the Stock Exchange on the Last Full Trading Date, and a premium of approximately 49.16% and 34.78% over the average closing price of approximately HK\$6.7043 and HK\$7.4194 per Share for the 30 and 90 trading days up to and including the Last Full Trading Date, respectively.

From the Offeror’s point of view, the Proposal will enable greater operational flexibilities to pursue new growth opportunities and applications of IMAX technology in the Greater China market. The Offeror expects that the Proposal will unlock the financial benefits for the Offeror, enable the Offeror and the Company to streamline its group structure and further align the Greater China business with the Offeror’s global operations, including optimising its corporate structure and group tax planning, and simplification in financial reporting.

Our analysis of the historical Share price performance and trading liquidity is set out in the section headed “8. Analysis of the Share price” below.

7. Information on the Offeror and its intention with regard to the Group

The Offeror is a company incorporated in Canada with limited liability and is listed on the New York Stock Exchange. The Offeror is a premier global technology platform for entertainment and events. Through its proprietary software, theatre architecture, patented intellectual property, and specialised equipment, the Offeror offers a unique end-to-end solution to create superior, immersive content experiences. As at the Latest Practicable Date, the Offeror was indirectly interested in 243,262,600 Shares, representing approximately 71.63% of the issued share capital of the Company, through its wholly-owned subsidiary, IMAX Barbados.

The closing price of the shares of the Offeror since the beginning of 2022 and up to the trading day immediately before the Latest Practicable Date were ranged from US\$12.19 to US\$21.14. As at the trading day immediately before the Latest Practicable Date, the market capitalisation of the Offeror was approximately US\$1,024 million.

As set out in the section headed “9. Intentions of the Offeror with regard to the Group” in the Explanatory Memorandum contained in the Scheme Document, as at the Latest Practicable Date, it is the intention of the Offeror for the Group to continue to carry on its existing business. The Company will remain headquartered in Shanghai with offices in Beijing.

As discussed above, the Offeror is itself a public company listed on New York Stock Exchange. It has stated that it expects the Proposal to be accretive to the earnings per share immediately following implementation of the Proposal based on the Offeror’s and the Company’s historical financials. In circumstances where a public company is making an offer for another public company which it controls, a balance will be struck between the advantages to both sets of shareholders.

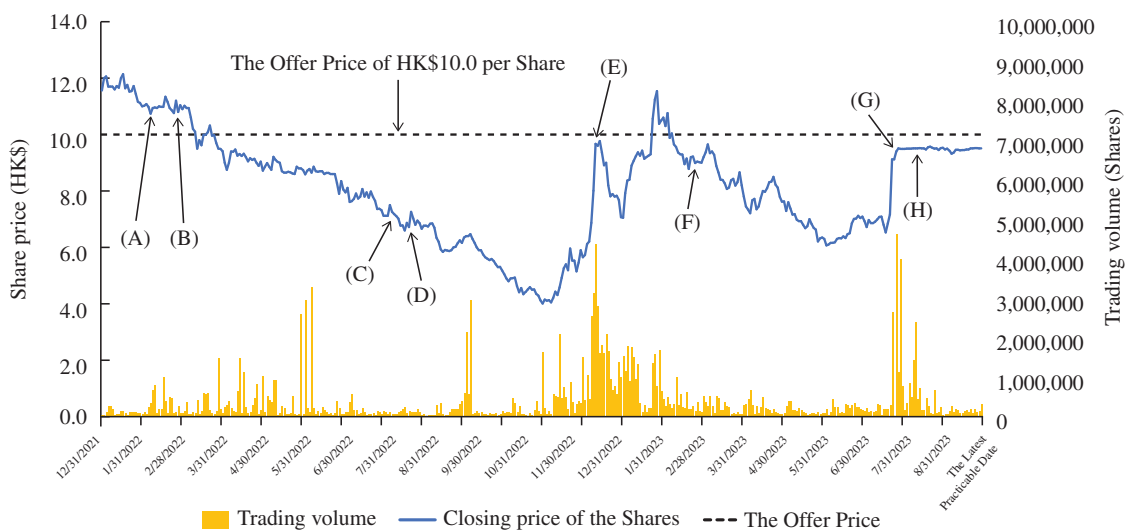
No statement in this section headed “7. Information on the Offeror and its intention with regard to the Group” should be interpreted to mean that the earnings or financial performance of the Offeror or the Company for the current year or future years will necessarily match or exceed the historical or published earnings or financial performance of the Offeror or the Company, respectively.

8. Analysis of the Share price

(a) Historical Share price performance

Set out in Chart 4 below is the daily closing price and trading volume of the Shares on the Stock Exchange during the period from 1 January 2022 up to and including the Latest Practicable Date (“Share Price Review Period”). We consider that a review period covering around 20 months is reasonable and representative as we consider it a sufficient period to provide a general overview of the recent market performance of the Shares for the purpose of this analysis, which reflects the prevailing market sentiment for conducting a reasonable comparison between the closing prices of the Shares and the Offer Price.

Chart 4



Source: The Stock Exchange website

During the Share Price Review Period, the Company published a number of announcements (as summarised below) that we consider may have influenced the market price of the Shares.

Date of announcement	Description of the event
(A) 7 February 2022	Announcement of positive profit alert
(B) 24 February 2022	Announcement of annual results for the year ended 31 December 2021
(C) 29 July 2022	Announcement of interim results for the six months ended 30 June 2022

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	Date of announcement	Description of the event
(D)	5 August 2022	Announcement of (1) change of executive Director and chief executive officer; and (2) re-designation of non-executive Director to executive Director and appointment of interim chief executive officer
(E)	12 December 2022	Announcement of appointment of chief executive officer
(F)	23 February 2023	Announcement of annual results for the year ended 31 December 2022
(G)	13 July 2023	Publication of the Announcement
(H)	27 July 2023	Announcement of interim results for the six months ended 30 June 2023

During the period from 1 January 2022 to 10 July 2023 (i.e., the Last Full Trading Date) (“**Pre-Announcement Period**”), the Shares closed between HK\$4.01 and HK\$12.14, with an average and a median closing price of both approximately HK\$7.98. Out of a total of 372 trading days during the Pre-Announcement Period, there were 317 trading days, representing approximately 85.2% of the total of 372 trading days, when the Shares price closed below the Offer Price.

At the beginning of the Share Price Review Period, the closing Share price was in the region of approximately HK\$11.00 to approximately HK\$12.00, which in our view reflected positive market sentiment, which proved premature, regarding the relaxation of COVID-19 control measures in the PRC in 2021 and positive annual results of the Company for the year ended 31 December 2021.

The closing Share price then commenced a downward trend and reached its lowest point of HK\$4.01 on 4 November 2022. It then rebounded to HK\$9.77 by 13 December 2022, reflecting expectation for the business of the Group after the announcement of significant easing of COVID-19 control measures by the Chinese government in early December 2022. Nevertheless, the closing Share Price dropped sharply after mid-December 2022 to HK\$7.05 on 30 December 2022, which was likely influenced by a significant rise in the number of local COVID-19 cases during this period. The closing Share price bounced back and stayed above HK\$10.00 for a short period of time in late January 2023 and early February 2023, driven in part by a short-term PRC reopening trade and largely in line with improvements in the Hong Kong stock market. Since then, the closing Share price resumed a downward trend to around HK\$6.07 in late-May 2023, increasing gradually to HK\$7.17 on the Last Full Trading Date.

The closing Share Price at the Last Trading Date (i.e., 11 July 2023) jumped to HK\$9.12, representing an increase of approximately 27.2% from the prior trading day (i.e., the Last Full Trading Date), and the trading of the Shares was suspended from 11 July 2023 to 12 July 2023 pending the release of the Announcement. The Shares closed at HK\$9.40 on 13 July 2023 (being the first trading day after the release of the Announcement), representing an increase of approximately 31.1% from the closing Share price as at the Last Full Trading Date and a discount of 6.0% to the Offer Price.

Notwithstanding the return to profitability in the first half of 2023, normalisation of business activities including the reopening of theatres, increased number of film releases, profitability and industry box office at approximately 84% of 2019 pre-COVID levels, the Share price has not reflected a similar normalisation to pre-COVID levels.

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After the release of the Announcement and up to the Latest Practicable Date, the closing price of the Shares has been between HK\$9.32 and HK\$9.57, with an average closing price of HK\$9.49. In our view, the market price of the Shares during this period has been principally driven by the Offer Price of HK\$10.00 and would likely weaken, at least in the short term, were the Proposal to fail.

As at the Latest Practicable Date, the price of the Shares closed at HK\$9.51.

(b) *Historical Share price performance and NAV per Share compared to the Offer Price of HK\$10.00 per Scheme Share*

A comparison of the Offer Price of HK\$10.00 per Scheme Share with the recent closing prices of the Shares and the NAV per Share is set out as follows:

	Closing price or average closing price of the Shares or NAV per Share	Premium of the Offer Price of HK\$10.00 per Scheme Share over the closing price or average closing price of the Shares or the NAV per Share
Last Trading Date	HK\$9.12	9.6%
Last Full Trading Date	HK\$7.17	39.5%
The 10 trading days <i>(Note 1)</i>	HK\$6.91	44.6%
The 30 trading days <i>(Note 1)</i>	HK\$6.70	49.2%
The 60 trading days <i>(Note 1)</i>	HK\$6.96	43.6%
The 90 trading days <i>(Note 1)</i>	HK\$7.42	34.8%
The 120 trading days <i>(Note 1)</i>	HK\$7.98	25.3%
The Latest Practicable Date	HK\$9.51	5.2%
Audited NAV per Share as at 31 December 2022 <i>(Note 2)</i>	HK\$5.32	88.0%
Unaudited NAV per Share as at 30 June 2023 <i>(Note 2)</i>	HK\$5.37	86.1%

Sources: The Stock Exchange website, the 2022 Annual Report and the 2023 Interim Report

Notes:

1. Up to and including the Last Full Trading Date.
2. The NAV per Share is calculated based on the total number of issued Shares as at the Latest Practicable Date of 339,593,143 Shares.

The Offer Price of HK\$10.0 per Scheme Share represents a premium of approximately 25.3% to approximately 49.2% over the closing Share price on the Last Full Trading Date and the average closing price of the Shares for the last 10-, 30-, 60-, 90- and 120-trading day (up to and including the Last Full Trading Date) before the release of the Announcement. The closing Share price as at the Latest Practicable Date and the corresponding premium were HK\$9.51 and approximately 5.2%, respectively. We consider that the Share price as at the Latest Practicable Date and the reduced premium are affected by the Proposal.

9. Premium over NAV

The Offer Price represents a premium in the region of approximately 88.0% over the audited NAV per Share as at 31 December 2022 and approximately 86.1% over the unaudited NAV per Share as at 30 June 2023.

10. Trading liquidity of the Shares

Set out in the table below are the monthly total trading volumes of the Shares and the percentages of such monthly total trading volumes to the total issued Shares and the Shares held by the Disinterested Shareholders in the Share Price Review Period:

	Monthly total trading volumes of the Shares	Percentage of the monthly total trading volumes of the Shares to the total issued Shares (Note 1)	Percentage of the monthly total trading volumes to the Shares held by the Disinterested Shareholders (Note 2)
2022			
January	1,808,739	0.5%	1.9%
February	5,164,508	1.5%	5.4%
March	5,987,185	1.8%	6.2%
April	7,425,291	2.2%	7.7%
May	12,442,020	3.7%	12.9%
June	3,003,860	0.9%	3.1%
July	1,294,200	0.4%	1.3%
August	2,010,042	0.6%	2.1%
September	8,075,771	2.4%	8.4%
October	1,931,600	0.6%	2.0%
November	10,110,296	3.0%	10.5%
December	31,390,111	9.2%	32.6%
2023			
January	16,219,900	4.8%	16.8%
February	6,410,092	1.9%	6.7%
March	5,563,586	1.6%	5.8%
April	2,661,275	0.8%	2.8%
May	2,383,819	0.7%	2.5%
June	3,720,182	1.1%	3.9%
July	20,721,137	6.1%	21.5%
August	3,409,223	1.0%	3.5%
From 1 September 2023 up to and including the Latest Practicable Date	845,700	0.2%	0.9%

Source: The Stock Exchange website

Notes:

1. The calculation is based on the monthly total trading volume of the Shares divided by the total issued Shares of 339,593,143 as at Latest Practicable Date.
2. The calculation is based on the monthly total trading volume of the Shares divided by the total number of Shares of 96,330,543 held by the Disinterested Shareholders as at the Latest Practicable Date.

As shown in the above table, the monthly trading volumes of the Shares represented approximately 0.4% to 9.2% of the total issued Shares and approximately 1.3% to 32.6% of the Shares held by the Disinterested Shareholders (except for the period from 1 September 2023 up to and including the Latest Practicable Date). We are of the view that the liquidity of the Shares was generally low during the Share Price Review Period save for the surges in trading volume (i) during November 2022 to January 2023 which may be attributable to growing expectation on the business of the Group amid the announcement of significant easing of COVID-19 control measures by the Chinese government; and (ii) in July 2023 following the release of the Announcement. As discussed with the Management, the reasons for the low liquidity include: (i) lower investor interest over the past few years due to COVID-impacted theatre closure and the low market capitalisation of the Company; (ii) total share repurchases of approximately 21.1 million from 2018-2022 reduced the public float; (iii) the Shares being removed from trading in Shanghai Stock Connect (10 September 2018) and Shenzhen Stock Connect (15 March 2021) due to minimum market capitalisation thresholds; and (iv) fewer analyst coverage, being 3 currently compared to over 10 in pre-COVID period. As the Shares cannot be regarded as having been actively traded, the Proposal provides an exit opportunity for the Scheme Shareholders who would like to realise their investments in the Shares at a fixed cash price (i.e., the Offer Price).

11. Comparable Companies analysis

As stated in the section headed “III.1. Background and information of the Company” in this letter, the Group is principally engaged in the entertainment industry specialising in digital and film-based motion picture technologies, and all revenue generated by the Group for the year ended 31 December 2022 was derived from Greater China, including the PRC, Hong Kong, Taiwan and Macau. In assessing the fairness and reasonableness of the Offer Price, we have conducted research on companies listed on the Main Board of the Stock Exchange which are principally engaged in a similar business or where business is affected by similar factors in Greater China. We have been unable to identify a company with a precisely similar business model. Consequently, we have extended our research to companies that are principally engaged in film and drama content production, distribution and exhibition in Greater China which, in our opinion, are useful comparisons to the Group on the basis that (i) they operate in the same sector in which the Group is principally classified (i.e., movies and entertainment industry); and (ii) they are subject to similar market risk factors as the Group.

Based on the above criteria, we have identified seven comparable companies (“**Comparable Companies**”) which are (i) principally engaged in film and drama content production, distribution and exhibition (i.e., such business activities are the single largest business segment of the respective Comparable Companies in terms of revenue) and primarily operated business in Greater China (i.e., with not less than 50.0% of revenue derived from Greater China based on their latest published annual reports as at the Latest Practicable Date); and (ii) listed on the Main Board of the Stock Exchange with market capitalisation of not less than HK\$323 million (being one-tenth of the market capitalisation of the Company as at the Latest Practicable Date). The Comparable Companies set out in the table below represent an exhaustive list of companies comparable to the Group based on the above criteria.

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In assessing the fairness and reasonableness of the Offer Price, we have compared the price-to-earnings multiple (“**P/E Multiple**”), enterprise value-to-earnings before interest, taxes, depreciation and amortisation multiple (“**EV/EBITDA Multiple**”), price-to-book multiple (“**P/B Multiple**”) and dividend yield of the Group implied by the Offer Price to those of the Comparable Companies. Details of the Comparable Companies are set out as below:

Company name	Stock code	Principal business activities	Market capitalisation <i>(HK\$ million)</i> <i>(Note 1)</i>	P/E Multiple <i>(times)</i> <i>(Note 2)</i>	EV/EBITDA Multiple <i>(times)</i> <i>(Note 3)</i>	P/B Multiple <i>(times)</i> <i>(Note 4)</i>	Dividend yield %
Alibaba Pictures Group Limited (“ Alibaba Pictures ”)	1060	Engaged in the movie promotion and distribution	13,487.9	N/A <i>(Note 6)</i>	N/A <i>(Note 7)</i>	0.9	0.0
Maoyan Entertainment (“ Maoyan ”)	1896	Engaged in the provision of online entertainment ticketing services, entertainment content services, movies and television (“ TV ”) series investments, advertising services and others in the PRC	12,237.5	31.1	11.3	1.3	0.0
Linmon Media Limited (“ Linmon ”)	9857	Engaged in the production, distribution and licensing of broadcasting rights of TV series	3,330.6	N/A <i>(Note 6)</i>	N/A <i>(Note 7)</i>	1.2	0.0
Huanxi Media Group Limited (“ Huanxi ”)	1003	Engaged in (i) the media and entertainment businesses; and (ii) the development and investment in film and TV programmes rights, as well as operation of an online video platform	2,961.7	10.9	4.3	1.8	0.0
China Star Entertainment Limited (“ China Star ”)	326	Engaged in (i) investment, production, distribution and licensing of films and television drama series and provision of other film related services including artist management services; and (ii) investing and development of properties located in Macau	2,042.5	N/A <i>(Note 6)</i>	N/A <i>(Note 7)</i>	0.7	0.0

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Company name	Stock code	Principal business activities	Market capitalisation <i>(HK\$ million)</i> <i>(Note 1)</i>	P/E Multiple <i>(times)</i> <i>(Note 2)</i>	EV/EBITDA Multiple <i>(times)</i> <i>(Note 3)</i>	P/B Multiple <i>(times)</i> <i>(Note 4)</i>	Dividend yield %
Strawbear Entertainment Group ("Strawbear")	2125	Involved in the production, distribution and licensing of broadcasting rights of TV and web series	483.3	N/A <i>(Note 6)</i>	25.3	0.2	0.0
Medialink Group Limited ("Medialink")	2230	Engaged in (i) the distribution of media content including animation series, variety shows, drama series, animated and live action feature films and other video content; and (ii) obtaining various rights to use third party owned brands	380.5	8.0	1.8	0.7	5.9
			Average	16.7	10.7	1.0	0.8
			Median	10.9	7.8	0.9	0.0
			Maximum	31.1	25.3	1.8	5.9
			Minimum	8.0	1.8	0.2	0.0
The Offer Price			3,395.9 <i>(Note 8)</i>	18.4 <i>(Note 9)</i>	7.8 <i>(Note 10)</i>	1.9 <i>(Note 11)</i>	1.3 <i>(Note 12)</i>

Sources: Bloomberg, the website of the Stock Exchange and the respective published financial reports/results of the Comparable Companies

Notes:

1. The market capitalisations of the Comparable Companies are calculated based on the closing share price of the Comparable Companies as at the Latest Practicable Date multiplied by the latest number of outstanding shares of the Comparable Companies.
2. The P/E Multiples of the Comparable Companies are calculated based on the market capitalisation of the Comparable Companies as at the Latest Practicable Date as described in note 1 divided by the trailing 12 months' consolidated earnings attributable to shareholders of the respective companies as referenced from their most recently published financial reports/results.
3. The EV/EBITDA Multiples of the Comparable Companies are calculated based on the enterprise values of the Comparable Companies divided by the earnings before interest, taxes, depreciation and amortisation ("EBITDA") of the Comparable Companies. The enterprise values of the Comparable Companies are calculated based on the market capitalisation of the Comparable Companies as at the Latest Practicable Date as described in note 1 plus the book value of external debt and non-controlling interest, and minus the cash and cash equivalents and restricted/time deposit of the respective companies as referenced from their most recently published financial report/results. The EBITDA of the Comparable Companies is calculated based on profit before taxes, net finance costs, depreciation and amortisation expenses for the trailing 12 months as referenced from their most recently published financial report/results.
4. The P/B Multiples of the Comparable Companies are calculated based on the market capitalisation of the Comparable Companies as at the Latest Practicable Date as described in note 1 divided by the consolidated NAV attributable to the shareholders of the Comparable Companies as set out in their most recently published financial reports/results.

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5. The dividend yields of the Comparable Companies are calculated based on the total dividends per share declared and/or proposed by the Comparable Companies in the latest 12-month period prior to the Latest Practicable Date divided by the closing share price of the Comparable Companies as at the Latest Practicable Date.
6. Alibaba Pictures, Linmon, China Star and Strawbear were loss-making for the trailing 12 months and hence their P/E Multiples are not applicable.
7. The EBITDA of Alibaba Pictures, Linmon and China Star were negative for the trailing 12 months and hence their EV/EBITDA Multiples are not applicable.
8. The implied market capitalisation of the Company is calculated based on the Offer Price of HK\$10.00 multiplied by the outstanding Shares as at the Latest Practicable Date.
9. The implied P/E Multiple of the Offer Price of approximately 18.4 times is calculated based on the implied market capitalisation of the Company as described in note 8 divided by the trailing 12 months' consolidated earnings attributable to the Shareholders of approximately US\$23.9 million (equivalent to approximately HK\$185.0 million).
10. The implied EV/EBITDA of the Offer Price of approximately 7.8 times is calculated based on the implied market capitalisation of the Company as described in note 8 plus the book value of external debt of the Company, and minus cash and cash equivalents of the Company as referenced from 2023 Interim Report. The EBITDA of the Company is calculated based on profit before taxes, net finance costs, depreciation and amortisation expenses for the trailing 12 months as referenced from the 2022 Annual Report and 2023 Interim Report.
11. The implied P/B Multiple of the Offer Price of approximately 1.9 times is calculated based on the implied market capitalisation of the Company as described in note 8 divided by the NAV of the Group attributable to the Shareholders as at 30 June 2023 of approximately US\$235.4 million (equivalent to approximately HK\$1,824.4 million).
12. The implied dividend yield of the Offer Price of approximately 1.3% is calculated based on the sum of the final dividend of the Company declared for the year ended 31 December 2022 of HK\$0.117 per Share and the interim dividend of the Company declared for the year ended 31 December 2022 of HK\$0.008 per Share divided by the Offer Price of HK\$10.00 per Share.

As set out in the table above, the P/E Multiples of the Comparable Companies range from approximately 8.0 times to approximately 31.1 times, with an average and a median of approximately 16.7 times and approximately 10.9 times, respectively. The implied P/E Multiple of the Offer Price of approximately 18.4 times is higher than the average and median of those of the Comparable Companies.

