IMAX CHINA HOLDING, INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1970)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017,

FINAL DIVIDEND ANNOUNCEMENT

AND

INSIDE INFORMATION OUR CONTROLLING SHAREHOLDER IMAX CORPORATION RELEASED ITS FOURTH QUARTER AND FULL YEAR 2017 FINANCIAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of IMAX China Holding, Inc. (the "**Company**" or "**IMAX China**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 as follows.

FINAL DIVDEND ANNOUNCEMENT

The Board of Directors of the Company is pleased to announce its recommendation of a final dividend of $0.04 per share (equivalent to approximately HK$0.31 per share) to the shareholders. Subject to the approval of the shareholders at the forthcoming Annual General Meeting and subject to further announcement(s) in respect to the book closure date, record date and payment date, the proposed 2017 final dividend is expected to be distributed to shareholders on or around 31 May 2018. There will be no scrip dividend option for the 2017 final dividend.

INSIDE INFORMATION

This is an announcement made pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Our controlling shareholder, IMAX Corporation has, on or about 27 February 2018 (approximately 4:30 p.m., New York time), announced its fourth quarter and year ended 31 December 2017 financial results and on or about 27 February 2018 (approximately 5:30 p.m., New York time), released its annual report and results for the year ended 31 December 2017.

FINANCIAL HIGHLIGHTS

	2017	2016	Change %
Total revenue (US$'000)	**126,474**	118,532	6.7%
Gross profit (US$'000)	**77,358**	69,297	11.6%
Gross profit %	**61.2%**	58.5%	4.6%
Profit for the year (US$'000)	**43,713**	36,088	21.1%
Profit for the year %	**34.6%**	30.4%	13.8%
Profit per share (US$)	**0.12**	0.10	22.5%
Adjusted profit (US$'000)	**45,949**	37,562	22.3%
Adjusted profit %	**36.3%**	31.7%	14.5%
Selling, general and administrative expenses (US$'000)	**(14,530)**	(17,083)	(14.9)%
Adjusted EBITDA (US$'000)	**67,019**	54,340	23.3%
Adjusted EBITDA %	**53.0%**	45.8%	15.7%
Total theater system signings	**95**	238	(60.1)%
Sales arrangements	**55**	37	48.6%
Revenue sharing arrangements	**40**	201	(80.1)%
Total theater system installations	**120**	119	0.8%
Sales arrangements	**41**	33	24.2%
Revenue sharing arrangements	**79**	84	(6.0)%
Upgrades	**—**	2	(100.0)%
Gross box office (US$'000)	**290,819**	295,671	(1.6)%
Box office per screen (US$'000)	**666**	932	(28.5)%

2018 OUTLOOK

The Company expects to install approximately 105 new theatres for the year 2018. Of these installations, roughly 37 are expected to be sales arrangements and 68 are expected to be revenue sharing arrangements. We also expect our sales, general and administrative expenses, excluding share-based compensation to grow roughly 9%, primarily as a result of specifically targeted marketing initiatives over 2017.

LETTER TO SHAREHOLDERS

Dear Shareholders,

It is my pleasure to present you with IMAX China's 2017 annual results; our third year as a publicly listed company in China.

2017 was noteworthy for IMAX China. Over the course of the year we made efforts to refine our programming strategy, reduce costs and facilitate greater operating leverage throughout our business. The combination of these initiatives, coupled with our strongest installation year ever, resulted in adjusted profit growth of more than 22% to a record $46 million. Moreover, our adjusted profit margins of 36% expanded 460 basis points compared to 2016.

From a free cash flow standpoint, we generated $11 million, which resulted in a year-end cash balance of $117 million. As a result of our continued free cash flow generation, our strong balance sheet and our confidence in the Company's long-term growth prospects, I am pleased to announce that IMAX China's Board of Directors recommended the payment of a final dividend to shareholders of $0.04, equivalent to approximately HK$0.31 per share amounting to roughly $14 million. This announcement underscores our confidence in the business and highlights our goal of creating long-term shareholder value.

Overall, we saw numerous important accomplishments in 2017. To highlight a few of them, we achieved:

- Record revenues of $126 million, up 7% versus 2016;
- Record adjusted EBITDA of $67 million, up 23% versus 2016;
- Record adjusted profit of $46 million, up more than 22% versus 2016;
- 120 new theatre installations, an all-time high;
- Operating and free cash flow of $35 million and $11 million, respectively;
- 95 new theatre signings, bringing backlog to 309 systems; and
- SG&A reduction, excluding share-based compensation, of 19% versus 2016, as a result of the Company's cost-reduction efforts.

We believe our record financial results, consistent cash flow generation and continued theatre expansion highlights the value proposition of IMAX and underscores the inherent operating leverage in our business. We also believe last year's results reiterate the value in taking an asset-light approach to the cinema business. While we partner and work closely with exhibitors and studios, it is important to recognize that we have entirely different business models and financial structures, as evidenced by last year's results.