The EV/EBITDA Multiples of the Comparable Companies range from approximately 1.8 times to approximately 25.3 times, with an average and a median of approximately 10.7 times and approximately 7.8 times, respectively. The implied EV/EBITDA of the Offer Price of approximately 7.8 times is lower than the average of the Comparable Companies but equal to the median of the Comparable Companies and well within the range of the EV/EBITDA of Comparable Companies.

The P/B Multiples of the Comparable Companies range from approximately 0.2 times to approximately 1.8 times, with an average and a median of approximately 1.0 times and approximately 0.9 times, respectively. The implied P/B Multiple of the Offer Price of approximately 1.9 times is higher than the average and median of those of the Comparable Companies.

Among the Comparable Companies, only Medialink has declared a dividend in the latest 12-month period prior to the Latest Practicable Date.

Overall, in comparison to the Comparable Companies, the implied P/E Multiple and the implied P/B Multiple of the Offer Price are higher than the average and the median of those of the Comparable Companies. The implied EV/EBITDA Multiple is equal to the median of those of the Comparable Companies and well within the range of the Comparable Companies. In our opinion, this indicates that the Offer Price is a reasonable exit opportunity for the Disinterested Shareholders from the perspective of the rating of the Comparable Companies.

12. Privatisation precedents

We have compared the Proposal to privatisation proposals for companies listed on the Main Board of the Stock Exchange announced since 1 January 2021 and up to the Latest Practicable Date, where the required acceptance level was achieved and involved a cash consideration (excluding combined consideration of cash and shares) (“**Privatisation Precedents**”). Based on these criteria, we have identified 36 Privatisation Precedents, which are exhaustive and a fair representation of transactions comparable to the Proposal. The table below illustrates the premiums/discounts represented by the cancellation/offer price over/to the respective last trading day/last full trading day/unaffected price date and respective last 10, 30, 60, 90 and 120 trading days/last full trading day/unaffected price date average share prices as well as the respective NAV attributable to owners of the company per share in respect of such Privatisation Precedents:

Date of the first rule 3.5/3.7 of the Takeovers Code announcement	Company	Stock code	Premium/(discount) of cancellation/offer price over/to closing share price/average share price on/over					Premium/(discount) of the cancellation/offer price over/(to) NAV attributable to owners of the company per share	
			Last trading day/last full trading day/unaffected price date	10 trading days	30 trading days	60 trading days	90 trading days		120 trading days
27-Jun-23	Dali Foods Group Company Limited	3799	37.9%	39.4%	30.2%	21.8%	20.2%	16.1%	151.7%
8-May-23	Hailan Holdings Limited	2278	5.0%	5.0%	5.0%	8.4%	12.4%	3.4%	(3.2)%
29-Mar-23	Inner Mongolia Yitai Coal Co., Ltd.	3948	54.9%	63.7%	67.3%	64.2%	65.1%	66.2%	2.6%
21-Feb-23	Jiangnan Group Limited	1366	12.7%	89.9%	101.4%	99.6%	90.2%	82.6%	(63.8)%
17-Feb-23	AAG Energy Holdings Limited	2686	10.1%	9.3%	10.8%	24.2%	27.2%	25.9%	(27.5)%
24-Oct-22	Kingston Financial Group Limited	1031	47.8%	47.6%	39.4%	33.3%	29.9%	26.6%	(74.8)%
8-Aug-22	EVOC Intelligent Technology Company Limited	2308	15.1%	44.6%	44.6%	50.9%	52.2%	51.2%	(40.9)%

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Date of the first rule	Takeovers Code	Company	Stock code	Premium/(discount) of cancellation/offer price over/to closing share price/average share price on/over					Premium/(discount) of the cancellation/offer price over/(to) NAV attributable to owners of the company per share	
				Last trading day/last full trading day/	10 trading days	30 trading days	60 trading days	90 trading days		120 trading days
3.5/3.7 of the	announcements		unaffected price	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)		
7-Aug-22		Lifestyle International Holdings Limited	1212	62.3%	81.9%	70.1%	58.7%	48.1%	38.7%	182.9%
9-Jun-22		China VAST Industrial Urban Development Company Limited	6166	30.4%	28.8%	31.4%	36.9%	42.1%	45.8%	(45.2)%
2-Jun-22		Xiamen International Port Co., Ltd	3378	55.2%	100.9%	134.2%	150.0%	155.7%	158.6%	(14.8)%
16-Mar-22		Yashili International Holdings Ltd	1230	160.9%	150.5%	138.5%	134.2%	127.3%	124.4%	(6.3)%
24-Jan-22		Guodian Technology & Environmental Group Corporation Limited	1296	48.0%	103.8%	93.1%	107.7%	93.9%	99.1%	(13.6)%
14-Jan-22		AKM Industrial Company Limited	1639	14.5%	31.4%	25.8%	29.0%	40.7%	50.9%	70.9%
17-Dec-21		Lanzhou Zhuangyuan Pasture Co., Ltd.	1533	25.2%	47.4%	43.5%	54.3%	58.8%	62.3%	26.5%
1-Dec-21		RAZER INC.	1337	55.8%	61.4%	67.9%	59.3%	51.6%	39.7%	487.5%
24-Nov-21		Shanghai Jin Jiang Capital Company Limited	2006	56.6%	67.6%	77.1%	85.6%	86.8%	82.7%	8.8%
15-Oct-21		Yorkey Optical International (Cayman) Ltd.	2788	75.3%	101.0%	102.6%	101.0%	101.0%	101.4%	20.7%
8-Oct-21		Dragon Crown Group Holdings Limited	935	8.5%	7.5%	9.4%	20.8%	28.3%	34.7%	36.2%
30-Sep-21		C.P. Pokphand Co. Ltd.	43	19.8%	17.4%	27.8%	33.7%	30.7%	27.0%	5.9%

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Date of the first rule	Takeovers Code	Company	Stock code	Premium/(discount) of cancellation/offer price over/to closing share price/average share price on/over					Premium/(discount) of the cancellation/offer price over/(to) NAV attributable to owners of the company per share	
				Last trading day/last full trading day/	10 trading days	30 trading days	60 trading days	90 trading days		120 trading days
3.5/3.7 of the	announcements			unaffected price date	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	
6-Sep-21		Hop Hing Group Holdings Limited	47	73.9%	76.2%	70.9%	62.9%	61.0%	62.9%	63.9%
25-Aug-21		Suchuang Gas Corporation Limited	1430	2.9%	23.2%	25.6%	26.3%	26.3%	25.4%	30.2%
12-Aug-21		Good Friend International Holdings Inc.	2398	50.0%	73.8%	61.6%	49.0%	38.9%	33.5%	15.4%
27-Jul-21		Nature Home Holding Company Limited	2083	39.3%	38.2%	31.8%	30.8%	38.4%	45.2%	(15.8)%
9-Jul-21		Beijing Capital Land Ltd.	2868	62.8%	77.2%	127.6%	150.0%	142.5%	132.3%	(38.4)%
25-Jun-21		Bestway Global Holding Inc.	3358	27.0%	32.7%	47.0%	62.8%	72.1%	84.3%	16.5%
18-May-21		Chong Hing Bank Limited	1111	97.0%	102.5%	107.4%	109.9%	113.5%	114.9%	(10.1)%
20-Apr-21		Inner Mongolia Energy Engineering Co. Ltd.	1649	51.3%	55.2%	40.6%	30.4%	25.5%	28.6%	55.2% (Note 3)
28-Feb-21		Xiezhong International Holdings Limited	3663	17.6%	21.2%	25.0%	37.9%	41.8%	36.0%	116.2%
25-Feb-21		Sichuan Languang Justbon Services Group Co., Ltd.	2606	39.4%	46.6%	46.8%	59.6%	57.4%	45.0%	183.6%
5-Feb-21		Zhejiang Cangnan Instrument Group Company Limited	1743	15.2%	13.1%	18.0%	25.2%	4.4%	(15.4)%	20.2%
27-Jan-21		New Century Real Estate Investment Trust	1275	14.3%	23.5%	34.0%	52.6%	61.6%	66.1%	(22.0)%
22-Jan-21		Zhuhai Holdings Investment Group Limited	908	37.8%	37.5%	52.4%	56.1%	57.4%	63.6%	76.4%

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Date of the first rule 3.5/3.7 of the Takeovers Code announcement	Company	Stock code	Premium/(discount) of cancellation/offer price over/to closing share price/average share price on/over					Premium/(discount) of cancellation/offer price over/(to) NAV attributable to owners of the company per share	
			unaffected price	10 trading days	30 trading days	60 trading days	90 trading days		120 trading days
21-Jan-21	Polytec Asset Holdings Limited	208	61.3%	63.2%	72.6%	94.2%	104.1%	105.8%	(53.0)%
20-Jan-21	Zhejiang New Century Hotel Management Co., Ltd.	1158	24.7%	22.3%	20.8%	19.7%	20.3%	22.8%	174.8%
17-Jan-21	HKC (Holdings) Limited	190	120.4%	123.0%	119.8%	109.4%	100.3%	93.7%	(70.2)%
13-Jan-21	China Machinery Engineering Corporation	1829	45.1%	93.7%	118.9%	127.0%	126.3%	118.0%	(29.4)%
		Average	43.8%	56.2%	59.5%	63.3%	62.6%	61.1%	33.8%
		Median	39.4%	47.5%	46.9%	55.2%	54.8%	51.1%	7.4%
		Maximum	160.9%	150.5%	138.5%	150.0%	155.7%	158.6%	487.5%
		Minimum	2.9%	5.0%	5.0%	8.4%	4.4%	(15.4)%	(74.8)%
		The Proposal	39.5%	44.6%	49.2%	43.6%	34.8%	25.3%	86.1%

Source: Bloomberg and website of the Stock Exchange

Notes:

1. Subject to rounding differences.
2. Up to and including the last trading day/last full trading day/unaffected price date of the shares prior to the publication of the first Rule 3.5 announcement or Rule 3.7 announcement (where applicable).
3. The amount represents the premium of the offer price over unaudited NAV as at 31 December 2020 as no audited NAV of the Company had been available since 2018.

The terms of the Privatisation Precedents set out above, in our view, serve to illustrate the premium over market prices needed in Hong Kong to secure a successful privatisation, i.e., how much shareholders are being offered and the level of premium that is acceptable to shareholders in terms of historical share price ranges. An analysis of privatisation precedents is widely used in assessing the pricing of privatisation proposals in Hong Kong. Although the business nature and scale of each company vary and some aspects of pricing are likely to be industry-specific, this analysis provides in our view a meaningful analysis of the pricing of recent successful privatisations of companies listed on the Main Board of the Stock Exchange

under recent market sentiments, as well as a benchmark for the Disinterested Shareholders when evaluating the premium provided in the Proposal. Accordingly, we regard the Privatisation Precedents as a relevant benchmark for the acceptable privatisation premium range in the market and one of the factors we consider in assessing the fairness and reasonableness of the Offer Price.

Based on the table above, the premiums represented by the Offer Price over the closing Share prices on the Last Full Trading Date and for the last 30 trading days are above the corresponding medians of those of the Privatisation Precedents. The premiums represented by the Offer Price over the closing Share prices for a longer period (i.e., last 60, 90 and 120 trading days) are lower than both the corresponding averages and medians of the Privatisation Precedents but are still well within the range. Accordingly, as the premiums represented by the Offer Price are well within the range of those of the Privatisation Precedents, we consider the terms of the Proposal are in line with market. In addition, the premium represented by the Offer Price of HK\$10.00 per Scheme Share over the NAV attributable to owners of the Company per share is above the mean and the median of the Privatisation Precedents. Overall, we consider the premiums represented by the Offer Price are reasonable from the point of view of the Disinterested Shareholders.

IV. DISCUSSION AND ANALYSIS

In forming our opinion and recommendation below, we have taken into account the factors set out under the section headed “III. Principal factors and reasons considered” above as a whole. We would like to draw the attention of the Disinterested Shareholders in particular to the points summarised below:

1. The industry and its risk factors

The development of the PRC film industry has been generally positive throughout the last decade prior to the outbreak of COVID-19 pandemic. The annual box office revenue in the PRC registered a CAGR approximately 20.0% from 2013 to 2019. During the outbreak of COVID-19 pandemic in 2020 to 2022, various control measures including closures of theatres were implemented in the PRC. Consequently, there were sharp decreases in the PRC box office revenue during this period. When the Chinese government relaxed its dynamic zero-COVID policies and significantly eased restrictions at the end of 2022, there was a significant rebound in the PRC box office revenue in the first half of 2023, back to approximately 84% of the level of first half of 2019.

However, it is unclear at the moment if the box office rebound in the first half of 2023 was due to pent-up demand or consumers’ movie-going behaviour returning to normal. The impact of the COVID-19 pandemic on the PRC film industry will continue to depend on numerous factors which are still evolving. The timing and extent of a recovery of consumer behaviour and willingness to spend discretionary income on movie-going will affect the revenue of the PRC film industry and all its players.

A number of Hollywood films were not released in the PRC in 2021 and 2022, including several films released in IMAX format in other markets. This could happen again in the future though the cadence of Hollywood film releases has returned to normal in 2023. Audience sentiment towards Hollywood films may also vary.

In macro-economic terms, the growth of the PRC economy and the level of consumer spending fell below some expectations in the first half of the year. The slower-than-expected growth in the economy in general and in consumer spending could impact the film industry in the short to medium term.

2. Past financial performance

The financial performance of the Group has fluctuated in the period under review. Prior to the outbreak of COVID-19, the Group's revenue grew but lagged behind the growth of the film industry as a whole. Revenue of the Group declined during 2020 to 2022, with losses in 2020, but amounted to approximately US\$45.3 million for the six months ended 30 June 2023. The net profit also rebounded to approximately US\$13.9 million for that period. The net profit of approximately US\$13.9 million for the six months ended 30 June 2023 was still below net profits of approximately US\$24.0 million and approximately US\$20.5 million recorded for the corresponding period in the pre-COVID years of 2019 and 2018, respectively. Accordingly, the Group's recovery has yet to reach the levels of the pre-COVID years.

3. Outlook of the Company

As mentioned above, for the six months ended 30 June 2023, the Group's revenue bounced back as a result of theatre reopening, increasing approximately 38.5% as compared to the corresponding period in 2022. The Group's box office market share on films programmed also increased demonstrating audience demand for Group's format. While this rebound is encouraging, the Group's revenue was lower than the corresponding periods in the pre COVID-19 period and the revenue growth of the Group (approximately 12.4%) compares to the growth of annual box office of the PRC market of approximately 46.1% during the period in 2015 to 2019.

More than half of the films released to the IMAX network in the first half of 2023 were Hollywood productions. Such productions are currently being disrupted by industrial action by the Writers Guild of America and the Screen Actors Guild. If this action continues, film releases may be postponed and film marketing efforts may be interrupted.

Certain of the Company's exhibitor partners in the PRC have experienced financial difficulties owing to pandemic-related theatre closures. This has caused delays in past payments due and the ability of such partners to make future payments is subject to changing economic conditions. Further, the Group has had to delay certain IMAX installation systems and may be required to further delay or cancel such installations in the future.

The Group's revenue and results are directly impacted by the commercial success and box office results of the films released to the IMAX network through its joint revenue sharing arrangements, as well as through the percentage of the box office receipts the Group receives from the studios releasing IMAX films. Should any film exhibited in IMAX theatres under revenue sharing arrangements perform poorly, the amount of the box office revenue the Group receive will be reduced. In addition, the timing and extent of a recovery of consumer behaviour and willingness to spend discretionary income on movie-going after the COVID-19 pandemic may also affect the box office revenue and hence the income of the Group.

4. Premium over recent market price is substantial

The Proposal is to be implemented at the Offer Price of HK\$10.00 per Scheme Share in cash. The Offeror will not increase the Offer Price for the Proposal and does not reserve the right to do so. If the Proposal fails, the Offeror cannot in normal circumstances put forward another such proposal for at least twelve months, except with the consent of the Executive.

The premium of the Offer Price over recent Share prices is substantial. Based on the discussion as set out in the sub-section headed "III.8. Analysis of the Share price – (b) Historical Share price performance and NAV per Share compared to the Offer Price of HK\$10.00 per Scheme Share" above, the Offer Price compares favourably to the closing Share prices, with a range of premium of approximately 25.3% to approximately 49.2% over different periods before the Last Full Trading Date.

The Offer Price is also higher than the closing Share prices in most of the trading days during the Share Price Review Period of over one and a half years, except briefly in early 2022 and early 2023. In the Pre-Announcement Period (1 January 2022 to 10 July 2023), the average closing price of the Shares was HK\$7.98.

In the two years prior to the Pre-Announcement Period, the closing price of the Shares was consistently (except for two trading days) above the Offer Price of HK\$10.00, with a high of HK\$18.30 and a low of HK\$9.67. Prior to this and since the Company's initial public offering in October 2015, the Share price had been higher still, based among other factors on the rapid growth of the PRC box office during this period and promotions by online ticketing platforms. Whether the Share Price can return to these earlier levels is unknown but we have summarised above various risk factors. These include the timing and the extent of a recovery of consumer behaviour and willingness to spend discretionary income on movie-going, the slower-than-expected PRC economic growth and consumer spending in the first half of 2023, the slower revenue growth of the Group in recent years (from 2015 to 2019) as compared to the overall market as well as the uncertainty of the permitted release of Hollywood films under the heightened US-China tensions. The low level of public float and trading volume, as noted below, may also have acted as a dampener on prices. In view of the above factors, we consider the higher Share prices prior to the Pre-Announcement Period do not reflect present circumstances or risks and are not of material relevance to our analysis.

Since the Last Trading Date (i.e., 11 July 2023), the closing prices of the Shares have reflected a small discount to the Offer Price of HK\$10.00 per Share. On the Latest Practicable Date, the closing price was HK\$9.51, a 5.2% discount to the Offer Price. In our view, the market prices of the Shares price the Last Trading Date have been largely driven by the Offer Price and if the Proposal fails the Share price is likely to exhibit weakness, at least in the short term.

5. The Scheme presents a good opportunity to realise the Shares given the low trading volume

Since the beginning of 2022 and up to the release of the Announcement, we are of the view that the liquidity of the Shares was generally low, with monthly trading volume averaging 2.2% and 7.9% of Shares in issue and Shares held by the Disinterested Shareholders, respectively. There was a surge in trading volume during November 2022 to January 2023 which may be attributable to expectations (since somewhat dampened) for the Group's business amid the announcement of significant easing of COVID-19 control measures by the Chinese government. The surge in July 2023 was due, in our opinion, to the release of the Announcement. Otherwise, we are of the view that the Shares cannot be regarded as having been actively traded on a consistent basis. The reasons for the low liquidity include: (i) lower investor interest over the past few years due to COVID-impacted theatre closure and reduced market capitalisation of the Company; (ii) total share repurchases of approximately 21.1 million from 2018-2022 reduced the public float; (iii) the Shares being removed from trading in Shanghai Stock Connect (10 September 2018) and Shenzhen Stock Connect (15 March 2021) due to minimum market capitalisation thresholds; and (iv) fewer analyst coverage, being 3 currently compared to over 10 in pre-COVID period. Accordingly, the Proposal provides an attractive exit opportunity for the Scheme Shareholders (especially those with relatively sizeable shareholdings) who would like to realise their investments in the Shares at a fixed cash price without disturbing the market price.

6. Premium over net assets

The Offer Price represents a premium in the region of approximately 88.0% over the audited NAV per Share as at 31 December 2022 and approximately 86.1% over the unaudited NAV per Share as at 30 June 2023. We consider this a substantial premium.

7. Cross check against the Comparable Companies

The Offer Price of HK\$10.00 per Scheme Share represents a P/E Multiple of 18.4 times, which is higher than both the average and the median of the seven Comparable Companies of approximately 16.7 times and 10.9 times, based on profits in the latest twelve-month period and closing prices as at the Latest Practicable Date for the Comparable Companies. Similarly, the implied P/B Multiple of the Offer Price of approximately 1.9 times is higher than the average and the median of those of the seven Comparable Companies of approximately 1.0 times and approximately 0.9 times, respectively, as at the Latest Practicable Date. The implied EV/EBITDA Multiple is equal to the median of the seven Comparable Companies and well within the range of those of the Comparable Companies. These multiples indicate that the Offer Price compares favourably against the ratings of the Comparable Companies in general.

8. Cross check against the Privatisation Precedents

The premiums offered by the Offer Price over the closing Share price on the Last Full Trading Date and the 10-, 30-, 60-, 90- and 120-trading day (up to and including the Last Full Trading Date) average closing Share price are 39.5%, 44.6%, 49.2%, 43.6%, 34.8% and 25.3%, respectively. These premiums are close to the respective median premiums of the Privatisation Precedents and well within the range of the premiums of the Privatisation Precedents. This indicates that the terms of the Proposal are in line with recent successful privatisation proposals of Hong Kong listed companies.

V. SHARE INCENTIVE PROPOSAL**1. LTIP Option Offer**

Under the LTIP Option Offer, the Offeror is offering the LTIP Option Holder a “see-through” price of HK\$0.8147 per LTIP Option (being the Offer Price minus the exercise price per LTIP Option) for the cancellation of each LTIP Option.

In Hong Kong, it is market practice to adopt a “see-through” price (representing the difference between the Offer Price and any given exercise price of the option instrument) as the minimum offer/cancellation price for any such instrument in conjunction with a privatisation. We note that under the LTIP Option Offer, the LTIP Option Offer price of HK\$0.8147 for each outstanding LTIP Option represents the difference between the Offer Price of HK\$10.00 and the exercise price of the outstanding LTIP Options of approximately HK\$9.1853. We consider such basis of determining the LTIP Option Offer price is acceptable.

2. Share Option Offer

Under the Share Option Offer, the Offeror is offering the Share Option Holders a nominal value of US\$0.0001 per Share Option (equivalent to HK\$0.0008 per Share Option) for the cancellation of each Share Option, as the exercise price of each Share Option exceeds the Offer Price and the “see-through” price is negative.

As with the LTIP Option Offer, it is market practice to adopt a “see-through” price as the minimum offer/cancellation price for any option instrument in conjunction with a privatisation. Under the Share Option Offer, the Share Option Offer price of HK\$0.0008 for each outstanding Share Option is a nominal amount since the exercise price of each Share Option exceeds the Offer Price and the “see-through” price of the outstanding Share Options under the Share Option Offer is negative. We consider such basis of determining the Share Option Offer price is acceptable.

3. Share Award Offer

The Offeror is implementing the arrangements set out in detail in the sub-section headed “4. Share Incentive Proposal – Share Award Offer” in the Explanatory Memorandum contained in the Scheme Document, to the effect that (i) the RSU Holders will receive Offeror RSUs for the cancellation of all of the RSUs held by them; and (ii) the PSU Holders will receive Offeror PSUs for the cancellation of all of the PSUs held by them, with the vesting of such Offeror RSUs and Offeror PSUs being consistent with the original vesting schedules and the original vesting conditions applicable to the corresponding RSUs and PSUs.

As mentioned in the sub-section headed “II. Terms and conditions of the Proposal, the Scheme and the Share Incentive Proposal – 2. The Share Incentive Proposal – (c) Share Award Offer” in this letter, under the rules of the RSU Scheme and the PSU Scheme, there is no automatic acceleration or cancellation of unvested RSUs and PSUs triggered by a takeover or scheme of arrangement of the Company. The unvested RSUs and PSUs will therefore not be accelerated for vesting as a result of the Proposal. Any RSU Holder or PSU Holder who does not accept the Share Award Offer will not receive any Offeror RSUs or Offeror PSUs (as the case may be) under the Share Award Offer in respect of his/her outstanding RSUs and PSUs as at the Record Date. The Board will then exercise its discretion to cancel such RSUs and PSUs for nil consideration in accordance with the terms and conditions of the RSU Scheme and PSU Scheme.

Having considered this background and the fact that the Shares will no longer be liquid post-privatisation of the Company, we are of the view that the Share Award Offer, which allows the relevant RSU Holder and/or PSU Holder to receive the Offeror RSUs and/or the Offeror PSU which, upon vesting, will be settled with marketable and liquid shares in the Offeror (listed on the New York Stock Exchange), is fair and reasonable so far as the RSU Holder and/or PSU Holder are concerned.

VI. OPINION AND RECOMMENDATION

Based on the above analysis, in particular those factors in the “IV. Discussion and Analysis” section above, we consider (i) the terms of the Proposal and the Scheme to be fair and reasonable so far as the Disinterested Shareholders are concerned; and (ii) the terms of the Share Incentive Proposal to be fair and reasonable so far as the Share Incentive Holders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Proposal at the EGM.

We also advise the Independent Board Committee to recommend (i) the LTIP Option Holder to accept the LTIP Option Offer; (ii) the Share Option Holders to accept the Share Option Offer; and (iii) the holders of the RSU and/or PSU to accept the Share Award Offer.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

Mr. Danny Cheng is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, who is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 15 years of experience in the corporate finance industry.

This Explanatory Memorandum constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (as revised).

**SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)**

1. INTRODUCTION

On 13 July 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Offer Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares from the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, the Scheme Shares will be cancelled and extinguished on the Effective Date. Contemporaneously with such cancellation and extinguishment, the share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued to the Offeror.

The Shares in which IMAX Barbados (a wholly-owned subsidiary of the Offeror) is interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to approximately 71.63% and 28.37% by IMAX Barbados and the Offeror, respectively, and the listing of the Shares will be withdrawn from the Stock Exchange.

The purpose of this Explanatory Memorandum is to set out the terms and effects of the Proposal (in particular the Scheme) and the Share Incentive Proposal and to provide the Scheme Shareholders and the Share Incentive Holders with further information in relation to the Proposal and the Share Incentive Proposal.

Particular attention is drawn to (i) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; (iii) the Explanatory Memorandum set out in Part VII of this Scheme Document; (iv) the terms of the Scheme set out in Appendix III of this Scheme Document; and (v) the Letter to the Share Incentive Holders, substantially in the form set out in Appendix VI to this Scheme Document, and the enclosed Form of Acceptance.

2. TERMS OF THE PROPOSAL

The Scheme

Subject to the Scheme becoming effective, all of the Scheme Shares will be cancelled in exchange for HK\$10.00 in cash for each Scheme Share.

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Offer Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in the Announcement, this Scheme Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced. The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Long Stop Date. As at the Latest Practicable Date, the Company had no declared but unpaid dividends.

The Offeror will not increase the Offer Price and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Offer Price.

The Offer Price of HK\$10.00 represents:

- (a) a premium of approximately 5.15% over the closing price of HK\$9.51 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 39.47% over the closing price of HK\$7.1700 per Share as quoted on the Stock Exchange on 10 July 2023, being the Last Full Trading Date;
- (c) a premium of approximately 9.65% over the closing price of HK\$9.1200 per Share as quoted on the Stock Exchange on 11 July 2023, being the Last Trading Date;
- (d) a premium of approximately 45.18% over the average closing price of c. HK\$6.8880 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Full Trading Date;
- (e) a premium of approximately 49.16% over the average closing price of c. HK\$6.7043 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Full Trading Date;
- (f) a premium of approximately 43.61% over the average closing price of c. HK\$6.9633 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Full Trading Date;

- (g) a premium of approximately 34.78% over the average closing price of c. HK\$7.4194 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Full Trading Date;
- (h) a premium of approximately 88.01% to the audited consolidated net asset value attributable to Shareholders per Share of c. HK\$5.3190 as at 31 December 2022 (based on an exchange rate of US\$1.0 = HK\$7.75); and
- (i) a premium of approximately 86.14% to the unaudited consolidated net asset value attributable to Shareholders per Share of c. HK\$5.3722 as at 30 June 2023 (based on an exchange rate of US\$1.0 = HK\$7.75).

The Offer Price has been determined on an arm's length commercial basis after taking into account the prices of the Shares traded on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years.

Highest and lowest prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$11.54 on 27 January 2023, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$6.07 on 25 May 2023.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Proposal and the Scheme will only become effective and binding on the Company and all of the Scheme Shareholders if the following Conditions are fulfilled or waived (as applicable):

- (a) the approval of the Scheme (by way of poll) at the Court Meeting by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders entitled to vote at the Court Meeting, present and voting either in person or by proxy at the Court Meeting (with IMAX Barbados having provided an undertaking to the Grand Court not to attend and vote at the Court Meeting), provided that:
 - (i) the Scheme is approved (by way of a poll) by not less than 75% of the votes attaching to the Disinterested Shares cast by the Disinterested Shareholders, present and voting either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of a poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all of the Disinterested Shares;

- (b) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to (i) approve and give effect to any reduction of the issued share capital of the Company on the Effective Date by cancelling the Scheme Shares; and (ii) contemporaneously issue to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares;
- (c) the sanction of the Scheme (with or without modifications) by the Grand Court and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (d) compliance, to the extent necessary, with the applicable procedural requirements and conditions, if any, under the Companies Act in relation to any reduction of the issued share capital of the Company as a result of the cancellation of the Scheme Shares and the Scheme, respectively;
- (e) all of the Approvals having been obtained, completed and/or made and remaining in full force and effect without modification or variation;
- (f) all Applicable Laws having been complied with and no legal, regulatory or administrative requirement having been imposed by any Authority in any jurisdiction which is not expressly provided for, or is in addition to the legal, regulatory and administrative requirements which are expressly provided for, in the Applicable Laws in connection with the Proposal or the Scheme;
- (g) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or the Scheme void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations in connection with the Proposal or the Scheme); and
- (h) save in connection with the implementation of the Proposal, the listing of the Shares on the Stock Exchange not having been withdrawn, and no indication having been received from the Executive and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn.

The Conditions in paragraphs (a) to (d) (inclusive) cannot be waived. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (e) to (h) (inclusive) above in whole or in part. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. The Company has no right to waive any of the Conditions.

All of the Conditions must be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

As at the Latest Practicable Date and based on the information available to the Offeror and the Company, other than those specifically set out as the Conditions above and the application for the withdrawal of the listing of the Shares from the Stock Exchange upon the Scheme becoming effective, neither the Offeror nor the Company was aware of any Approvals which are required as set out in the Condition in paragraph (e) above, and neither the Offeror nor the Company was aware of any other circumstances which may result in any of the Conditions in paragraphs (f) to (h) (inclusive) above not being satisfied. In particular, as at the Latest Practicable Date, the Company was not aware of any Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry as set out in the Condition in paragraph (g).

If the Conditions are satisfied or (where applicable) waived, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

Warning: Shareholders, Share Incentive Holders and potential investors should be aware that the implementation of the Proposal, the Scheme and the Share Incentive Proposal is subject to the Conditions being fulfilled or (where applicable) waived. Accordingly, the Proposal and the Share Incentive Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders, Share Incentive Holders and potential investors are advised to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

4. SHARE INCENTIVE PROPOSAL

As at the Latest Practicable Date, there were 6,184,783 outstanding Share Incentives, comprising 1,518,800 LTIP Options, 1,295,392 Share Options, 2,482,605 RSUs and 887,986 PSUs. The Offeror is making an appropriate offer to the Share Incentive Holders in accordance with Rule 13 of the Takeovers Code as set out below.

LTIP Option Offer

As at the Latest Practicable Date, there were 1,518,800 LTIP Options granted under the LTIP (all of which had vested and were exercisable), each giving the LTIP Option Holder the right to subscribe for one new Share per LTIP Option (if the Board determines, in its absolute discretion, to settle with Shares). The exercise price of the LTIP Options is US\$1.1852 per LTIP Option (approximately HK\$9.1853 per LTIP Option).

Under the LTIP Option Offer, the Offeror is offering the LTIP Option Holder a “see-through” price of HK\$0.8147 per LTIP Option (being the Offer Price minus the exercise price per LTIP Option) for the cancellation of each LTIP Option. The LTIP Option Offer is conditional upon the Scheme becoming effective.

The only LTIP Option Holder, Mr. Jim ATHANASOPOULOS, who is an executive Director, has given an irrevocable undertaking in favour of the Offeror that: (i) he will not exercise his outstanding LTIP Options during the Offer Period; (ii) he will accept the LTIP Option Offer and consent to the cancellation of his outstanding LTIP Options conditional upon the Scheme becoming effective; and (iii) he will accept the Share Award Offer (as elaborated below) conditional upon the Scheme becoming effective (the “**LTIP Option Holder Undertaking**”).

Share Option Offer

As at the Latest Practicable Date, there were 1,295,392 Share Options granted under the Share Option Scheme (among which 1,285,881 Share Options had vested and 9,511 Share Options had not vested), each giving the Share Option Holders the right to subscribe for one new Share per Share Option (if the Board determines, in its absolute discretion, to settle with Shares). The relevant exercise price applicable to each Share Option ranges from HK\$18.24 to HK\$36.94 per Share Option.

Under the Share Option Offer, the Offeror is offering the Share Option Holders a nominal value of US\$0.0001 per Share Option (equivalent to HK\$0.0008 per Share Option) (both vested and unvested) for the cancellation of each Share Option, as the exercise price of each Share Option exceeds the Offer Price and the “see-through” price is negative. The Share Option Offer is conditional upon the Scheme becoming effective.

The following table sets out the exercise price and the “negative see-through” price of the outstanding Share Options under the Share Option Offer:

Date of grant	Exercise price (HK\$)	“Negative see-through” price (HK\$)	Number of Share Options not yet exercisable	Number of Share Options that are now exercisable
7 March 2017	36.94	-26.94	–	264,437
1 August 2017	21.43	-11.43	–	136,518
7 March 2018	24.45	-14.45	–	208,036
1 August 2018	23.10	-13.10	–	122,460
7 March 2019	20.71	-10.71	–	321,357
1 August 2019	18.24	-8.24	9,511	233,073
		Total	9,511	1,285,881

If any of the outstanding Share Options is exercised at the relevant exercise price in accordance with the terms of the Share Option Scheme on or before the Record Date, and the corresponding Shares are transferred or issued to such Share Option Holder(s) before the Record Date, any such Shares will be Scheme Shares which (a) may be voted at the EGM and (b) if the relevant Share Option Holder is not an Offeror Concert Party, will be Disinterested Shares which may be voted at the Court Meeting.

Each of the Share Option Holders, being Mr. Jim ATHANASOPOULOS, Mr. Jiande CHEN, Ms. Mei-Hui (Jessie) CHOU, Ms. Ka Long Karen CHAN, Mr. Tseng Kai TSAO and Ms. Xueqing ZHANG, has given an irrevocable undertaking in favour of the Offeror that: (i) he/she will not exercise any of the outstanding Share Options held by him/her during the Offer Period; (ii) he/she will accept the Share Option Offer and consent to the cancellation of his/her outstanding Share Options conditional upon the Scheme becoming effective; and (iii) he/she will accept the Share Award Offer (as elaborated below) conditional upon the Scheme becoming effective (the “**Share Option Holder Undertakings**”).

Share Award Offer

As at the Latest Practicable Date, there were 2,482,605 RSUs granted under the RSU Scheme and 887,986 PSUs granted under the PSU Scheme which had not yet vested, each giving the RSU Holders and the PSU Holders (as the case may be) a contingent right upon the vesting of such RSUs or PSUs to receive one Share per RSU or PSU for no consideration (if the Board determines, in its absolute discretion, to settle with Shares).

Under the rules of the RSU Scheme and the PSU Scheme, there is no automatic acceleration or cancellation of unvested RSUs and PSUs triggered by a takeover or scheme of arrangement of the Company. The unvested RSUs and PSUs will therefore not be accelerated for vesting as a result of the Proposal.

The Offeror is implementing the following arrangements such that (i) the RSU Holders will receive Offeror RSUs for the cancellation of all of the RSUs held by them; and (ii) the PSU Holders will receive Offeror PSUs for the cancellation of all of the PSUs held by them, with the vesting of such Offeror RSUs and Offeror PSUs being consistent with the original vesting schedules and the original vesting conditions applicable to the corresponding RSUs and PSUs:

- (a) on the Effective Date, each RSU Holder will be granted Offeror RSUs under the Offeror LTIP with respect to the unvested RSUs held by him/her as at the Record Date;
- (b) the number of Offeror RSUs to be granted to each RSU Holder in respect of a particular RSU Tranche held by such RSU Holder shall be determined based on the Offer Price and in accordance with the following formula:

$$A = B \times C/D$$

where:

“**A**” means the number of Offeror RSUs to be granted to the relevant RSU Holder in respect of a particular RSU Tranche held by such RSU Holder; and for these purposes, the unvested RSUs held by such RSU Holder on the Record Date will be split into different tranches (each being a “**RSU Tranche**”) based on their date of grant, such that the RSUs granted on the same date will form a single RSU Tranche;

“**B**” means the number of unvested RSUs comprising the relevant RSU Tranche;

“C” means an amount equal to the Offer Price; and

“D” means the closing price per share in the capital of the Offeror as quoted on The New York Stock Exchange on the relevant date of grant of the RSUs comprising the relevant RSU Tranche;

- (c) on the Effective Date, each PSU Holder will be granted Offeror PSUs under the Offeror LTIP with respect to the unvested PSUs held by him/her as at the Record Date;
- (d) the number of Offeror PSUs to be granted to each PSU Holder in respect of a particular PSU Tranche held by such PSU Holder shall be determined based on the Offer Price and in accordance with the following formula:

$$A = B \times C/D$$

where:

“A” means the number of Offeror PSUs to be granted to the relevant PSU Holder in respect of a particular PSU Tranche held by such PSU Holder; and for these purposes, the unvested PSUs held by such PSU Holder on the Record Date will be split into different tranches (each being a “**PSU Tranche**”) based on their date of grant, such that the PSUs granted on the same date will form a single PSU Tranche

“B” means the number of unvested PSUs comprising the relevant PSU Tranche;

“C” means an amount equal to the Offer Price; and

“D” means the closing price per share in the capital of the Offeror as quoted on The New York Stock Exchange on the relevant date of grant of the PSUs comprising the relevant PSU Tranche;

- (e) the grant of the Offeror RSUs and/or Offeror PSUs to a RSU Holder or PSU Holder (as the case may be) will be made on the Effective Date, and the vesting of such Offeror RSUs and Offeror PSUs shall follow the same vesting schedules and be subject to materially the same terms as to vesting conditions and, in respect of the PSUs, performance conditions as the corresponding RSUs and PSUs held by the relevant RSU Holder or PSU Holder (as applicable);
- (f) in consideration for the agreement to replace unvested RSUs and/or PSUs held by the relevant accepting RSU Holders and/or PSU Holders with Offeror RSUs and/or Offeror PSUs, all of the rights and entitlements of the RSU Holders and/or PSU Holders under the RSU Scheme and/or PSU Scheme will automatically lapse on the Effective Date; and

- (g) in accordance with the Board's discretion to cancel all outstanding RSUs and PSUs for nil consideration at any time in accordance with the RSU Scheme and the PSU Scheme respectively, the Board will exercise its discretion to cancel each unvested RSU and PSU on the Effective Date.

The Share Award Offer is conditional on the Scheme becoming effective.

Any RSU Holder or PSU Holder who does not accept the Share Award Offer will not receive any Offeror RSUs or Offeror PSUs (as the case may be) under the Share Award Offer in respect of his/her outstanding RSUs and/or PSUs as at the Record Date. The Board will then exercise its discretion to cancel such RSUs and PSUs for nil consideration in accordance with the terms and conditions of the RSU Scheme and PSU Scheme.

The Offeror is of the view that the Share Award Offer provides a fair and equal treatment to the RSU Holders and the PSU Holders on the basis that:

- (a) the value of the RSUs and PSUs will be determined based on the Offer Price of HK\$10.00. RSU Holders and PSU Holders will therefore benefit from the same offer premium as the Scheme Shareholders;
- (b) pursuant to the rules of the RSU Scheme and the PSU Scheme, the Board can decide in its absolute discretion whether to satisfy the vesting of RSUs and PSUs with Shares or cash based on a market value to be determined by the Board in its discretion. The Company's established practice has been to settle the vesting of all RSUs and PSUs with Shares (and not with cash). Recognising that the Shares will no longer be liquid post-privatisation of the Company, the Offeror's proposal to grant new Offeror RSUs and Offeror PSUs which, on vesting, would be settled with marketable and liquid shares in the Offeror (or cash) in accordance with the rules of the Offeror LTIP will allow RSU Holders and PSU Holders to continue to receive liquid securities on vesting; and
- (c) share incentives form a crucial part of the compensation and incentivisation structure of the Offeror group. The grant of Offeror RSUs and Offeror PSUs to the RSU Holders and PSU Holders will allow the Offeror to continue to align the interests of these important employees with the interests of the Offeror group and its shareholders as a whole. It will also allow RSU Holders and PSU Holders to continue to be invested in the growth and value of the Company's business (through its interest in the Offeror) and incentivise them to continue to contribute to the growth of the business.

If any of the RSUs and PSUs vest in accordance with the terms of the RSU Scheme or the PSU Scheme on or before the Record Date, and the corresponding Shares are transferred or issued to such RSU Holder(s) and PSU Holder(s) before the Record Date, any such Shares will be Scheme Shares which (a) may be voted at the EGM and (b) if the relevant RSU Holder or PSU Holder is not an Offeror Concert Party, will be Disinterested Shares which may be voted at the Court Meeting.

Share Award Trustee

As at the Latest Practicable Date, the Share Award Trustee did not hold any Shares. During the Offer Period, the Share Award Trustee will not further acquire Shares on market, and the Company does not intend to grant any Share Incentives.

The Share Incentive Proposal is conditional on the Scheme becoming effective. If any of the Conditions is not fulfilled or (where applicable) waived on or before the Long Stop Date and the Proposal and the Scheme lapse, the Share Incentive Proposal will also lapse.

Further information on the Share Incentive Proposal is set out in the form of the Letter to the Share Incentive Holders in Appendix VI, which are being despatched at or around the same time as the despatch of this Scheme Document.

5. CONFIRMATION OF FINANCIAL RESOURCES

As at the Latest Practicable Date, there were:

- (a) 96,330,543 Scheme Shares in issue;
- (b) 1,518,800 LTIP Options, in respect of which the LTIP Option Holder had irrevocably undertaken not to exercise during the Offer Period unless the Scheme lapses;
- (c) 1,295,392 Share Options, of which 1,285,881 Share Options had vested and 9,511 Share Options had not vested, which will be subject to the Share Option Offer at a nominal price of US\$0.0001 per Share Option (equivalent to HK\$0.0008 per Share Option) (both vested and unvested). Each of the Share Option Holders had irrevocably undertaken not to exercise any of the outstanding Share Options held by him/her during the Offer Period unless the Scheme lapses;
- (d) 2,482,605 RSUs, none of which was due to vest before the Long Stop Date; and
- (e) 887,986 PSUs, none of which was due to vest before the Long Stop Date.

Assuming that (i) none of the Share Incentives will be exercised or vest on or before the Record Date; and (ii) no new Shares will be issued and no new Share Incentives will be granted on or before the Record Date, the Proposal and the Share Incentive Proposal will involve making an offer to cancel:

- (a) 96,330,543 Scheme Shares in exchange for the Offer Price of HK\$10.00 per Scheme Share in cash;
- (b) 1,518,800 LTIP Options in exchange for the “see-through” price of HK\$0.8147 per LTIP Option in cash; and
- (c) 1,295,392 Share Options in exchange for the nominal price of US\$0.0001 per Share Option (equivalent to HK\$0.0008 per Share Option) in cash,

with the aggregate amount payable in cash accordingly being HK\$964,543,833.

Assuming that no new Shares will be issued and no new Share Incentives will be granted on or before the Record Date, the Proposal and the Share Incentive Proposal will involve making an offer to cancel:

- (a) 96,330,543 Scheme Shares in exchange for the Offer Price of HK\$10.00 per Scheme Share in cash;
- (b) 1,518,800 LTIP Options in exchange for the “see-through” price of HK\$0.8147 per LTIP Option in cash; and
- (c) 1,295,392 Share Options in exchange for the nominal price of US\$0.0001 per Share Option (equivalent to HK\$0.0008 per Share Option) in cash,

with the aggregate amount payable in cash accordingly being HK\$964,543,833.

Accordingly, assuming that no new Shares will be issued and no new Share Incentives will be granted on or before the Record Date, the maximum aggregate amount payable to implement the Proposal and the Share Incentive Proposal in full will be HK\$964,543,833.

The Offeror proposes to finance the cash consideration payable under the Proposal and the Share Incentive Proposal in full through its internal cash resources and/or external debt financing arranged by Wells Fargo Bank N.A.. The Offeror does not intend that the payment of interest on, repayment of, or security for, any liability (contingent or otherwise) under any such external debt financing will depend to any significant extent on the business of the Company.

Morgan Stanley, as financial adviser to the Offeror in connection with the Proposal and the Share Incentive Proposal, is satisfied that sufficient financial resources are available to the Offeror to satisfy its payment obligations in respect of the maximum cash consideration payable under the Proposal and the Share Incentive Proposal.

6. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

- (a) the issued share capital of the Company was 339,593,143 Shares;
- (b) the Offeror beneficially controlled or had direction over 243,262,600 Shares through its wholly-owned subsidiary, IMAX Barbados, representing approximately 71.63% of the issued share capital of the Company; for the avoidance of doubt, these Shares shall not form part of the Scheme Shares;
- (c) the Disinterested Shareholders (including the Share Award Trustee) legally and/or beneficially owned, controlled or had direction over 96,330,543 Shares in aggregate, representing approximately 28.37% of the issued share capital of the Company;
- (d) the Share Incentive Holders in aggregate held 6,184,783 outstanding Share Incentives, comprising 1,518,800 LTIP Options, 1,295,392 Share Options, 2,482,605 RSUs, and 887,986 PSUs; and
- (e) save for the 339,593,143 Shares in issue and the Share Incentives referred to in paragraph (d) above, the Company did not have any outstanding shares, options, warrants, convertible securities or other relevant securities in issue.

Shareholding Structure

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately following completion of the Proposal, assuming that: (a) no further Shares will be issued and no further Share Incentives will be granted on or before the Record Date; and (b) there will be no other change in the shareholding of the Company before the Effective Date:

Shareholders	As at the Latest Practicable Date		Immediately following completion of the Proposal	
	<i>Number of Shares</i>	<i>Total number of Shares in issue (%)⁽⁴⁾</i>	<i>Number of Shares</i>	<i>Total number of Shares in issue (%)⁽⁴⁾</i>
(A) Offeror ⁽¹⁾	–	–	96,330,543	28.37
(B) Offeror Concert Parties (not subject to the Scheme)				
IMAX Barbados ⁽¹⁾	243,262,600	71.63	243,262,600	71.63
(C) Offeror and Offeror Concert Parties (A) + (B)⁽²⁾	243,262,600	71.63	339,593,143	100.00

	As at the Latest Practicable Date		Immediately following completion of the Proposal	
	Number of Shares	Total number of Shares in issue (%) ⁽⁴⁾	Number of Shares	Total number of Shares in issue (%) ⁽⁴⁾
Shareholders				
(D) Disinterested Shareholders				
Directors ⁽³⁾				
Mr. Jiande CHEN	103,472	0.03	–	–
Mr. Jim ATHANASOPOULOS	749,746	0.22	–	–
Ms. Mei-Hui (Jessie) CHOU	296,760	0.09	–	–
Mr. John DAVISON	454,526	0.13	–	–
Ms. Yue-Sai KAN	435,108	0.13	–	–
Ms. Dawn TAUBIN	454,526	0.13	–	–
Mr. Peter LOEHR	328,860	0.10	–	–
Other Disinterested Shareholders	93,507,545	27.54	–	–
Sub-total	96,330,543	28.37	–	–
Total number of Shares in issue (C) + (D)	339,593,143	100.00	339,593,143	100.00

Notes:

- IMAX Barbados is a company incorporated in Barbados with limited liability and is wholly-owned by the Offeror. As at the Latest Practicable Date, IMAX Barbados directly owned 243,262,600 Shares and therefore the Offeror was deemed to be interested in 243,262,600 Shares held by IMAX Barbados pursuant to the SFO. Shares in which IMAX Barbados is interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to approximately 71.63% and 28.37% by IMAX Barbados and the Offeror, respectively.
- Morgan Stanley is the financial adviser to the Offeror in connection with the Proposal and the Share Incentive Proposal. Accordingly, Morgan Stanley and the relevant members of the Morgan Stanley group which hold Shares on an own account basis or manage Shares on a discretionary basis are presumed to be acting in concert with the Offeror in relation to the Company in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code (except in respect of the Shares held by members of the Morgan Stanley group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code). Members of the Morgan Stanley group which are exempt principal traders and exempt fund managers which are connected for the sole reason that they control, are controlled by or are under the same control as Morgan Stanley are not presumed to be acting in concert with the Offeror.

However:

- Shares held by any member of the Morgan Stanley group acting in the capacity of an exempt principal trader connected with the Offeror or the Company shall not be voted at the Court Meeting or the EGM in accordance with the requirement of Rule 35.4 of the Takeovers Code, and the Shares held by any member of the Morgan Stanley group in the capacity of an exempt principal trader for and on behalf of non-discretionary investment clients (that are not the Offeror or the Offeror Concert Parties) shall not be voted at the Court Meeting or the EGM unless otherwise confirmed with the Executive; and
- Shares held by such exempt principal traders may, subject to consent of the Executive, be allowed to be voted at the Court Meeting and the EGM if: (i) the relevant connected exempt principal trader holds the relevant Shares as a simple custodian for and on behalf of non-discretionary clients; (ii) there are contractual arrangements in place between the relevant connected exempt principal trader and its client that strictly prohibit such member of the Morgan Stanley group from exercising any discretion over the

relevant Shares; (iii) all instructions shall originate from such non-discretionary client only (if no instructions are given, then no action shall be taken on the relevant Shares held by the relevant connected exempt principal trader); and (iv) such non-discretionary client is not the Offeror or an Offeror Concert Party.

3. None of these Directors is acting in concert with the Offeror. The number of Shares in which each of the Directors is interested does not include any LTIP Options, Share Options, RSUs or PSUs.
4. All percentages in the above table are approximations and rounded to the nearest 2 decimal places and the aggregate percentages may not add up due to rounding of the percentages to 2 decimal places.

7. INFORMATION ON THE GROUP

The Company is an exempted company incorporated in the Cayman Islands with limited liability whose shares have been listed on the Main Board of the Stock Exchange since 8 October 2015. The Company is a leading entertainment technology company, the exclusive licensee of the IMAX brand in the theatre network, sales and maintenance business, and the sole commercial platform for the release of IMAX format films in Greater China. The Group is principally engaged in the entertainment industry specialising in digital and film-based motion picture technologies.

Your attention is also drawn to Appendix I – “Financial Information of the Group” and Appendix II – “General Information” of this Scheme Document.

8. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Canada with limited liability and is listed on the New York Stock Exchange. The Offeror is a premier global technology platform for entertainment and events. Through its proprietary software, theatre architecture, patented intellectual property, and specialized equipment, the Offeror offers a unique end-to-end solution to create superior, immersive content experiences.

As at the Latest Practicable Date, the Offeror was indirectly interested in 243,262,600 Shares, representing approximately 71.63% of the issued share capital of the Company, through its wholly-owned subsidiary, IMAX Barbados.

9. INTENTION OF THE OFFEROR WITH REGARD TO THE GROUP

As at the Latest Practicable Date, it was the intention of the Offeror for the Group to continue to carry on its existing business and the Offeror did not have any plan to make any material change to: (a) the business of the Group (including any redeployment of any fixed asset of the Group); or (b) the continued employment of the employees of the Group (other than in the ordinary course of business).

As at the Latest Practicable Date, it was expected that upon completion of the Proposal: (a) Mr. Daniel MANWARING will continue as the chief executive officer of the Company, reporting to Mr. Richard GELFOND and overseeing all local business functions, which include distribution, marketing, finance and additional areas focused on the Company’s business interests in Greater China; and (b) the Company will remain headquartered in Shanghai with offices in Beijing.

10. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Ms. Yue-Sai KAN, Mr. John DAVISON, Ms. Dawn TAUBIN and Mr. Peter LOEHR (being all of the independent non-executive Directors), has been established by the Board to make a recommendation to the Disinterested Shareholders and the Share Incentive Holders (as applicable) as to: (i) whether the terms of the Proposal, the Scheme and the Share Incentive Proposal are, or are not, fair and reasonable; (ii) voting by the Disinterested Shareholders on the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Proposal at the EGM; and (iii) acceptance by the Share Incentive Holders of the Share Incentive Proposal.

As Mr. Richard GELFOND (being a non-executive Director and the chairman of the Board) is also the Chief Executive Officer of the Offeror and Mr. Robert LISTER (being a non-executive Director) is also the Chief Legal Officer and Senior Executive Vice President of the Offeror, Mr. Richard GELFOND and Mr. Robert LISTER are regarded as being interested in the Proposal and do not form part of the Independent Board Committee.

The Board, with the approval of the Independent Board Committee, has appointed Somerley as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Share Incentive Proposal pursuant to Rule 2.1 of the Takeovers Code.

The Independent Financial Adviser has advised the Independent Board Committee that it considers that the terms of the Proposal, the Scheme and the Share Incentive Proposal are fair and reasonable so far as the Disinterested Shareholders and Share Incentive Holders are respectively concerned, and accordingly, it advises the Independent Board Committee to recommend to (a) the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme; and (b) the Share Incentive Holders to accept the Share Incentive Proposal.

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

The Independent Board Committee, having been so advised, considers that the terms of the Proposal, the Scheme and the Share Incentive Proposal are fair and reasonable so far as the Disinterested Shareholders and the Share Incentive Holders are respectively concerned. Accordingly, the Independent Board Committee recommends (a) the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme; and (b) the Share Incentive Holders to accept the Share Incentive Proposal.

The full text of the letter from the Independent Board Committee in relation to its recommendations with respect to the Proposal, the Scheme and the Share Incentive Proposal is set out in Part V of this Scheme Document.

11. REASONS FOR AND BENEFITS OF THE PROPOSAL

For the Offeror: The Proposal will enable enhanced operational flexibility in Greater China, unlock financial benefits for the Offeror and streamline the group structure

The Proposal will enable greater operational flexibilities for the Offeror to pursue new growth opportunities and applications of IMAX technology in the Greater China market. The operational flexibilities include the agility to implement long-term growth strategies that may or may not yield immediate financial benefits and the ability to allocate resources to and from the Company at the Offeror's full discretion depending on business needs, including but not limited to the potential licensing of additional technologies from the Offeror to the Company or providing resources and support to the Company from staffing or project development perspectives, without the constraints of Listing Rules considerations. Financially, the Offeror expects that the Proposal will be accretive to its earnings per share immediately following implementation of the Proposal based on the Offeror's and the Company's historical financials, while also providing the Offeror with greater flexibility in the usage of the Company's cash and potential tax efficiencies. The Proposal will also allow the Offeror and the Company to save on the administrative, compliance and other related costs associated with maintaining a listing (which, based on the reported costs and expenses incurred by the Company in the 2022 financial year, could save approximately US\$2 million).

The Proposal will enable the Offeror and the Company to streamline its group structure and further align the Greater China business with the Offeror's global operations, including optimizing its corporate structure and group tax planning, and simplification in financial reporting. The Proposal will create a unified listing platform, which may also reduce the complexity for public markets to assign respective valuations to the Offeror and the Company.

The Offeror further expects that implementation of the Proposal will provide it with greater flexibility for long-term strategic options. The initial listing of the Company fueled the growth of the Company in Greater China by providing a platform for the Company to raise sufficient capital for expansion. However, the low trading liquidity in the Shares of the Company and a depressed valuation have negatively impacted the Company's brand and reputation and made it difficult to justify ongoing investment in investor relations resources and initiatives. Such resources could be better spent on implementing new growth and investment initiatives. Following the privatisation of the Company, the Company expects the Proposal to further expand the IMAX brand and technology in Greater China's thriving market in entertainment by providing more operational flexibilities to execute long-term growth initiatives.

For the Scheme Shareholders: The Proposal represents an attractive opportunity to realize their investment at a compelling premium

Trading liquidity in the Shares of the Company has declined significantly from an average daily trading volume of 982,361 Shares per day during 2018 to 301,831 Shares per day for the period from 1 January 2023 up to and including the Last Full Trading Date. This decline in

liquidity limits the attractiveness of the Shares for market participants and impacts both the price for the Shares as well as the Company's ability to raise new capital on attractive terms. In addition to the low average daily trading volume, the Company's trading liquidity is low as compared to its total number of Shares in issue. For the period from 1 January 2023 up to and including the Last Full Trading Date, average daily trading volume of the Company's Shares as a percentage of its total number of Shares in issue was 0.09%, significantly lower as compared to 0.29% during 2018. The low level of trading liquidity also impacts Shareholders' ability to purchase and sell a significant quantity of Shares without adversely impacting the price. While the Company's financial performance has been resilient despite the impact of COVID-19 over the past few years, the Company's share price on the Last Full Trading Date remains near its all-time low (HK\$4.01) with a 75.9% decline compared to its all-time high since 2018 (HK\$29.80). While the Company has been effecting share repurchases to demonstrate its confidence in the long-term prospect of the Company, the potential cap on the Offeror's ownership in the Company at 75% (in order to maintain its public float of 25%) will impede the Offeror's ability to further repurchase shares, as it now owns close to 71.63%. The Proposal may further consolidate the trading liquidity of the Company into that of the Offeror as Shareholders who desire exposure to the Company can invest in the Offeror's publicly traded shares on the New York Stock Exchange.

The Offeror believes that the Proposal provides an opportunity for the Scheme Shareholders to dispose of their Shares at a compelling premium over recent market prices without being subject to any liquidity discount. The Offer Price of HK\$10.00 for each Scheme Share represents a premium of approximately 39.47% over the closing price of HK\$7.1700 per Share as quoted on the Stock Exchange on the Last Full Trading Date, and a premium of approximately 49.16% and 34.78% over the average closing price of approximately HK\$6.7043 and HK\$7.4194 per Share for the 30 and 90 trading days up to and including the Last Full Trading Date, respectively.

No statement in this section headed "11. Reasons for and Benefits of the Proposal" should be interpreted to mean that the earnings or financial performance of the Offeror or the Company for the current year or future years will necessarily match or exceed the historical or published earnings or financial performance of the Offeror or the Company, respectively.

12. ACTIONS TO BE TAKEN

The summary of actions to be taken by the Shareholders can be found in Part II – Actions to be Taken in this Scheme Document.

13. COURT MEETING AND EGM

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications).

Only Scheme Shareholders as at the Meeting Record Date may attend and vote at the Court Meeting to approve the Scheme. IMAX Barbados, as an Offeror Concert Party, will provide an undertaking to the Grand Court not to attend and vote at the Court Meeting. The Offeror has also undertaken to the Grand Court to be bound by the Scheme, so as to ensure that it will comply with and be subject to the terms and conditions of the Scheme.

All Shareholders as at the Meeting Record Date will be entitled to attend the EGM and to vote on the special resolution to approve and give effect to (a) any reduction of the issued share capital of the Company on the Effective Date by cancelling the Scheme Shares; and (b) the contemporaneous issuance to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled and the application of the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares.

As the Share Award Trustee is not acting in concert with the Offeror, any Shares held by the Share Award Trustee are Disinterested Shares and are entitled to be voted at the Court Meeting and the EGM. However, pursuant to Rule 17.05A of the Listing Rules and the rules of the RSU Scheme and the PSU Scheme, the Share Award Trustee shall not exercise the voting rights attached to the Shares held by it. As at the Latest Practicable Date, the Share Award Trustee did not hold any Shares.

Notice of the Court Meeting is set out in Appendix IV of this Scheme Document. The Court Meeting will be held at 7:00 a.m. on Tuesday, 10 October 2023 at Board Meeting Room, 5F, Shanghai Marriott Hotel City Centre, 555 Xi Zang (Middle) Road, Huangpu District, Shanghai, China.

Notice of the EGM is set out in Appendix V of this Scheme Document. The EGM will be held at 7:30 a.m. (or, if later, as soon thereafter as the Court Meeting shall have been concluded or adjourned) on Tuesday, 10 October 2023 at Board Meeting Room, 5F, Shanghai Marriott Hotel City Centre, 555 Xi Zang (Middle) Road, Huangpu District, Shanghai, China.

The Court Hearing to sanction the petition is listed to be heard on Tuesday, 17 October 2023 at 10:00 a.m. (Cayman Islands time). Any Scheme Shareholder who voted at the Court Meeting and any Beneficial Owner who gave voting instructions to a custodian or a clearing house who voted at the Court Meeting shall have the right to attend, or appear by counsel, and be heard at the Court Hearing.

Closure of the register of members of the Company

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 5 October 2023 to Tuesday, 10 October 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, 4 October 2023. A subsequent purchaser of Shares will need to obtain a proxy form from the transferor if he or she wishes to attend or vote at the Court Meeting or the EGM.

Binding effect of the Scheme

When all of the Conditions set out in the section headed “3. *Conditions of the Proposal and the Scheme*” in Part VII – Explanatory Memorandum of this Scheme Document are fulfilled or waived (as applicable), the Scheme will become effective and binding on the Offeror, the Company and all Scheme Shareholders.

14. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all of the Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application to the Stock Exchange for the withdrawal of the listing of the Shares from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules, with effect from 9:00 a.m., Tuesday, 24 October 2023.

The Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the Shares from the Stock Exchange will become effective.

15. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

If the Scheme is not approved or the Proposal otherwise lapses, an announcement will be made by the Offeror and the Company, and:

- (a) no Scheme Shares will be cancelled or extinguished, the shareholding structure of the Company will not change as a result of the Proposal, and the Company will continue to have sufficient public float as required by the Listing Rules;
- (b) the listing of the Shares on the Stock Exchange will not be withdrawn;
- (c) as the Share Incentive Proposal is conditional upon the Scheme becoming effective, the Share Incentive Proposal will lapse; and
- (d) there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses: (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

16. REGISTRATION AND PAYMENT**Latest time for lodging transfers of Shares**

In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that their Shares are registered or lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, for registration in their names or in the names of their nominees before 4:30 p.m. on Tuesday, 17 October 2023.

Payment of the Offer Price to the Scheme Shareholders

Subject to the Scheme becoming effective, the Offer Price will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Record Date as soon as possible but in any event within seven business days (as defined in the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Thursday, 19 October 2023 (Cayman time), the cheques for the payment of the Offer Price are expected to be despatched on or before Tuesday, 31 October 2023.

Cheques for the payment of the Offer Price will be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses on the register of members of the Company or, in the case of joint holders, to the registered address of that joint holder whose name first appears on the register of members of the Company in respect of the joint holding. All such cheques will be sent at the risk of the persons entitled thereto and none of the Offeror, the Company, Morgan Stanley, the Independent Financial Adviser and the share registrar of the Company and their respective nominees, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be liable for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank selected by the Offeror.

The Offeror shall hold all monies in respect of uncashed cheques until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto, provided that the cheques referred to in the foregoing sentence of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme, and are subject to, if applicable, the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account, including accrued interest subject to any deduction required by law and any expenses incurred.

Settlement of the Offer Price to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

Upon the Scheme becoming effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all of the Scheme Shares and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title as from the Effective Date, which expected to be on Thursday, 19 October 2023 (Cayman time).

Payment to the Share Incentive Holders under the Share Incentive Proposal

On the basis that the Scheme becomes effective, payment (by cheque or bank transfer) of the applicable cash entitlements to Share Incentive Holders under the Share Incentive Proposal are expected to be despatched or made as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Thursday, 19 October 2023 (Cayman time), the payment of the see-through price under the Share Incentive Proposal is expected to be made (or otherwise the cheque is expected to be despatched) on or before Tuesday, 31 October 2023.

Payment will be made either by way of (i) electronic bank transfer into bank accounts as customarily used by the Share Incentive Holders to receive other compensation from the Group (or as otherwise notified by the Share Incentive Holders to the Group), or (ii) by ordinary post in postage pre-paid envelopes addressed to the Share Incentive Holders at their respective last known addresses as notified by the Share Incentive Holders to the Group.

If payment is made by way of cheques, all such cheques will be sent at the risk of the persons entitled thereto and none of the Offeror, the Company, Morgan Stanley, the Independent Financial Adviser and the share registrar of the Company and their respective nominees, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal and the Share Incentive Proposal shall be liable for any loss or delay in despatch.

On or after the day being six (6) calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank selected by the Offeror.

The Offeror shall hold all monies in respect of uncashed cheques until the expiry of six (6) years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Share Incentive Proposal to persons who satisfy the Offeror that they are respectively entitled thereto, provided that the cheques referred to in the foregoing sentence of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Share Incentive Proposal, and are subject to, if applicable, the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six (6) years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Share Incentive Proposal and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account, including accrued interest subject to any deduction required by law and any expenses incurred.

Settlement of cash payments to which any Share Incentive Holder is entitled under the Share Incentive Proposal will be implemented in full in accordance with the terms of the Share Incentive Proposal, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Share Incentive Holder.

17. OVERSEAS SCHEME SHAREHOLDERS AND OVERSEAS SHARE INCENTIVE HOLDERS

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong and the Cayman Islands, the Takeovers Code and the Listing Rules, and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of any other jurisdictions.

This Scheme Document is not intended to, and does not, constitute, or form part of, an offer to buy or sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote, approval or acceptance in any jurisdiction pursuant to the Proposal, the Scheme, the Share Incentive Proposal or otherwise.

The availability of the Proposal and the Share Incentive Proposal to persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong may be affected by the laws of the relevant jurisdiction in which they are located or resident or of which they are citizens. Such Scheme Shareholders and Share Incentive Holders should inform themselves about and observe any applicable legal, regulatory or tax requirements in their respective jurisdictions and, where necessary, seek their own legal advice. The Offeror and the Company do not represent that this Scheme Document may be lawfully distributed in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such

distribution or offering. In particular, no action has been taken by the Offeror and the Company which is intended to permit a public offering or the distribution of this Scheme Document in any jurisdiction (other than in Hong Kong) where action for that purpose is required. Accordingly, Scheme Shareholders and Share Incentive Holders are prohibited from (i) copying, distributing or publishing all or part of this Scheme Document or any advertisement or other offering material in any jurisdiction (other than Hong Kong) or (ii) using information contained therein for any purpose other than assessment of the Proposal, the Scheme and/or the Share Incentive Proposal, unless the information is already publicly available in another form.

It is the responsibility of the overseas Scheme Shareholders and the Share Incentive Holders who wish to take any action in relation to the Proposal, the Scheme and/or the Share Incentive Proposal to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with any such action, including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with any other necessary formality and the payment of any issue, transfer or other tax in any relevant jurisdiction.

As at the Latest Practicable Date, there were no overseas Scheme Shareholders whose address as shown in the register of members of the Company was outside of Hong Kong.

As at the Latest Practicable Date, there were 24 Share Incentive Holders whose addresses as reflected in the records of the Company were outside of Hong Kong and those Share Incentive Holders together hold 1,518,800 LTIP Options, 1,263,691 Share Options, 2,399,228 RSUs and 849,614 PSUs. Jurisdictions of those Share Incentive Holders include: Canada, the United States, Mainland China and Taiwan.

Having made all reasonable enquiries, the directors of the Offeror and the Directors are comfortable that there is no restriction under the respective laws or regulations of those jurisdictions against extending the Scheme automatically or despatching this Scheme Document and/or the Letter to the Share Incentive Holders to those overseas Share Incentive Holders.

18. TAXATION ADVICE

As the Scheme does not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Scheme Shareholders and Share Incentive Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal, the Scheme or the Share Incentive Proposal. It is emphasised that none of the Offeror, the Offeror Concert Parties, the Company, Morgan Stanley, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, employees, agents, affiliates, advisers and associates and any other person involved in the Proposal, the Scheme or the Share Incentive Proposal accepts any responsibility for any taxation effects on, or liabilities of, any person as a result of the Proposal, the Scheme or the Share Incentive Proposal.

19. COSTS OF THE SCHEME

If either the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, the Scheme and/or the Share Incentive Proposal, and the Scheme is not approved, all costs and expenses incurred by the Company in connection with the Proposal, the Scheme and the Share Incentive Proposal shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, Rule 2.3 of the Takeovers Code is not applicable.

20. RECOMMENDATION

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal, the Scheme and the Share Incentive Proposal as set out in the letter from the Independent Board Committee to the Disinterested Shareholders and the Share Incentive Holders in Part V of this Scheme Document.

Your attention is also drawn to the recommendations of the Independent Financial Adviser in respect of the Proposal, the Scheme and the Share Incentive Proposal as set out in Part VI of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Proposal, the Scheme and the Share Incentive Proposal.

21. ADDITIONAL INFORMATION

Additional information in relation to the Proposal and the Share Incentive Proposal is set out in the appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Memorandum.

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, Morgan Stanley, the Independent Financial Adviser and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal and the Share Incentive Proposal have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

22. LANGUAGE

In case of inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

1. FINANCIAL SUMMARY

The following is a summary of the unaudited consolidated financial results of the Group for the six months ended 30 June 2023 and the audited consolidated financial results of the Group for each of the three years ended 31 December 2020, 2021 and 2022. The figures for the six months ended 30 June 2023 are extracted from the interim report of the Company and the figures for each of the three years ended 31 December 2020, 2021 and 2022 are extracted from the annual reports of the Company.

The auditor's reports from the Company's auditors, PricewaterhouseCoopers, in respect of the Group for each of the financial years ended 31 December 2020, 2021 and 2022 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Save as disclosed below, there were no items of any income or expense which were material in respect of the consolidated financial results of the Group for the six months ended 30 June 2023 and each of the three years ended 31 December 2020, 2021 and 2022.

Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December 2020 <i>(Audited)</i> US\$'000	For the year ended 31 December 2021 <i>(Audited)</i> US\$'000	For the year ended 31 December 2022 <i>(Audited)</i> US\$'000	For the six months ended 30 June 2023 <i>(Unaudited)</i> US\$'000
Revenues	52,331	112,801	73,330	45,342
Cost of sales	(32,984)	(44,613)	(33,633)	(16,624)
Gross profit	19,347	68,188	39,697	28,718
Selling, general and administrative expenses	(14,381)	(16,820)	(15,530)	(8,979)
(Provisions) reversals of net impairment losses on financial assets	(10,892)	3,997	(1,319)	(807)
Other operating expenses	(3,900)	(6,062)	(3,968)	(2,503)
Other losses	–	–	(4,470)	–
Operating (loss) profit	(9,826)	49,303	14,410	16,429
Interest income	1,330	1,643	1,040	726
Interest expense	(108)	(458)	(169)	(282)
(Loss) profit before income tax	(8,604)	50,488	15,281	16,873
Income tax expense	(18,135)	(12,271)	(4,523)	(2,997)
Profit (loss) for the year, attributable to owners of the Company	(26,739)	38,217	10,758	13,876

	For the year ended 31 December 2020 <i>(Audited)</i> US\$'000	For the year ended 31 December 2021 <i>(Audited)</i> US\$'000	For the year ended 31 December 2022 <i>(Audited)</i> US\$'000	For the six months ended 30 June 2023 <i>(Unaudited)</i> US\$'000
Other comprehensive income (loss):				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	14,139	3,538	(19,470)	(7,011)
Items that may not be subsequently reclassified to profit or loss:				
Change in fair value of financial assets at fair value through other comprehensive income	(2,084)	5,219	–	–
Other comprehensive income (loss):	12,055	8,757	(19,470)	(7,011)
Total comprehensive (loss) income for the year, attributable to owners of the Company	(14,684)	46,974	(8,712)	6,865
Earnings (Loss) per share attributable to owners of the Company – basic and diluted (expressed in US\$ per share):				
(Loss) earnings for the year – basic	(0.08)	0.11	0.03	0.04
(Loss) earnings for the year – diluted	(0.08)	0.11	0.03	0.04
Total dividends distributed to owners	13,944	16,566	9,507	5,087
Total dividends per share	0.040	0.048	0.028	0.015

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, statement of cash flows and any other primary statement as shown in the audited consolidated financial statements of the Group for the year ended 31 December 2022, together with the significant accounting policies and any points from the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 are set out on pages 72 to 77 of the interim report of the Company for the six months ended 30 June 2023, which was published on 9 August 2023 and which is posted on the website of the Company at <http://www.imax.cn/l-en> and the Stock Exchange at www.hkexnews.hk, or at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0809/2023080900299.pdf>.

The audited consolidated financial statements of the Group for the year ended 31 December 2022 are set out on pages 168 to 173 of the annual report of the Company for the year ended 31 December 2022, which was published on 17 March 2023 and which is posted on the website of the Company at <http://www.imax.cn/l-en> and the Stock Exchange at www.hkexnews.hk, or at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0317/2023031700589.pdf>.

The audited consolidated financial statements of the Group for the year ended 31 December 2021 are set out on pages 146 to 151 of the annual report of the Company for the year ended 31 December 2021, which was published on 18 March 2022, and which is posted on the website of the Company at <http://www.imax.cn/l-en> and the Stock Exchange at www.hkexnews.hk, or at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0318/2022031800487.pdf>.

The audited consolidated financial statements of the Group for the year ended 31 December 2020 are set out on pages 145 to 150 of the annual report of the Company for the year ended 31 December 2020, which was published on 30 March 2021, and which is posted on the website of the Company at <http://www.imax.cn/l-en> and the Stock Exchange at www.hkexnews.hk, or at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0330/2021033000624.pdf>.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 and the audited consolidated financial statements of the Group for each of the three financial years ended 31 December 2020, 2021 and 2022 are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. STATEMENT OF INDEBTEDNESS

At the close of business on 30 June 2023, being the latest practicable date for the purpose of this statement of the indebtedness prior to the printing of this Scheme Document, the Group had the following indebtedness:

- (a) bank borrowings of approximately US\$9.3 million, which were unsecured and unguaranteed; and
- (b) lease liabilities of approximately US\$1.3 million, which were unsecured and unguaranteed.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 30 June 2023, the Group did not have any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or loan notes or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptance or acceptance credits or any finance lease commitments, or any guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

Capitalised terms used in this paragraph shall have the same meanings as defined in the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document, unless the context otherwise requires. Save as disclosed in paragraphs (i) to (iii) below, which are set out in the Company's 2023 Interim Report, the Directors confirm that as at the Latest Practicable Date, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up. In particular:

- (i) For the six months ended 30 June 2023 (the “**Current Period**”), revenue of the Group increased by 38.5% from US\$32.7 million in the six months ended 30 June 2022 (the “**Same Period of Previous Year**”) to US\$45.3 million in the Current Period, driven by an increase of US\$7.7 million in the content solutions business (“**Content Solutions**”) revenue and an increase of US\$4.8 million in the technology products and services business (“**Technology Products and Services**”) revenue. The increase in the Content Solutions revenue was mainly due to an increase in box office revenue in the Current Period following the reopening of theatres in Mainland China after COVID-19 controls were lifted and a larger number of films releases. The increase in the Technology Products and Services revenue was mainly due to (i) an increase in number of new theatre systems installations under sales and sales-type lease arrangements; (ii) an increase in the number of theatre system installations under hybrid revenue sharing arrangements; and (iii) an increase in contingent rent from revenue sharing arrangements due to increased box office, partially offset by a decrease in IMAX maintenance revenue primarily due to one-time fee concessions negotiated with certain exhibitor customers as a result of the impact COVID-19 restrictions had on their normal business operations.
- (ii) For the Current Period, cost of sales of the Group increased by 17.7% from US\$14.1 million in the Same Period of Previous Year to US\$16.6 million in the Current Period, primarily due to an increase of US\$0.7 million in the Content Solutions segment and an increase of US\$1.5 million in the Technology Products and Services segment. The increase in cost of sales of the Group was mainly due to the increase in the revenue of the Group in the Current Period. However, the percentage increase in the cost of sales of the Group was lower than that in the revenue of the Group between the two periods, primarily due to (i) the high operating leverage inherent to the content solutions business and more local language films released in the Current Period than in the Same Period of Previous Year with lower production costs and higher margins in the Content Solutions segment; and (ii) a larger portion of IMAX Laser installations with lower margin in the Same Period of Previous Year under sales and sales-type lease arrangements in the Technology Products and Services segment than the Current Period.

- (iii) For the Current Period, other losses were nil as compared to US\$4.5 million in the Same Period of Previous Year. The other losses in the Same Period of Previous Year was due to the net fair value losses on financial assets at fair value through profit or loss of US\$4.5 million in respect of the Group's investment in a movie.

1. RESPONSIBILITY STATEMENT

As at the Latest Practicable Date, the directors of the Offeror were Mr. Darren THROOP, Mr. Richard GELFOND, Ms. Gail BERMAN, Mr. Eric DEMIRIAN, Mr. Kevin DOUGLAS, Mr. David LEEBRON, Mr. Michael MACMILLAN, Mr. Steve PAMON, Ms. Dana SETTLE and Ms. Jen WONG, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors in their capacity as the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the Board comprised three executive Directors, namely Mr. Jiande CHEN, Mr. Jim ATHANASOPOULOS and Ms. Mei-Hui CHOU (Jessie), two non-executive Directors, namely Mr. Richard GELFOND and Mr. Robert LISTER, and four independent non-executive Directors, namely, Mr. John DAVISON, Ms. Yue-Sai KAN, Ms. Dawn TAUBIN and Mr. Peter LOEHR. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the directors of the Offeror in their capacity as the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was US\$62,562.5 divided into 625,625,000 Shares;
- (b) the issued share capital of the Company was 339,593,143 Shares;
- (c) all Shares in issue were fully paid or credited as fully paid and rank *pari passu* in all respects with each other, including, as to rights to dividends, voting and capital;
- (d) 444,335 Shares had been issued by the Company since 31 December 2022, being the end of the last financial year of the Company up to and including the Latest Practicable Date;

- (e) the Share Incentive Holders in aggregate held 6,184,783 outstanding Share Incentives, comprising 1,518,800 LTIP Options, 1,295,392 Share Options, 2,482,605 RSUs, and 887,986 PSUs; and
- (f) save for the 339,593,143 Shares in issue and the Share Incentives referred to in paragraph (e) above, the Company did not have any outstanding shares, options, warrants, convertible securities or other relevant securities in issue.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange (i) on the last Trading Date of each of the calendar months during the Relevant Period; (ii) on the Last Trading Date; and (iii) on the Latest Practicable Date.

Date	Closing price per Share HK\$
31 January 2023	10.5
28 February 2023	9.2
31 March 2023	7.67
28 April 2023	7.6
31 May 2023	6.61
30 June 2023	6.99
10 July 2023 (being the Last Full Trading Date)	7.17
11 July 2023 (being the Last Trading Date)	9.12
31 July 2023	9.52
31 August 2023	9.47
12 September 2023 (being the Latest Practicable Date)	9.51

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$11.54 on 27 January 2023, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$6.07 on 25 May 2023.

4. DISCLOSURE OF INTERESTS

4.1 Directors' interests and short positions in the Shares and shares in the Company's associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or shares and debentures of any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 short positions which they were deemed to have under such provisions of the SFO); or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, or required to be disclosed under the Takeovers Code were as follows:

Interest in the Shares

Name of Director or chief executive	Capacity	Number of Shares	Approximate percentage of the total issued Shares
Mr. John DAVISON	Beneficial owner	454,526 (L)	0.13%
Ms. Yue-Sai KAN	Beneficial owner	435,108 (L)	0.13%
Ms. Dawn TAUBIN	Beneficial owner	454,526 (L)	0.13%
Mr. Peter LOEHR	Beneficial owner	328,860 (L)	0.10%
Mr. Jiande CHEN	Beneficial owner/ Other	655,520 (L) ⁽¹⁾	0.19%
Mr. Jim ATHANASOPOULOS	Beneficial owner/ Other	3,744,830 (L) ⁽²⁾	1.10%
Ms. Mei-Hui (Jessie) CHOU	Beneficial owner/ Other	1,092,821 (L) ⁽³⁾	0.32%
Mr. Daniel Wade MANWARING	Other	719,697 (L) ⁽⁴⁾	0.21%

(L) Long positions

Notes:

1. Mr. Jiande CHEN had a beneficial interest in 655,520 Shares which included beneficial interest in 103,472 ordinary Shares, and 552,048 Shares underlying 348,041 Share Options and 204,007 RSUs, details of which are set out below:

Date of Grant	Exercise/ Purchase Price	Exercise/ Vesting Period	Outstanding as at the Latest Practicable Date
<u>Share Options</u>			
7 March 2017	HK\$36.94	Four years from date of grant	100,992
7 March 2018	HK\$24.45	Four years from date of grant	97,083
7 March 2019	HK\$20.71	Four years from date of grant	149,966
<u>RSUs</u>			
6 May 2021	HK\$0.00	Three years from date of grant	15,200
23 June 2022	HK\$0.00	Three years from date of grant	63,511
7 June 2023	HK\$0.00	Three years from date of grant	125,296

2. Mr. Jim ATHANASOPOULOS had a beneficial interest in 3,744,830 Shares which included beneficial interest in 749,746 ordinary Shares, and 2,995,084 Shares underlying 1,518,800 LTIP Options, 554,532 Share Options, 440,540 RSUs and 481,212 PSUs, details of which are set out below:

Date of Grant	Exercise/ Purchase Price	Exercise/ Vesting Period	Outstanding as at the Latest Practicable Date	Additional PSUs that might be granted based on the performance of the Company
<u>LTIP Options</u>				
25 October 2014	US\$1.1852	Three years from date of grant	1,518,800	N/A
<u>Share Options</u>				
7 March 2017	HK\$36.94	Three years from date of grant	84,671	N/A
1 August 2017	HK\$21.43	Three years from date of grant	136,518	N/A
1 August 2018	HK\$23.10	Three years from date of grant	122,460	N/A
1 August 2019	HK\$18.24	Three years from date of grant	210,883	N/A
<u>RSUs</u>				
1 August 2021	HK\$0.00	Three years from date of grant	113,904	N/A
1 August 2022	HK\$0.00	Three years from date of grant	326,636	N/A

Date of Grant	Exercise/ Purchase Price	Exercise/ Vesting Period	Outstanding as at the Latest Practicable Date	Additional PSUs that might be granted based on the performance of the Company
<i>PSUs</i>				
1 August 2021	HK\$0.00	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	111,669	83,751
1 August 2022	HK\$0.00	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	163,310	122,482

3. Ms. Mei-Hui (Jessie) CHOU had a beneficial interest in 1,092,821 Shares which included beneficial interest in 296,760 ordinary Shares, and 796,061 Shares underlying 226,960 Share Options, 313,836 RSUs and 255,265 PSUs, details of which are set out below:

Date of Grant	Exercise/ Purchase Price	Exercise/ Vesting Period	Outstanding as at the Latest Practicable Date	Additional PSUs that might be granted based on the performance of the Company
<i>Share Options</i>				
7 March 2017	HK\$36.94	Four years from date of grant	50,496	N/A
7 March 2018	HK\$24.45	Four years from date of grant	69,345	N/A
7 March 2019	HK\$20.71	Four years from date of grant	107,119	N/A
<i>RSUs</i>				
9 March 2021	HK\$0.00	Three years from date of grant	31,379	N/A
7 March 2022	HK\$0.00	Three years from date of grant	125,717	N/A
7 March 2023	HK\$0.00	Three years from date of grant	156,740	N/A

Date of Grant	Exercise/ Purchase Price	Exercise/ Vesting Period	Outstanding as at the Latest Practicable Date	Additional PSUs that might be granted based on the performance of the Company
<i>PSUs</i>				
9 March 2021	HK\$0.00	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	30,764	23,073
7 March 2022	HK\$0.00	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	62,855	47,141
7 March 2023	HK\$0.00	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	52,247	39,185

4. Mr. Daniel Wade MANWARING had a beneficial interest in 719,697 Shares which included beneficial interest in 719,697 Shares underlying 454,546 RSUs and 265,151 PSUs, details of which are set out below:

<i>RSUs</i>				
7 March 2023	HK\$0.00	Three years from date of grant	454,546	N/A
<i>PSUs</i>				
7 March 2023	HK\$0.00	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	151,515	113,636

Long Position in Shares of Associated Corporations

Name of Director or chief executive	Capacity	Name of associated corporation	Number of shares of associated corporation	Approximate percentage of the total issued shares of associated corporation
Mr. Richard GELFOND	Beneficial owner/ Other	Offeror	4,245,169(L) ⁽¹⁾	7.77%
Mr. Robert LISTER	Beneficial owner/ Other	Offeror	510,034(L) ⁽²⁾	0.93%
Mr. Jim ATHANASOPOULOS	Beneficial owner	Offeror	4,068(L) ⁽³⁾	0.01%

(L) Long positions

Notes:

1. Mr. Richard Gelfond had a beneficial interest in 4,245,169 shares of the Offeror which included beneficial interest in 388,678 common shares of the Offeror, and 3,856,491 shares underlying 2,713,015 Offeror Options, 342,434 Offeror RSUs and 801,042 Offeror PSUs, details of which are set out below:

Date of Grant	Exercise/ Purchase Price	Exercise/ Vesting Period	Outstanding as at the Latest Practicable Date	Additional Offeror PSUs that might be granted based on the performance of the Offeror
<i>Offeror Options</i>				
21 February 2014	US\$27.20	1 May 2014 to 21 February 2024	426,695	N/A
5 January 2015	US\$29.58	1 May 2015 to 5 January 2025	467,625	N/A
7 June 2016	US\$31.40	7 June 2016 to 7 June 2026	486,284	N/A
3 January 2017	US\$31.90	1 May 2017 to 3 January 2027	356,757	N/A
2 January 2018	US\$23.20	1 May 2018 to 2 January 2028	452,675	N/A
2 January 2019	US\$18.75	1 May 2019 to 2 January 2029	522,979	N/A
<i>Offeror RSUs</i>				
4 January 2021	US\$0.00	52,083 on each of 4 January 2022 and 4 January 2023, and 52,084 on 4 January 2024	52,084	N/A

Date of Grant	Exercise/ Purchase Price	Exercise/ Vesting Period	Outstanding as at the Latest Practicable Date	Additional Offeror PSUs that might be granted based on the performance of the Offeror
2 January 2022	US\$0.00	51,382 on each of 2 January 2023 and 2 January 2024, and 51,383 on 2 January 2025	102,765	N/A
2 January 2023	US\$0.00	62,528 on each of 2 January 2024 and 2 January 2025, and 62,529 on 2 January 2026	187,585	N/A
<i>Offeror PSUs</i>				
4 January 2021	US\$0.00	The vesting date is 31 December 2023	93,750	70,312
4 January 2021	US\$0.00	The vesting date is 31 December 2023	54,428	40,821
2 January 2022	US\$0.00	The vesting date is 31 December 2024	92,488	69,366
2 January 2022	US\$0.00	The vesting date is 31 December 2024	52,083	39,062
2 January 2023	US\$0.00	The vesting date is 31 December 2025	112,551	84,413
2 January 2023	US\$0.00	The vesting date is 31 December 2025	61,179	30,589

2. Mr. Robert Lister had a beneficial interest in 510,034 shares of the Offeror which included beneficial interest in 134,618 common shares of the Offeror, and 375,416 shares underlying 145,962 Offeror Options, 77,522 Offeror RSUs and 151,932 Offeror PSUs, details of which are set out below:

Date of Grant	Exercise/ Purchase Price	Exercise/ Vesting Period	Outstanding as at the Latest Practicable Date	Additional Offeror PSUs that might be granted based on the performance of the Offeror
<i>Offeror Options</i>				
7 March 2017	US\$32.45	7 March 2018 to 7 March 2024	39,909	N/A
7 March 2018	US\$20.85	7 March 2019 to 7 March 2025	55,910	N/A
7 March 2019	US\$22.49	7 March 2020 to 7 March 2026	50,143	N/A

Date of Grant	Exercise/ Purchase Price	Exercise/ Vesting Period	Outstanding as at the Latest Practicable Date	Additional Offeror PSUs that might be granted based on the performance of the Offeror
<i><u>Offeror RSUs</u></i>				
7 March 2021	US\$0.00	14,733 on each of 7 March 2022, 7 March 2023 and 7 March 2024	14,733	N/A
7 March 2022	US\$0.00	11,957 on each of 7 March 2023 and 7 March 2024 and 11,959 on 7 March 2025	23,916	N/A
7 March 2023	US\$0.00	12,957 on each of 7 March 2024 and 7 March 2025 and 12,959 on 7 March 2026	38,873	N/A
<i><u>Offeror PSUs</u></i>				
7 March 2021	US\$0.00	The vesting date is 7 March 2024	13,061	9,795
7 March 2021	US\$0.00	The vesting date is 7 March 2024	7,211	5,408
7 March 2022	US\$0.00	The vesting date is 7 March 2025	21,523	16,142
7 March 2022	US\$0.00	The vesting date is 7 March 2025	10,931	8,198
7 March 2023	US\$0.00	The vesting date is 31 December 2025	23,324	17,493
7 March 2023	US\$0.00	The vesting date is 31 December 2025	12,564	6,282

3. Mr. Jim Athanasopoulos had a beneficial interest in 4,068 shares of the Offeror and did not have interest in any shares underlying Offeror Options, Offeror RSUs or Offeror PSUs.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company or shares and debentures of any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 short positions which they were deemed to have under such provisions of the SFO); or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, or required to be disclosed under the Takeovers Code.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had 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 the Latest Practicable Date, none of the Directors or the chief executive of the Company had any short position in the Shares or debentures of the Company, or in the shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO).

4.2 Interests of Substantial Shareholders in the Shares

As at the Latest Practicable Date, 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 the chief executive of the Company.

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of the total issued share capital of the Company
Offeror	Interest in controlled corporation ⁽¹⁾	243,262,600(L)	71.63%
IMAX Barbados	Beneficial interest	243,262,600(L)	71.63%

(L) Long positions

Note:

- 243,262,600 Shares are directly held by IMAX Barbados, which is a wholly-owned subsidiary of the Offeror. Under the SFO, the Offeror 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 the Latest Practicable Date.

4.3 Interests of the Offeror and Offeror Concert Parties in the Shares

Save as disclosed below, as at the Latest Practicable Date, none of the Offeror and the Offeror Concert Parties was interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares:

Shareholders	As at the Latest Practicable Date	
	Number of Shares	Total number of Shares in issue (%)
(A) Offeror ⁽¹⁾	–	–
(B) Offeror Concert Parties (not subject to the Scheme)		
IMAX Barbados ⁽¹⁾	243,262,600	71.63
(C) Offeror and Offeror Concert Parties (A) + (B) ⁽²⁾	<u>243,262,600</u>	<u>71.63</u>

Note:

1. IMAX Barbados is a company incorporated in Barbados with limited liability and is wholly-owned by the Offeror. As at Latest Practicable Date, IMAX Barbados directly owned 243,262,600 Shares and therefore the Offeror was deemed to be interested in 243,262,600 Shares held by IMAX Barbados pursuant to the SFO. Shares in which IMAX Barbados is interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to approximately 71.63% and 28.37% by IMAX Barbados and the Offeror, respectively.

4.4 Interests of LTIP Option Holder and Share Option Holders (other than those who are Directors/chief executive of the Company) in the Shares

Name of LTIP Option Holder/ Share Option Holders (other than those who are Directors/chief executive of the Company)	Capacity	Number of Shares	Approximate percentage of the total issued Shares
Ms. Ka Long Karen CHAN ⁽¹⁾	Beneficial owner/ Other	285,970	0.08%
Mr. Tseng Kai TSAO ⁽²⁾	Beneficial owner/ Other	217,608	0.06%
Ms. Xueqing ZHANG ⁽³⁾	Beneficial owner/ Other	306,536	0.09%

(L) Long positions

Notes:

1. Ms. Ka Long Karen CHAN had a beneficial interest in 285,970 Shares which included beneficial interest in 103,740 ordinary Shares, and 182,230 Shares underlying 31,701 Share Options, 67,152 PSUs and 83,377 RSUs, details of which are set out below:

Date of Grant	Exercise/ Purchase Price	Exercise/ Vesting Period	Outstanding as at the Latest Practicable Date	Additional PSUs that might be granted based on the performance of the Company
<u>Share Options</u>				
1 August 2019	HK\$18.24	Four years from date of grant	31,701	N/A
<u>RSUs</u>				
9 March 2021	HK\$0.00	Three years from date of grant	9,415	N/A
7 March 2022	HK\$0.00	Three years from date of grant	26,940	N/A
7 March 2023	HK\$0.00	Three years from date of grant	47,022	N/A
<u>PSUs</u>				
9 March 2021	HK\$0.00	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	9,229	6,922
7 March 2022	HK\$0.00	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	13,469	10,102
7 March 2023	HK\$0.00	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	15,674	11,756

2. Mr. Tseng Kai TSAO had a beneficial interest in 217,608 Shares which included beneficial interest in 217,608 Shares underlying 67,079 Share Options, 67,152 PSUs and 83,377 RSUs, details of which are set out below:

Date of Grant	Exercise/ Purchase Price	Exercise/ Vesting Period	Outstanding as at the Latest Practicable Date	Additional PSUs that might be granted based on the performance of the Company
<i><u>Share Options</u></i>				
7 March 2017	HK\$36.94	Four years from date of grant	14,139	N/A
7 March 2018	HK\$24.45	Four years from date of grant	20,804	N/A
7 March 2019	HK\$20.71	Four years from date of grant	32,136	N/A
<i><u>RSUs</u></i>				
9 March 2021	HK\$0.00	Three years from date of grant	9,415	N/A
7 March 2022	HK\$0.00	Three years from date of grant	26,940	N/A
7 March 2023	HK\$0.00	Three years from date of grant	47,022	N/A
<i><u>PSUs</u></i>				
9 March 2021	HK\$0.00	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	9,229	6,922
7 March 2022	HK\$0.00	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	13,469	10,102
7 March 2023	HK\$0.00	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	15,674	11,756

3. Ms. Xueqing ZHANG had a beneficial interest in 306,536 Shares which included beneficial interest in 88,928 ordinary Shares, and 217,608 Shares underlying 67,079 Share Options, 67,152 PSUs and 83,377 RSUs, details of which are set out below:

Date of Grant	Exercise/ Purchase Price	Exercise/ Vesting Period	Outstanding as at the Latest Practicable Date	Additional PSUs that might be granted based on the performance of the Company
<i><u>Share Options</u></i>				
7 March 2017	HK\$36.94	Four years from date of grant	14,139	N/A
7 March 2018	HK\$24.45	Four years from date of grant	20,804	N/A
7 March 2019	HK\$20.71	Four years from date of grant	32,136	N/A
<i><u>RSUs</u></i>				
9 March 2021	HK\$0.00	Three years from date of grant	9,415	N/A
7 March 2022	HK\$0.00	Three years from date of grant	26,940	N/A
7 March 2023	HK\$0.00	Three years from date of grant	47,022	N/A
<i><u>PSUs</u></i>				
9 March 2021	HK\$0.00	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	9,229	6,922
7 March 2022	HK\$0.00	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	13,469	10,102
7 March 2023	HK\$0.00	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	15,674	11,756

4.5 Dealings in the securities of the Company

(a) During the Relevant Period:

- (i) save as disclosed below and save for the dealings in the Shares by any members of the Morgan Stanley group which are conducted on a non-discretionary basis for and on behalf of its clients, none of the Offeror, its directors or the Offeror Concert Parties had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.
- (ii) save as disclosed below, none of the Directors had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares:

Name	Date of transactions	Type of transactions	On/off the Stock Exchange	No. of Shares involved	Transaction price per Share (HK\$)
Ms. Mei-Hui (Jessie) CHOU	14 March 2023	Cash payment for vested RSUs ⁽¹⁾	Off	62,848	8.7438
	12 March 2023	Vesting of RSUs ⁽²⁾	Off	34,501	0.00
	7 March 2023	Grant of RSUs ⁽³⁾	Off	156,740	0.00
	7 March 2023	Grant of PSUs ⁽⁴⁾	Off	52,247	0.00
	7 March 2023	Vesting of RSUs ⁽⁵⁾	Off	134,624	0.00
	7 March 2023	Expiry ⁽⁶⁾	Off	19,382	0.00
	14 February 2023	Vesting of PSUs ⁽⁷⁾	Off	59,192	0.00
Mr. Jiande CHEN	23 June 2023	Vesting of RSUs ⁽⁸⁾	Off	31,750	0.00
	7 June 2023	Grant of RSUs ⁽⁹⁾	Off	125,296	0.00
	6 May 2023	Vesting of RSUs ⁽¹⁰⁾	Off	15,198	0.00
	12 March 2023	Vesting of RSUs ⁽¹¹⁾	Off	48,301	0.00
	7 March 2023	Vesting of RSUs ⁽¹²⁾	Off	30,971	0.00
	6 March 2023	Cash payment for vested RSUs ⁽¹³⁾	Off	134,415	9.1995
	14 February 2023	Vesting of PSUs ⁽¹⁴⁾	Off	82,868	0.00
Mr. Jim ATHANASOPOULOS	5 September 2023	Cash payment for vested RSUs ⁽¹⁵⁾	Off	16,098	9.5100
	1 August 2023	Vesting of RSUs ⁽¹⁶⁾	Off	360,153	0.00
	12 March 2023	Vesting of PSUs ⁽¹⁷⁾	Off	148,076	0.00
	7 March 2023	Vesting of RSUs ⁽¹⁸⁾	Off	19,197	0.00
Ms. Dawn TAUBIN	7 June 2023	Vesting of RSUs ⁽¹⁹⁾	Off	125,296	0.00
	7 June 2023	Grant of RSUs ⁽²⁰⁾	Off	125,296	0.00
Mr. John DAVISON	7 June 2023	Vesting of RSUs ⁽²¹⁾	Off	125,296	0.00
	7 June 2023	Grant of RSUs ⁽²²⁾	Off	125,296	0.00

Name	Date of transactions	Type of transactions	On/off the Stock Exchange	No. of Shares involved	Transaction price per Share (HK\$)
Mr. Peter LOEHR	7 June 2023	Vesting of RSUs ⁽²³⁾	Off	125,296	0.00
	7 June 2023	Grant of RSUs ⁽²⁴⁾	Off	125,296	0.00
Ms. Yue-Sai KAN	7 June 2023	Vesting of RSUs ⁽²⁵⁾	Off	125,296	0.00
	7 June 2023	Grant of RSUs ⁽²⁶⁾	Off	125,296	0.00

Notes:

- 62,848 RSUs vested to Ms. Mei-Hui (Jessie) CHOU on 7 March 2023 were settled in cash by the Share Award Trustee selling 62,848 Shares underlying a total of 62,848 RSUs vested to Ms. Mei-Hui (Jessie) CHOU on market on 14 March 2023.
- Among 34,501 RSUs vested to Ms. Mei-Hui (Jessie) CHOU, 17,060 Shares underlying a total of 17,060 RSUs were transferred by the Share Award Trustee to Ms. Mei-Hui (Jessie) CHOU and 17,441 Shares underlying a total of 17,441 RSUs were withheld and sold by the Share Award Trustee for tax purposes.
- An award of 156,740 RSUs was granted to Ms. Mei-Hui (Jessie) CHOU in accordance with the terms of the RSU Scheme.
- An award of 52,247 PSUs was granted to Ms. Mei-Hui (Jessie) CHOU in accordance with the terms of the PSU Scheme. Where the average annual EBITDA growth of the Company over a performance period is greater than 12.5%, Ms. Mei-Hui (Jessie) CHOU will be entitled to up to 39,185 additional PSUs relevant to such performance period which will vest upon grant.
- Among 134,624 RSUs vested to Ms. Mei-Hui (Jessie) CHOU, 51,368 Shares underlying a total of 51,368 RSUs were transferred by the Share Award Trustee to Ms. Mei-Hui (Jessie) CHOU, 20,408 Shares underlying a total of 20,408 RSUs were withheld and sold by the Share Award Trustee for tax purposes and 62,848 RSUs were settled in cash by the Share Award Trustee selling 62,848 Shares underlying a total of 62,848 RSUs vested to Ms. Mei-Hui (Jessie) CHOU on market on 14 March 2023. Please also refer to footnote (1) above.
- 19,382 Share Options expired on 7 March 2023 in accordance with the terms of the Share Option Scheme.
- Among 59,192 PSUs vested to Ms. Mei-Hui (Jessie) CHOU, 25,820 Shares underlying a total of 25,820 PSUs were transferred by the Share Award Trustee to Ms. Mei-Hui (Jessie) CHOU and 33,372 Shares underlying a total of 33,372 PSUs were withheld and sold by the Share Award Trustee for tax purposes.
- Among 31,750 RSUs vested to Mr. Jiande CHEN, 20,548 Shares underlying a total of 20,548 RSUs were transferred by the Share Award Trustee to Mr. Jiande CHEN and 11,202 Shares underlying a total of 11,202 RSUs were withheld and sold by the Share Award Trustee for tax purposes.
- An award of 125,296 RSUs was granted to Mr. Jiande CHEN in accordance with the terms of the RSU Scheme.

10. Among 15,198 RSUs vested to Mr. Jiande CHEN, 7,761 Shares underlying a total of 7,761 RSUs were transferred by the Share Award Trustee to Mr. Jiande CHEN and 7,437 Shares underlying a total of 7,437 RSUs were withheld and sold by the Share Award Trustee for tax purposes.
11. Among 48,301 RSUs vested to Mr. Jiande CHEN, 23,903 Shares underlying a total of 23,903 RSUs were transferred by the Share Award Trustee to Mr. Jiande CHEN and 24,398 Shares underlying a total of 24,398 RSUs were withheld and sold by the Share Award Trustee for tax purposes.
12. Among 30,971 RSUs vested to Mr. Jiande CHEN, 15,039 Shares underlying a total of 15,039 RSUs were transferred by the Share Award Trustee to Mr. Jiande CHEN and 15,878 Shares underlying a total of 15,878 RSUs were withheld and sold by the Share Award Trustee for tax purposes.
13. 134,415 RSUs vested to Mr. Jiande CHEN on 8 January 2023 were settled in cash by the Share Award Trustee selling 134,415 Shares underlying a total of 134,415 RSUs vested to Mr. Jiande CHEN on market on 6 March 2023.
14. Among 82,868 PSUs vested to Mr. Jiande CHEN, 36,167 Shares underlying a total of 36,167 PSUs were transferred by the Share Award Trustee to Mr. Jiande CHEN and 46,701 Shares underlying a total of 46,701 PSUs were withheld and sold by the Share Award Trustee for tax purposes.
15. 16,098 RSUs vested to Mr. Jim ATHANASOPOULOS on 1 August 2023 were settled by cash payment from the Company based on the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on 1 August 2023 in accordance with the terms of the RSU Scheme.
16. Among 360,153 RSUs vested to Mr. Jim ATHANASOPOULOS, 172,780 Shares underlying a total of 172,780 RSUs were transferred by the Share Award Trustee to Mr. Jim ATHANASOPOULOS, 171,275 Shares underlying a total of 171,275 RSUs were withheld and sold by the Share Award Trustee for tax purposes and 16,098 RSUs were settled by cash payment from the Company based on the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on 1 August 2023 in accordance with the terms of the RSU Scheme. Please also refer to note (15) above.
17. Among 148,076 RSUs vested to Mr. Jim ATHANASOPOULOS, 91,820 Shares underlying a total of 91,820 RSUs were transferred by the Share Award Trustee to Mr. Jim ATHANASOPOULOS and 56,256 Shares underlying a total of 56,256 RSUs were withheld and sold by the Share Award Trustee for tax purposes.
18. Among 19,197 RSUs vested to Mr. Jim ATHANASOPOULOS, 17,122 Shares underlying a total of 17,122 RSUs were transferred by the Share Award Trustee to Mr. Jim ATHANASOPOULOS and 2,075 Shares underlying a total of 2,075 RSUs were withheld and sold by the Share Award Trustee for tax purposes.
19. 125,296 Shares underlying a total of 125,296 RSUs were transferred by the Share Award Trustee to Ms. Dawn TAUBIN.
20. An award of 125,296 RSUs was granted to Ms. Dawn TAUBIN in accordance with the terms of the RSU Scheme.
21. 125,296 Shares underlying a total of 125,296 RSUs were transferred by the Share Award Trustee to Mr. John DAVISON.
22. An award of 125,296 RSUs was granted to Mr. John DAVISON in accordance with the terms of the RSU Scheme.
23. 125,296 Shares underlying a total of 125,296 RSUs were transferred by the Share Award Trustee to Mr. Peter LOEHR.

24. An award of 125,296 RSUs was granted to Mr. Peter LOEHR in accordance with the terms of the RSU Scheme.
25. 125,296 Shares underlying a total of 125,296 RSUs were transferred by the Share Award Trustee to Ms. Yue-Sai KAN.
26. An award of 125,296 RSUs was granted to Ms. Yue-Sai KAN in accordance with the terms of the RSU Scheme.

(iii) save as disclosed below, none of the LTIP Option Holders or Share Option Holders (other than those who are Directors/chief executive of the Company) had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares:

Name	Date of transactions	Type of transactions	On/off the Stock Exchange	No. of Shares involved	Transaction price per Share (HK\$)
Ms. Ka Long Karen Chan	1 August 2023	Vesting of RSUs ⁽¹⁾	Off	7,243	0.00
	12 March 2023	Vesting of RSUs ⁽²⁾	Off	10,147	0.00
	7 March 2023	Grant of PSUs ⁽³⁾	Off	15,674	0.00
	7 March 2023	Grant of RSUs ⁽⁴⁾	Off	47,022	0.00
	7 March 2023	Vesting of RSUs ⁽⁵⁾	Off	22,603	0.00
Mr. Tseng Kai Tsao	14 February 2023	Vesting of PSUs ⁽⁶⁾	Off	17,757	0.00
	21 March 2023	Cash payment for vested RSUs/PSUs ⁽⁷⁾	Off	27,904	8.138
	14 March 2023	Cash payment for vested RSUs ⁽⁸⁾	Off	29,240	8.7438
	12 March 2023	Vesting of RSUs ⁽⁹⁾	Off	10,147	0.00
	8 March 2023	Expiry ⁽¹⁰⁾	Off	16,959	0.00
	7 March 2023	Grant of PSUs ⁽¹¹⁾	Off	15,674	0.00
	7 March 2023	Grant of RSUs ⁽¹²⁾	Off	47,022	0.00
	7 March 2023	Vesting of RSUs ⁽¹³⁾	Off	29,240	0.00
	14 February 2023	Vesting of PSUs ⁽¹⁴⁾	Off	17,757	0.00
	Ms. Xueqing Zhang	12 March 2023	Vesting of RSUs ⁽¹⁵⁾	Off	10,147
8 March 2023		Expiry ⁽¹⁶⁾	Off	11,306	0.00
7 March 2023		Grant of PSUs ⁽¹⁷⁾	Off	15,674	0.00
7 March 2023		Grant of RSUs ⁽¹⁸⁾	Off	47,022	0.00
7 March 2023		Vesting of RSUs ⁽¹⁹⁾	Off	29,240	0.00
14 February 2023		Vesting of PSUs ⁽²⁰⁾	Off	17,757	0.00

Notes:

1. Among 7,243 RSUs vested to Ms. Ka Long Karen Chan, 7,243 Shares underlying a total of 7,243 RSUs were transferred by the Share Award Trustee to Ms. Ka Long Karen Chan.
2. Among 10,147 RSUs vested to Ms. Ka Long Karen Chan, 10,087 Shares underlying a total of 10,087 RSUs were transferred by the Share Award Trustee to Ms. Ka Long Karen Chan and 60 Shares underlying a total of 60 RSUs were withheld and sold by the Share Award Trustee for tax purposes.
3. An award of 15,674 PSUs was granted to Ms. Ka Long Karen Chan in accordance with the terms of the PSU Scheme. Where the average annual EBITDA growth of the Company over a performance period is greater than 12.5%, Ms. Ka Long Karen Chan will be entitled to up to 11,756 additional PSUs relevant to such performance period which will vest upon grant.
4. An award of 47,022 RSUs was granted to Ms. Ka Long Karen Chan in accordance with the terms of the RSU Scheme.
5. Among 22,603 RSUs vested to Ms. Ka Long Karen Chan, 22,491 Shares underlying a total of 22,491 RSUs were transferred by the Share Award Trustee to Ms. Ka Long Karen Chan and 112 Shares underlying a total of 112 RSUs were withheld and sold by the Share Award Trustee for tax purposes.
6. Among 17,757 PSUs vested to Ms. Ka Long Karen Chan, 17,696 Shares underlying a total of 17,696 PSUs were transferred by the Share Award Trustee to Ms. Ka Long Karen Chan and 61 Shares underlying a total of 61 PSUs were withheld and sold by the Share Award Trustee for tax purposes.
7. 17,757 PSUs vested to Mr. Tseng Kai Tsao on 14 February 2023 and 10,147 RSUs vested to Mr. Tseng Kai Tsao on 12 March 2023 were settled in cash by the Share Award Trustee selling 27,904 Shares underlying such PSUs and RSUs on market on 21 March 2023.
8. 29,240 RSUs vested to Mr. Tseng Kai Tsao on 7 March 2023 were settled in cash by the Share Award Trustee selling 29,240 Shares underlying a total of 29,240 RSUs on market on 14 March 2023.
9. Among 10,147 RSUs vested to Mr. Tseng Kai Tsao, 10,147 Shares underlying a total of 10,147 RSUs were sold by the Share Award Trustee on market on 21 March 2023. Please also refer to footnote 7 above.
10. 16,959 Share Options expired on 8 March 2023 in accordance with the terms of the Share Option Scheme.
11. An award of 15,674 PSUs was granted to Mr. Tseng Kai Tsao in accordance with the terms of the PSU Scheme. Where the average annual EBITDA growth of the Company over a performance period is greater than 12.5%, Mr. Tseng Kai Tsao will be entitled to up to 11,756 additional PSUs relevant to such performance period which will vest upon grant.
12. An award of 47,022 RSUs was granted to Mr. Tseng Kai Tsao in accordance with the terms of the RSU Scheme.
13. Among 29,240 RSUs vested to Mr. Tseng Kai Tsao, 29,240 Shares underlying a total of 29,240 RSUs were sold by the Share Award Trustee on market on 14 March 2023. Please also refer to footnote 8 above.
14. Among 17,757 PSUs vested to Mr. Tseng Kai Tsao, 17,757 Shares underlying a total of 17,757 PSUs were sold by the Share Award Trustee on market on 21 March 2023. Please also refer to footnote 7 above.

15. Among 10,147 RSUs vested to Ms. Xueqing Zhang, 6,965 Shares underlying a total of 6,965 RSUs were transferred by the Share Award Trustee to Ms. Xueqing Zhang and 3,182 Shares underlying a total of 3,182 RSUs were withheld and sold by the Share Award Trustee for tax purposes.
 16. 11,306 Share Options expired on 8 March 2023 in accordance with the terms of the Share Option Scheme.
 17. An award of 15,674 PSUs was granted to Ms. Xueqing Zhang in accordance with the terms of the PSU Scheme. Where the average annual EBITDA growth of the Company over a performance period is greater than 12.5%, Ms. Xueqing Zhang will be entitled to up to 11,756 additional PSUs relevant to such performance period which will vest upon grant.
 18. An award of 47,022 RSUs was granted to Ms. Xueqing Zhang in accordance with the terms of the RSU Scheme.
 19. Among 29,240 RSUs vested to Ms. Xueqing Zhang, 24,778 Shares underlying a total of 24,778 RSUs were transferred by the Share Award Trustee to Ms. Xueqing Zhang and 4,462 Shares underlying a total of 4,462 RSUs were withheld and sold by the Share Award Trustee for tax purposes.
 20. Among 17,757 PSUs vested to Ms. Xueqing Zhang, 12,620 Shares underlying a total of 12,620 PSUs were transferred by the Share Award Trustee to Ms. Xueqing Zhang and 5,137 Shares underlying a total of 5,137 PSUs were withheld and sold by the Share Award Trustee for tax purposes.
- (b) During the Offer Period and up to the Latest Practicable Date:
- (i) no subsidiaries of the Company, pension funds (if any) of any member of the Group, any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or any associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding any exempt principal trader or exempt fund manager) owned or controlled, or had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;
 - (ii) other than the LTIP Option Holder Undertaking and Share Option Holder Undertakings, no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person;
 - (iii) other than Mr. Jim Athanasopoulos who has given the LTIP Option Holder Undertaking in favour of the Offeror and each of the Share Option Holders who has given the Share Option Holder Undertaking in favour of the Offeror, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with (A) the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and

(5) of the definition of “acting in concert” or with any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, or (B) the Offeror or the Offeror Concert Parties, owned or controlled, or had any dealings in, any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares; and

- (iv) no fund managers connected with the Company who managed funds on a discretionary basis (other than exempt fund managers) had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

4.6 Interest and dealings in the securities of the Offeror

- (a) As at the Latest Practicable Date, save as disclosed below, none of the Company or any of the Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror:

Name	As at the Latest Practicable Date				
	Number of shares of the Offeror	Shares as a percentage of total number of shares of the Offeror in issue (%)	Number of Offeror Options	Number of Offeror RSUs	Number of Offeror PSUs
Mr. Richard GELFOND	388,678	0.71%	2,713,015	342,434	801,042
Mr. Robert LISTER	134,618	0.25%	145,962	77,522	151,932
Mr. Jim ATHANASOPOULOS	4,068	0.01%	–	–	–

- (b) During the Relevant Period, save as disclosed below, none of the Company or any of the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror:

Name	Date of transactions	Type of transactions	On/off the New York Stock Exchange	No. of Offeror's shares involved	Transaction price per Offeror's share (US\$)
Mr. Richard GELFOND	1 May 2023	Sale	On	100,000	20.9472
	7 March 2023	Vesting of Offeror PSUs ⁽¹⁾	Off	140,852	0.00

Name	Date of transactions	Type of transactions	On/off the New York Stock Exchange	No. of Offeror's shares involved	Transaction price per Offeror's share (US\$)
Mr. Robert LISTER	7 March 2023	Vesting of Offeror RSUs ⁽²⁾	Off	69,005	0.00
	7 March 2023	Vesting of Offeror PSUs ⁽³⁾	Off	24,764	0.00

Notes:

1. Among 140,852 PSUs vested to Mr. Richard GELFOND, 62,960 Offeror's shares underlying a total of 62,960 Offeror PSUs were issued to Mr. Richard GELFOND and 77,892 Offeror's shares underlying a total of 77,892 offeror PSUs were withheld by Offeror for tax purposes.
2. Among 69,005 RSUs vested to Mr. Robert LISTER, 30,842 Offeror's shares underlying a total of 30,842 Offeror RSUs were issued to Mr. Robert LISTER and 38,163 Offeror's shares underlying a total of 38,163 offeror RSUs were withheld by Offeror for tax purposes.
3. Among the 24,764 PSUs vested to Mr. Robert LISTER, 10,972 Offeror's shares underlying a total of 10,972 Offeror PSUs were issued to Mr. Robert LISTER and 13,792 Offeror's shares underlying a total of 13,792 offeror PSUs were withheld by Offeror for tax purposes.

4.7 Other interests

As at the Latest Practicable Date:

- (a) no Shares or any convertible securities, warrants, options or derivatives issued by the Company were owned or controlled by a subsidiary of the Company, a pension fund (if any) of any member of the Group, a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert", or an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code (other than exempt principal traders and exempt fund managers);
- (b) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company (other than exempt fund managers); and
- (c) none of the Company, the Directors, the Offeror or any of the Offeror Concert Parties had borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

5. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL

As at the Latest Practicable Date:

- (a) save for the Proposal, the Share Incentive Proposal, the LTIP Option Holder Undertaking and the Share Option Holder Undertakings, there were no arrangements (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the shares of the Offeror between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal;
- (b) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal, and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person;
- (c) save for the LTIP Option Holder Undertaking and the Share Option Holder Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or the Offeror Concert Parties on the one hand, and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or that was dependent upon the Proposal;
- (d) there was no agreement or arrangement to which the Offeror or any Offeror Concert Party is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a Condition to the Proposal, the Scheme or the Share Incentive Proposal;
- (e) save for the LTIP Option Holder Undertaking and the Share Option Holder Undertakings, no irrevocable commitment to vote for or against the Scheme, or to accept or not accept the Share Incentive Proposal, had been received by the Directors, the Offeror or the Offeror Concert Parties;
- (f) there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii) either (a) the Offeror or the Offeror Concert Parties; or (b) the Company or the Company's subsidiaries or associated companies;
- (g) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any of the Offeror Concert Parties on the one hand, and the Scheme Shareholders or any person acting in concert with the Scheme Shareholders on the other hand; and

- (h) save for the Offer Price and the consideration to be provided pursuant to the Share Incentive Proposal, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any of the Offeror Concert Parties to the Scheme Shareholders or Share Incentive Holders in connection with the Proposal, the Scheme or the Share Incentive Proposal.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

None of the members of the Group had entered into any material contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group, within the two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date.

8. ARRANGEMENTS IN CONNECTION WITH THE DIRECTORS

As at the Latest Practicable Date:

- (a) other than the Offer Price and the consideration to be provided pursuant to the Share Incentive Proposal, no arrangement was in place for any benefit (other than statutory compensation required under appropriate laws) that would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal or the Share Incentive Proposal;
- (b) save for the LTIP Option Holder Undertaking and the Share Option Holder Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) between any Director and any other person which are conditional on or dependent upon the outcome of the Proposal or the Share Incentive Proposal or otherwise connected with the Proposal or the Share Incentive Proposal; and
- (c) there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

9. DIRECTORS' SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within six months before the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

Name of Director	Expiry date	Fixed remuneration payable under the contract	Variable remuneration payable under the contract
Mr. Robert LISTER	The conclusion of the Company's annual general meeting to approve the Company's annual report for the year ended 31 December 2023.	Nil	Nil

10. CONSENTS AND QUALIFICATIONS OF EXPERTS

The following are the qualifications of each of the experts who have been named in this Scheme Document or have given their opinion or advice which are contained in this Scheme Document:

Name	Qualification
Morgan Stanley	a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and the financial adviser to the Offeror in connection with the Proposal and the Share Incentive Proposal
Somerley	a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the experts named above has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion in this Scheme Document of the text of its letter, report or opinion (as the case may be) and references to its name in the form and context in which they are included.

11. MISCELLANEOUS

- (a) The Offeror is a company incorporated in Canada with limited liability and listed on the New York Stock Exchange (NYSE: IMAX) and the ultimate controlling shareholder of the Company.
- (b) The registered office of the Offeror is at 2525 Speakman Drive, Mississauga, Ontario, Canada L5K 1B1. The correspondence address of the Offeror in the United States is at 902 Broadway, Floor 20 New York, New York, USA 10010. The correspondence address of the Offeror in Hong Kong is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.
- (c) The principal member of the Offeror Concert Parties is IMAX Barbados.
- (d) IMAX Barbados is a company incorporated in Barbados with limited liability and is wholly-owned by the Offeror. The registered office of IMAX Barbados is at The Phoenix Centre, George Street, Belleville, St. Michael, Barbados.
- (e) As at the Latest Practicable Date, the directors of IMAX Barbados were Mr. Kenneth Weissman, Mr. Andrew V. Thornhill and Ms. Natasha Fernandes.
- (f) Morgan Stanley is the financial adviser to the Offeror in relation to the Proposal and the Share Incentive Proposal, and its registered address is at Level 46, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.
- (g) The registered office of the Company is at c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (h) The principal place of business in Hong Kong of the Company is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.
- (i) The registered office of the Independent Financial Adviser, Somerley Capital Limited, is at 20/F China Building, 29 Queen's Road Central, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 9:00 a.m. to 5:00 p.m. on business days (as defined in the Takeovers Code) at the principal office of the Company in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and on the website of the Company at <http://www.imax.cn/l-en> and the website of the SFC at www.sfc.hk from the date when this Scheme Document is published until (a) the Effective Date, and (b) the date on which the Scheme is withdrawn or lapses, whichever is earlier:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the interim report containing unaudited consolidated financial statements of the Company for the six months ended 30 June 2023;
- (d) the annual reports containing audited consolidated financial statements of the Company for the years ended 31 December 2021 and 31 December 2022;
- (e) the quarterly reports containing unaudited consolidated financial statements of the Offeror for the quarterly periods ended 31 March 2023 and 30 June 2023;
- (f) the annual reports containing audited consolidated financial statements of the Offeror for the years ended 31 December 2021 and 31 December 2022;
- (g) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (h) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (i) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (j) the written consents referred to in the section headed “10. *Consents and Qualifications of Experts*” in this Appendix II;
- (k) the LTIP Option Holder Undertaking;
- (l) the Share Option Holder Undertakings;
- (m) the service contract referred to in the section headed “9. *Directors’ Service Contracts*” in this Appendix II; and
- (n) this Scheme Document.

**IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION**

Cause No. FSD 239 of 2023 (DDJ)

**IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT
(2023 REVISION)
AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995
(AS REVISED)
AND IN THE MATTER OF IMAX CHINA HOLDING, INC.
SCHEME OF ARRANGEMENT
Between
IMAX CHINA HOLDING, INC.
And
THE SCHEME SHAREHOLDERS
(AS DEFINED BELOW)**

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Companies Act”	the Companies Act (2023 Revision) of the Cayman Islands
“Company”	IMAX China Holding, Inc., an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1970)
“Condition(s)”	the condition(s) to the implementation of the Proposal and the Scheme as set out in the section headed “3. <i>Conditions of the Proposal and the Scheme</i> ” in the Explanatory Memorandum
“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Grand Court at 7:00 a.m. on Tuesday, 10 October 2023 at Board Meeting Room, 5F, Shanghai Marriott Hotel City Centre, 555 Xi Zang (Middle) Road, Huangpu District, Shanghai, China, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof

“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
“EGM”	an extraordinary general meeting of the Company to be convened at 7:30 a.m. on Tuesday, 10 October 2023 (or, if later, immediately after the Court Meeting has been concluded or adjourned) at Board Meeting Room, 5F, Shanghai Marriott Hotel City Centre, 555 Xi Zang (Middle) Road, Huangpu District, Shanghai, China, for the purpose of approving, among other things, any reduction of the share capital of the Company as a result of the cancellation of the Scheme Shares; and the implementation of the Scheme
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of the Executive Director
“Explanatory Memorandum”	the explanatory memorandum set out in Part VII of the Scheme Document
“Grand Court”	the Grand Court of the Cayman Islands
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IMAX Barbados”	IMAX (Barbados) Holding, Inc., a company incorporated in Barbados with limited liability and a controlling shareholder of the Company
“Independent Board Committee”	the independent committee of the Board, comprising Ms. Yue-Sai KAN, Mr. John DAVISON, Ms. Dawn TAUBIN and Mr. Peter LOEHR (being all of the independent non-executive Directors)
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company, with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, to advise the Independent Board Committee as to: (i) whether the terms of the Proposal, the Scheme and the Share Incentive Proposal are, or are not, fair and reasonable; (ii) voting by the Disinterested Shareholders (as defined in the Scheme Document) on the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Proposal at the EGM; and (iii) acceptance of the Share Incentive Proposal

“Latest Practicable Date”	12 September 2023, being the latest practicable date for ascertaining certain information contained in the Scheme Document
“Long Stop Date”	31 December 2023, or such later date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive and consented to by Morgan Stanley
“Morgan Stanley”	Morgan Stanley Asia Limited, a company incorporated in Hong Kong with limited liability and licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and the financial adviser to the Offeror in connection with the Proposal and the Share Incentive Proposal
“Offer Price”	the offer price of HK\$10.00 for the cancellation of each Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Offeror”	IMAX Corporation, a company incorporated in Canada with limited liability and listed on the New York Stock Exchange (NYSE: IMAX) and the ultimate controlling shareholder of the Company
“Offeror Concert Parties”	persons who are acting in concert or presumed to be acting in concert with the Offeror under the Takeovers Code, including: (a) IMAX Barbados; and (b) members of the Morgan Stanley group (except in the capacity of exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code)
“PRC”	the People’s Republic of China, but for the purpose of the Scheme Document only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan

“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the Conditions set out in the Scheme Document
“Record Date”	Thursday, 19 October 2023 or such other time and date as shall have been announced to the Shareholders, being the record date for determining the entitlements of the Scheme Shareholders under the Scheme
“Scheme”	the scheme of arrangement under Section 86 of the Companies Act for the implementation of the Proposal
“Scheme Document”	the composite scheme document of the Offeror and the Company containing, among other things, further details of the Proposal and the Share Incentive Proposal, a letter from the Board, a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the recommendations of the Independent Board Committee and notices to convene the Court Meeting and EGM together with forms of proxy in relation thereto
“Scheme Share(s)”	the Share(s) in issue on the Record Date, other than the Shares in which IMAX Barbados is interested
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Share(s) as at the Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) with a nominal value of US\$0.0001 each in the issued capital of the Company
“Shareholder(s)”	the registered holder(s) of Share(s)
“Share Incentive Proposal”	has the meaning ascribed to it in the Scheme Document, details of which are set out in the section headed “4. <i>Share Incentive Proposal</i> ” in the Explanatory Memorandum

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC in Hong Kong as amended from time to time

- (B) The Company was incorporated as an exempted company on 30 August 2010 with limited liability in the Cayman Islands.
- (C) As at the Latest Practicable Date, the authorised share capital of the Company was US\$62,562.5 divided into 625,625,000 ordinary shares of a single class with a par value of US\$0.0001 each. As at the Latest Practicable Date, the issued share capital of the Company was US\$33,959.3143 divided into 339,593,143 Shares, with the remainder being unissued. Since 8 October 2015, the issued shares of the Company have been listed and traded on the Main Board of the Stock Exchange.
- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme.
- (E) The primary purpose of the Scheme is to privatise the Company as a result of cancelling all of the Scheme Shares in consideration of the Offer Price so that the Company will be owned by the Offeror and IMAX Barbados as to approximately 28.37% of and 71.63% respectively. Contemporaneously with the cancellation of the Scheme Shares, the share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company’s books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued to the Offeror.
- (F) As at the Latest Practicable Date, IMAX Barbados (a wholly-owned subsidiary of the Offeror) directly held 243,262,600 Shares (representing approximately 71.63% of the issued Shares).
- (G) IMAX Barbados will procure that any Shares in respect of which it is legally or beneficially interested will not be represented or voted at the Court Meeting.
- (H) The Offeror has agreed to undertake to the Grand Court to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to the Scheme.

THE SCHEME**PART I****CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES**

1. On the Effective Date:
 - (a) the Scheme Shares shall be cancelled and the Scheme Shareholders shall cease to have any rights with respect to the Scheme Shares except the right to receive the Offer Price;
 - (b) contemporaneously with the cancellation of the Scheme Shares, the issued share capital of the Company shall be maintained by the issuance to the Offeror, credited as fully paid, of an aggregate number of Shares which is equal to the number of Scheme Shares cancelled; and
 - (c) the Company shall apply the reserve created in its books of account as a result of the cancellation of the Scheme Shares in paying up in full the new Shares issued to the Offeror.

PART II**CONSIDERATION FOR CANCELLATION AND
EXTINGUISHMENT OF THE SCHEME SHARES**

2. In consideration of the cancellation of the Scheme Shares, the Offeror shall pay or cause to be paid the Offer Price to each Scheme Shareholder.

PART III**GENERAL**

3. (a) As soon as possible but in any event within seven business days (as defined in the Takeovers Code) following the Effective Date, the Offeror shall post or cause to be posted cheques to the Scheme Shareholders in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of the Scheme.
- (b) All such cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders at their respective registered addresses as appearing in the register of members of the Company as at the Record Date, or in the case of joint holders, at the registered address appearing in the register of members of the Company as at the Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding.

- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of the Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the moneys represented thereby.
 - (d) All such cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, Morgan Stanley, the Independent Financial Adviser and the share registrar of the Company and their respective nominees, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be liable for any loss or delay in despatch.
 - (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of the Scheme, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank selected by the Offeror. The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto, provided that the cheques referred to in the foregoing sentence of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme, and are subject to, if applicable, the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
 - (f) On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3(e) of the Scheme, including accrued interest subject to any deduction required by law and any expenses incurred.
 - (g) Paragraph 3 shall take effect subject to any prohibition or condition imposed by law.
4. As from and including the Effective Date:
- (a) all certificates for the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;

- (b) all instruments of transfer validly subsisting as at the Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
 - (c) all mandates or other instructions to the Company in force as at the Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
- 5. Subject to the Conditions having been fulfilled or waived, as applicable, the Scheme shall become effective as soon as a copy of the order of the Grand Court sanctioning the Scheme under Section 86 of the Companies Act has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Act.
- 6. Unless the Scheme shall have become effective on or before the Long Stop Date, the Scheme shall lapse.
- 7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to the Scheme or to any condition which the Grand Court may see fit to approve or impose.
- 8. All costs, charges and expenses shall be borne and paid in the manner described in the Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. FSD 239 of 2023 (DDJ)

IN THE MATTER OF SECTIONS 86 OF THE COMPANIES ACT
(2023 REVISION)
AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995
(AS REVISED)
AND IN THE MATTER OF IMAX CHINA HOLDING, INC.
NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) dated 31 August 2023 (Cayman time) made in the above matter, Grand Court of the Cayman Islands (the “**Grand Court**”) has directed a meeting (the “**Court Meeting**”) of the Scheme Shareholders (as defined in the Scheme mentioned below) to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) a scheme of arrangement (the “**Scheme**”) proposed to be made between IMAX China Holding, Inc. (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at 7:00 a.m. on Tuesday, 10 October 2023 (Hong Kong time) at Board Meeting Room, 5F, Shanghai Marriott Hotel City Centre, 555 Xi Zang (Middle) Road, Huangpu District, Shanghai, China at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of the Explanatory Memorandum explaining the effect of the Scheme are incorporated in the composite scheme document of which this notice forms part (the “**Scheme Document**”), which has been despatched to the Scheme Shareholders. A copy of the composite scheme document can be obtained by the Scheme Shareholders from the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, as their proxy to attend and vote in their stead. A **PINK** form of proxy for use at the Court Meeting is enclosed with the composite scheme document. The completion and return of the **PINK** form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting, or any adjournment thereof, if he/she so wishes and in such event, the **PINK** form of proxy previously submitted will be revoked by operation of law.

In the case of joint registered holders of a Scheme Share (as defined in the Scheme), the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding. In the case of a Scheme Shareholder which is a corporation, the Scheme Shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its corporate representative at the Court Meeting and exercise the same powers on behalf of the corporate Scheme Shareholder as if the corporate Scheme Shareholder was an individual Scheme Shareholder of the Company.

The **PINK** form of proxy for use at the Court Meeting, together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof, must be lodged at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible, but in any event no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof. Alternatively, the **PINK** form of proxy may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it).

The Company wishes to advise all of the Scheme Shareholders that the only ways to vote for the proposed resolution in the Court Meeting are (i) to attend the physical Court Meeting at Board Meeting Room, 5F, Shanghai Marriott Hotel City Centre, 555 Xi Zang (Middle) Road, Huangpu District, Shanghai, China or (ii) to appoint any person or the chairman of the Court Meeting as a proxy to attend and vote on the resolution by completing and lodging the PINK form of proxy in accordance with the instructions contained therein. Scheme Shareholders are reminded to mark their voting decision (for or against, as the case may be) on the relevant proxy form(s).

By the Order, the Court has appointed Mr. John DAVISON, an independent non-executive Director, or otherwise, any other an independent non-executive Director at the time of the Court Meeting to act as chairman of the Court Meeting and has directed the chairman of the Court Meeting (or a person duly authorised by the chairman of the Court Meeting) to report the results of the Court Meeting to the Court.

The Scheme is subject to the subsequent sanction of the Grand Court as set out in the Explanatory Memorandum contained in the Scheme Document.

Dated: 15 September 2023

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

By order of the Board
IMAX China Holding, Inc.
Yifan (Yvonne) He
Joint Company Secretary

Note:

1. For the purpose of determining the entitlements of the Shareholders to attend and vote at the Court Meeting, the register of members of the Company will be closed from Thursday, 5 October 2023 to Tuesday, 10 October 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, 4 October 2023.

**IMAX China Holding, Inc.**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1970)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of IMAX China Holding, Inc. (the “**Company**”) will be held at 7:30 a.m. on Tuesday, 10 October 2023 at Board Meeting Room, 5F, Shanghai Marriott Hotel City Centre, 555 Xi Zang (Middle) Road, Huangpu District, Shanghai, China (or, if later, as soon as practicable after the conclusion or the adjournment of the Court Meeting (as defined in the Scheme Document (as defined below)) for the purpose of considering and, if thought fit, passing the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the scheme document of the Company dated 15 September 2023 (the “**Scheme Document**”) of which this notice forms part.

SPECIAL RESOLUTION

1. “**THAT**, (i) for the purpose of giving effect to the scheme of arrangement between the Company and the Scheme Shareholders (the “**Scheme**”) as set out in the Scheme Document and subject to the approval of the Scheme by the Scheme Shareholders at the Court Meeting, on the Effective Date, any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares, and (ii) contemporaneously with (i) above, the issuance to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled and the application of the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares, be and is hereby approved.”

ORDINARY RESOLUTION

2. “**THAT** any one of the directors of the Company be and are hereby authorised to do all such acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) (i) the making of an application to the Stock Exchange for the withdrawal of the listing of the Shares from the Stock Exchange, subject to the Scheme taking effect; (ii) any reduction of the issued share capital of the Company; (iii) the allotment and issue of the Shares referred to above; and (iv) the giving, on behalf of the Company, of consent to any modification of, or addition to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose and to do all other acts and things and/or sign such documents considered by them to be necessary for or desirable in connection with the implementation of the Scheme and in relation to the proposed privatisation of the Company by the Offeror by way of the Scheme as a whole.”

By order of the Board
IMAX China Holding, Inc.
Yifan (Yvonne) He
Joint Company Secretary

Hong Kong, 15 September 2023

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

Notes:

1. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules and the articles of association of the Company.
2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
3. In order to be valid, the **WHITE** form of proxy for use at the EGM, together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof, must be lodged at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event no later than 48 hours before the time appointed for holding the EGM (i.e., 7:30 a.m. on Tuesday, 10 October 2023) or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 5 October 2023 to Tuesday, 10 October 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, 4 October 2023.
5. All resolutions put to vote at the EGM will be decided by way of poll as required by the Listing Rules and the Takeovers Code.
6. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the Board comprises three executive Directors, namely Mr. Jiande CHEN, Mr. Jim ATHANASOPOULOS and Ms. Mei-Hui CHOU (Jessie), two non-executive Directors, namely Mr. Richard GELFOND and Mr. Robert LISTER, and four independent non-executive Directors, namely, Mr. John DAVISON, Ms. Yue-Sai KAN, Ms. Dawn TAUBIN and Mr. Peter LOEHR.

The following is a form of the letter to the Share Incentive Holders being sent in connection with the Share Incentive Proposal.



IMAX Corporation

(Incorporated in Canada with limited liability)

15 September 2023

To the Share Incentive Holders

Dear Sir or Madam

**SHARE INCENTIVE PROPOSAL
IN RELATION TO THE
PROPOSED PRIVATISATION OF
IMAX CHINA HOLDING, INC.
BY IMAX CORPORATION
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT OF THE CAYMAN ISLANDS)**

A scheme document dated the same date as this letter issued jointly by the Offeror and the Company (the “**Scheme Document**”) and a form of acceptance (the “**Form of Acceptance**”) are provided to you together with this letter. Terms used but not defined in this letter shall have the same meanings as in the Scheme Document. This letter should be read in conjunction with the Scheme Document.

On 13 July 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Offer Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares from the Stock Exchange.

As stated in the Scheme Document, the Offeror is making an appropriate offer to the holders of the LTIP Options, Share Options, RSUs and PSUs (together, the “**Share Incentives**”) in accordance with Rule 13 of the Takeovers Code, subject to and conditional upon the Scheme becoming effective.

This letter explains the terms of the Share Incentive Proposal and the actions you may take in relation to any Share Incentives held by you. You are advised to refer to the Scheme Document when considering such actions.

APPENDIX VI FORM OF LETTER TO THE SHARE INCENTIVE HOLDERS

Your attention is also drawn to the terms and conditions of the documentation under which each of your Share Incentives was granted (including the terms of the LTIP, the Share Option Scheme, the RSU Scheme and the PSU Scheme, and the terms of the granted LTIP Options, Share Options, RSUs and PSUs, as applicable).

TERMS OF THE SHARE INCENTIVE PROPOSAL

LTIP Option Offer

Under the LTIP Option Offer, we offer to pay you a “see-through” price of HK\$0.8147 per LTIP Option (being the Offer Price minus the exercise price per LTIP Option), for each LTIP Option that you may hold as at the Record Date.

In consideration for our agreement to pay you the cash consideration set out above in respect of any LTIP Options held by you, all of your rights and entitlements under the LTIP will automatically lapse on the Effective Date, which is expected to be Thursday, 19 October 2023 (or such other date as shall be announced by the Offeror and the Company).

As consented to in the LTIP Option Holder Undertaking, the Board will cancel each outstanding LTIP Option on the Effective Date.

Share Option Offer

Under the Share Option Offer, we offer to pay you a nominal value of US\$0.0001 per Share Option (equivalent to HK\$0.0008 per Share Option) for each Share Option that you may hold as at the Record Date. This is on the basis that the exercise price of each Share Option exceeds the Offer Price and accordingly the “see-through” price is negative.

In consideration for our agreement to pay you the cash consideration set out above in respect of any Share Options held by you, all of your rights and entitlements under the Share Option Scheme will automatically lapse on the Effective Date, which is expected to be Thursday, 19 October 2023 (or such other date as shall be announced by the Offeror and the Company).

As consented to in the Share Option Holder Undertakings, the Board will cancel each outstanding Share Option on the Effective Date.

Share Award Offer

Under the Share Award Offer, we offer to issue to you (i) Offeror RSUs for the cancellation of any and all of the RSUs held by you; and (ii) Offeror PSUs for the cancellation of any and all of the PSUs held by you, with the vesting of such Offeror RSUs and Offeror PSUs being consistent with the original vesting schedules and the original vesting conditions applicable to the corresponding RSUs and PSUs, in the following manner:

- (a) on the Effective Date, you will be granted Offeror RSUs under the Offeror LTIP with respect to any unvested RSUs held by you as at the Record Date;
- (b) the number of Offeror RSUs to be granted to you in respect of a particular RSU Tranche held by you shall be determined based on the Offer Price and in accordance with the following formula:

$$A = B \times C/D$$

where:

“A” means the number of Offeror RSUs to be granted to you in respect of a particular RSU Tranche held by you; and for these purposes, any unvested RSUs held by you on the Record Date will be split into different tranches (each being a “**RSU Tranche**”) based on their date of grant, such that the RSUs granted on the same date will form a single RSU Tranche;

“B” means the number of unvested RSUs comprising the relevant RSU Tranche;

“C” means an amount equal to the Offer Price; and

“D” means the closing price per share in the capital of the Offeror as quoted on The New York Stock Exchange on the relevant date of grant of the RSUs comprising the relevant RSU Tranche;

- (c) on the Effective Date, you will be granted Offeror PSUs under the Offeror LTIP with respect to any unvested PSUs held by you as at the Record Date;
- (d) the number of Offeror PSUs to be granted to you in respect of a particular PSU Tranche held by you shall be determined based on the Offer Price and in accordance with the following formula:

$$A = B \times C/D$$

where:

“**A**” means the number of Offeror PSUs to be granted to you in respect of a particular PSU Tranche held by you; and for these purposes, any unvested PSUs held by you on the Record Date will be split into different tranches (each being a “**PSU Tranche**”) based on their date of grant, such that the PSUs granted on the same date will form a single PSU Tranche;

“**B**” means the number of unvested PSUs comprising the relevant PSU Tranche;

“**C**” means an amount equal to the Offer Price; and

“**D**” means the closing price per share in the capital of the Offeror as quoted on The New York Stock Exchange on the relevant date of grant of the PSUs comprising the relevant PSU Tranche;

- (e) the grant of any Offeror RSUs and/or Offeror PSUs to you will be made on the Effective Date, and the vesting of such Offeror RSUs and Offeror PSUs shall follow the same vesting schedules and be subject to materially the same terms as to vesting conditions and, in respect of the PSUs, performance conditions as the corresponding RSUs and PSUs held by you;
- (f) in consideration for our agreement to replace your unvested RSUs and/or PSUs with Offeror RSUs and/or Offeror PSUs, all of your rights and entitlements under the RSU Scheme or PSU Scheme will automatically lapse on the Effective Date; and
- (g) in accordance with the Board’s discretion to cancel all outstanding RSUs and PSUs for nil consideration at any time in accordance with the RSU Scheme and the PSU Scheme respectively, the Board will exercise its discretion to cancel each unvested RSU and PSU on the Effective Date.

Conditions of the Share Incentive Proposal

The Share Incentive Proposal is conditional upon the Scheme becoming effective. The Share Incentive Proposal will become unconditional immediately upon the Scheme becoming effective, which will be prior to the withdrawal of the listing of the Shares from the Stock Exchange.

The Conditions of the Proposal and the Scheme are set out in the section headed “3. *Conditions of the Proposal and the Scheme*” in Part VII – Explanatory Memorandum of this Scheme Document. You are further advised to refer to the sections headed “16. *Registration and payment – Payment to the Share Incentive Holders under the Share Incentive Proposal*” and “17. *Overseas Scheme Shareholders and Overseas Share Incentive Holders*” in Part VII – Explanatory Memorandum of this Scheme Document.

Payments under the Share Incentive Proposal

On the basis that the Scheme becomes effective, payment (by cheque or bank transfer) of any cash consideration to which you may be entitled under the Share Incentive Proposal is expected to be despatched or made as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Thursday, 19 October 2023 (Cayman time), the payment of the see-through price under the Share Incentive Proposal is expected to be made (or otherwise the cheque is expected to be despatched) on or before Tuesday, 31 October 2023.

Payment will be made either by way of (i) electronic bank transfer into the bank account as customarily used by you to receive other compensation from the Group (or as otherwise notified by you to the Group), or (ii) by ordinary post in postage pre-paid envelopes addressed to you at your last known address as notified by you to the Group.

If payment is made by way of cheque, all such cheques will be sent at your risk and none of the Offeror, the Company, Morgan Stanley, the Independent Financial Adviser and the share registrar of the Company and their respective nominees, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Share Incentive Proposal shall be liable for any loss or delay in despatch.

On or after the day being six (6) calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheques which have not been cashed or which have been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank selected by the Offeror.

The Offeror shall hold all monies in respect of uncashed cheques until the expiry of six (6) years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Share Incentive Proposal to persons who satisfy the Offeror that they are respectively entitled thereto, provided that the cheques referred to in the foregoing sentence of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Share Incentive Proposal, and are subject to, if applicable, the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six (6) years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Share Incentive Proposal and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account, including accrued interest subject to any deduction required by law and any expenses incurred.

APPENDIX VI FORM OF LETTER TO THE SHARE INCENTIVE HOLDERS

Settlement of cash payments to which you may be entitled under the Share Incentive Proposal will be implemented in full in accordance with the terms of the Share Incentive Proposal, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any you.

Issuance of Offeror RSUs and Offeror PSUs under the Share Incentive Proposal

On the basis that the Scheme becomes effective, you will be issued any Offeror RSUs and Offeror PSUs to which you may be entitled to under the Share Incentive Proposal on the Effective Date.

An award letter containing the terms and conditions of the Offeror RSUs and Offeror PSUs (“*Award Letter*”) which you may be entitled to under the Share Incentive Proposal shall be despatched to you in accordance with the terms of the Offeror LTIP on the Effective Date.

COURSES OF ACTION AVAILABLE TO SHARE INCENTIVE HOLDERS

The choices available to you in respect of your Share Incentives are set out below.

(A) Accept the Share Incentive Proposal

The Share Incentive Proposal shall apply to each outstanding Share Incentive that you hold as at the Record Date.

You may choose to accept the Share Incentive Proposal on the terms (including all declarations and undertakings) as set out in this letter and the enclosed Form of Acceptance, by ticking the “**Accept**” box on the Form of Acceptance and returning it in accordance with the instructions set out below. Such acceptance of the Share Incentive Proposal will be in respect of all Share Incentives held by you on the Record Date.

(B) Reject the Share Incentive Proposal

If you choose to reject the Share Incentive Proposal, please tick the “**Reject**” box on the enclosed Form of Acceptance and return it in accordance with the instructions set out below. Such rejection of the Share Incentive Proposal shall apply to all Share Incentives held by you as at the Record Date.

If you reject the Share Incentive Proposal, you will not be entitled to:

- (a) the cash consideration offered by the Offeror under the LTIP Option Offer or the Share Option Offer in respect of any LTIP Options or Share Options you may hold; and/or
- (b) the grant of Offeror RSUs and Offeror PSUs by the Offeror under the Share Award Offer in respect of any RSUs and PSUs you may hold.

APPENDIX VI FORM OF LETTER TO THE SHARE INCENTIVE HOLDERS

The Board will exercise its discretion to cancel all outstanding Share Incentives on the Effective Date in accordance with the terms of the LTIP, the Share Option Scheme, the RSU Scheme and the PSU Scheme (as applicable), irrespective of whether you accept or reject the Share Incentive Proposal.

Following receipt of this letter, if you (i) choose to do nothing (including by not returning a Form of Acceptance) or (ii) fail to tick either the “Accept” or “Reject” box on a returned Form of Acceptance, and the Scheme becomes effective, you will be treated as having returned a duly executed Form of Acceptance with the “Reject” box ticked in respect of all Share Incentives held by you on the Record Date.

(C) Become a Scheme Shareholder

If any of the outstanding LTIP Options and/or Share Options you hold is exercised at the relevant exercise price in accordance with the terms of the LTIP or the Share Option Scheme (as applicable) on or before the Record Date, and the corresponding Shares are transferred or issued to you before the Record Date, any such Shares will be Scheme Shares and will be cancelled if the Scheme becomes effective. Accordingly, you will be entitled to receive the Offer Price for the Scheme Shares held by you as at the Record Date.

With respect to any Share Options you hold, as the exercise price of each Share Option exceeds the Offer Price and the “see-through” price is negative, there is no monetary benefit in taking this course of action. Nonetheless, Scheme Shareholders as at the Meeting Record Date will be entitled, subject to the Hong Kong Takeovers Code, to attend and vote at the Court Meeting and/or the EGM, whereas a Share Incentive Holder will not have such right to attend and vote at the Court Meeting and/or the EGM.

Similarly, if any of the RSUs and/or PSUs you hold vest in accordance with the terms of the RSU Scheme or the PSU Scheme on or before the Record Date, and the corresponding Shares are transferred or issued to you before the Record Date, any such Shares will be Scheme Shares and will be cancelled if the Scheme becomes effective. Accordingly, you will be entitled to receive the Offer Price for the Scheme Shares held by you as at the Record Date.

HOW TO RETURN THE FORM OF ACCEPTANCE

You should complete and return the duly completed and executed Form of Acceptance so as to reach the Company at 7/F, Verdant Place, No. 128 West Nanjing Road, Huangpu District, Shanghai, PRC, for the attention of the Legal Department and marked “IMAX Corporation – Share Incentive Proposal” by no later than 4:30 p.m. (Hong Kong time) on Tuesday, 17 October 2023 (or such later date and time as may be notified to you by the Offeror and the Company).

Before returning the Form of Acceptance to the Offeror, please ensure that you have completed and signed the Form of Acceptance and that your signature has been witnessed.

No acknowledgment of receipt of the Form of Acceptance or any other documents will be given.

OUTSTANDING SHARE INCENTIVES

Information on the Share Incentives held by you can be obtained by contacting Ying Wang (Michael) of the Company at mwang@imax.com.

LAPSED SHARE INCENTIVES

Please note that nothing in this letter or the Scheme Document serves to extend the life of a Share Incentive which lapses, will lapse, or has already lapsed, under the terms of its applicable scheme or grant. You cannot accept the Share Incentive Proposal in respect of a Share Incentive which has lapsed or will have lapsed by the Record Date.

RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders and the Share Incentive Holders set out in Part V of the Scheme Document and the letter from the Independent Financial Adviser set out in Part VI of the Scheme Document which contain the recommendation of the Independent Board Committee and of the Independent Financial Advisor, respectively, in relation to the Proposal, the Scheme and the Share Incentive Proposal.

The Independent Financial Adviser has advised the Independent Board Committee that it considers that the terms of the Share Incentive Proposal are fair and reasonable so far as the Share Incentive Holders are concerned, and accordingly, it advises the Independent Board Committee to recommend to the Share Incentive Holders to accept the Share Incentive Proposal.

The Independent Board Committee, having been so advised, considers that the terms of the Share Incentive Proposal are fair and reasonable so far as the Share Incentive Holders are concerned. Accordingly, the Independent Board Committee recommends the Share Incentive Holders to accept the Share Incentive Proposal.

INDEPENDENT FINANCIAL ADVICE

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

If you are in any doubt as to any aspect of this letter, the Scheme Document or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

DECLARATION

By signing and returning the Form of Acceptance, you:

- (a) confirm that you have read, understood and agreed to the terms and conditions of the Share Incentive Proposal (including without limitation those set out in the Scheme Document, this letter and the Form of Acceptance), and that you have received the Scheme Document, this letter and the Form of Acceptance;
- (b) confirm that all of the outstanding Share Incentives held by you in respect of which you accept the Share Incentive Proposal are valid and subsisting, free from all liens, charges, mortgages and third party interests of any nature whatsoever;
- (c) confirm that all local laws and requirements applicable to your acceptance of the Share Incentive Proposal have been complied with;
- (d) acknowledge that you shall cease to have any rights or entitlements in relation to your Share Incentives and that all rights and entitlements under your Share Incentives shall automatically lapse, in each case on the Effective Date;
- (e) agree, in consideration for the Share Incentive Proposal, to release and waive all future and present claims, demands, actions and/or proceedings (whether contractual, statutory or otherwise and whether such claims are known or could be known or are in your contemplation at the time of signing the Form of Acceptance and to the maximum extent not prohibited by law) against any party (including the Offeror and the Company and their officers) arising out of or in connection with the Share Incentives and/or the Share Incentive Proposal;
- (f) acknowledge, accept and undertake to comply with the terms of the Award Letter in respect of the Offeror RSUs and/or Offeror PSUs granted to you under the Share Award Offer;
- (g) confirm that any acceptance of the Share Incentive Proposal cannot be withdrawn or altered;
- (h) authorise the Company and the Offeror, jointly and severally, or any director or officer of the Company or the Offeror or any agent of such person to do all acts and things and to execute any document as may be necessary or desirable to give effect to any acceptance by you of the Share Incentive Proposal, and you hereby undertake to execute any further assurance that may be required in respect of such acceptance (including but not limited to consenting to the Company, the Board or the Offeror, as applicable, exercising its rights to amend the terms of your Share Incentives to enable such outstanding Share Incentives to be cancelled in exchange for the payment by the Offeror of the cash considerations in respect of the LTIP Option Offer or the Share Option Offer (as applicable) and the grant of Offeror RSUs and Offeror PSUs in respect of the Share Award Offer);

APPENDIX VI FORM OF LETTER TO THE SHARE INCENTIVE HOLDERS

- (i) authorise the Company to transfer any personal data which may identify you (including, but not limited to your name, your date of birth, contact details, nationality, identity or passport number, tax residency, social security number (or equivalent), bank account details and details of your Share Incentives) to the Offeror and to authorise the Offeror to collect, use and process such personal data for all matters directly or indirectly connected with the implementation of the Share Incentive Proposal. You agree to execute any further documents as may be required by the Company or the Offeror to give effect to such authorisation; and
- (j) undertake to confirm and ratify any action properly or lawfully taken on your behalf by any attorney or agent appointed by or pursuant to this letter or the Form of Acceptance.

GENERAL

All communications, notices, Forms of Acceptance, cheques, certificates and other documents of any nature to be delivered by or sent to or from Share Incentive Holders will be delivered by or sent to or from them, or their designated agents, at their risk, and none of the Offeror, the Offeror Concert Parties, the Company and their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal or the Share Incentive Proposal accepts any liability for any loss or any other liabilities whatsoever which may arise as a result. This letter shall be taken as having been received by you within two (2) business days of its despatch.

The provisions set out in the Form of Acceptance form part of the terms of the Share Incentive Proposal.

The Share Incentive Proposal and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

Due execution of the Form of Acceptance in respect of the Share Incentive Proposal will constitute an authority to the Offeror, any director of the Offeror or their respective agents to complete and execute any document on behalf of the accepting Share Incentive Holder(s) and to do any other act, that may be necessary or expedient for the purpose of cancelling all outstanding Share Incentives which are the subject of such acceptance.

The delivery of the Form of Acceptance, duly signed, may, if the Offeror determines it appropriate, be as effective as if it were duly completed and received notwithstanding that it is not completed or received strictly in accordance with the instructions set out in the Form of Acceptance and this letter, including the date specified for receipt or the requirement for the Form of Acceptance to be witnessed.

By accepting the Share Incentive Proposal in respect of your Share Incentives, you irrevocably and at your own risk elect to authorise the Offeror to send to you, or procure the sending to you of, any cash to which you are entitled.

APPENDIX VI FORM OF LETTER TO THE SHARE INCENTIVE HOLDERS

Any acceptance of the Share Incentive Proposal and the receipt of cash consideration under the LTIP Option Offer and the Share Option Offer may trigger taxes subject to withholding obligations of the Offeror. Any cash consideration under the relevant Share Incentive Proposal will be paid to you net of such applicable taxes, if any. All Share Incentive Holders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Share Incentive Proposal.

RESPONSIBILITY STATEMENTS

The issue of this letter has been approved by the directors of the Offeror, who jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this letter (other than opinions expressed by the Directors in their capacity as the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter misleading.

The issue of this letter has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this letter (other than opinions expressed by the directors of the Offeror in their capacity as the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter misleading.

Yours truly,
For and on behalf of
IMAX Corporation
Kenneth I. Weissman
Deputy General Counsel & Corporate Secretary