Looking at our results in more detail, while there was a slight decline in box office last year versus 2016, we were encouraged by the 8% box office growth we saw in the second half last year, resulting in total 2017 box office of $291 million. What made the box office recovery in the second half particularly encouraging were the efforts we made in the early part of the second half of 2017 to refine our programming strategy, which has already provided tangible benefits. For example, the growing prominence of Chinese content has facilitated our interest in programming more into our slate, specifically during big holiday weekends, or weekends without a clear dominant film. For example, we played four Chinese titles during the month of December and, more recently, we played three titles over Chinese New Year. We believe introducing more Chinese content will improve our programming flexibility and enable us to capture more Chinese box office across our growing network.

On the network front, we ended the year with 527 commercial theatres and an additional 309 in backlog. We are currently partnered with virtually all of the top 10 exhibitors in China and, more importantly, the majority of our signings activity reflects repeat customers. It is encouraging when the biggest exhibitors in China continue to come back for additional IMAX systems.

Overall, growing our network of theatres continues to be a foremost priority. We believe a bigger network is essential to generating more box office, and ultimately more earnings in the long-term. While the economics of theatres across different cities with different ticket prices may vary, if we can control our cost growth, additional box office dollars should be largely incremental to our bottom line.

Looking ahead, we believe our growing footprint, refined programming strategy and reduced cost structure strategically positions IMAX China to take advantage of the years ahead. In fact, these efforts have already proven beneficial in the early part of 2018. During the recent Chinese New Year holiday, we grew box office by 74% compared to 2017's seven day holiday. Compared to last year, we generated a total of nearly $27 million in box office.

All in all, we remain encouraged by our continued signings and installation activity. Both exhibitors and studios continue to come back to IMAX due to our value proposition and as a means of differentiating their theatres and films. Moreover, we believe refinements to our programming strategy, coupled with cost-containment efforts, should have a meaningful impact on our ability to generate free cash flow and operating leverage in the future.

Finally, I would like to take this opportunity to express my utmost gratitude to our employees, shareholders and business partners for their continue support of IMAX China.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of U.S. dollars)

		Years Ended 31 December	
	Notes	**2017**	2016
Revenues	*4*	**126,474**	118,532
Cost of sales	*5*	**(49,116)**	(49,235)
Gross profit	*4*	**77,358**	69,297
Selling, general and administrative expenses	*5*	**(14,530)**	(17,083)
Restructuring expenses	*5, 6*	**(636)**	—
Other operating expenses	*5*	**(7,087)**	(6,363)
Operating profit		**55,105**	45,851
Interest income		**725**	573
Profit before income tax		**55,830**	46,424
Income tax expense	*7*	**(12,117)**	(10,336)
Profit for the year, attributable to owners of the Company		**43,713**	36,088
Other comprehensive income (loss):			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		**8,333**	(7,392)
Other comprehensive income (loss):		**8,333**	(7,392)
Total comprehensive income for the year, attributable to owners of the Company		**52,046**	28,696
Profit per share attributable to owners of the Company — basic and diluted (expressed in U.S. dollars per share):			
From profit for the year – basic	*14(d)*	**0.12**	0.10
From profit for the year – diluted	*14(d)*	**0.12**	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of U.S. dollars)

		As at 31 December	
	Notes	**2017**	2016
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	**88,620**	69,751
Other assets		**4,403**	4,741
Deferred income tax asset	*9*	**3,291**	1,830
Financing receivables	*10*	**39,319**	30,309
Interests in a joint venture		**—**	—
		135,633	106,631
Current assets			
Other assets		**2,960**	1,796
Film assets		**—**	10
Inventories		**5,612**	5,731
Prepayments		**1,971**	1,093
Financing receivables	*10*	**8,450**	5,831
Trade and other receivables	*11*	**53,995**	37,975
Cash and cash equivalents		**116,678**	105,903
		189,666	158,339
Total assets		**325,299**	264,970
LIABILITIES			
Non-current liabilities			
Deferred revenue	*12*	**23,876**	21,067
		23,876	21,067
Current liabilities			
Trade and other payables	*13*	**18,522**	28,459
Accruals and other liabilities		**10,161**	10,820
Income tax liabilities		**4,458**	2,446
Deferred revenue	*12*	**23,545**	13,025
		56,686	54,750
Total liabilities		**80,562**	75,817

	Notes	As at 31 December 2017	2016
EQUITY			
Equity attributable to owners of the Company			
Share capital		**36**	35
Share premium		**375,296**	372,131
Shares held for China long-term incentive plan		**(133)**	—
Capital reserves		**(29,821)**	(30,326)
Accumulated deficit		**(99,087)**	(142,800)
Accumulated other comprehensive loss		**(1,554)**	(9,887)
Total equity		**244,737**	189,153
Total equity and liabilities		**325,299**	264,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

1. General information

IMAX China Holding, Inc. (the "Company") was incorporated in the Cayman Islands on 30 August 2010, as an exempted company with limited liability under the laws of the Cayman Islands. The ultimate holding company of the Company is IMAX Corporation (the "Controlling Shareholder"), incorporated in Canada. The Company's registered office is located at Post Office Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104.

The Company is an investment holding company, and its subsidiaries (together the "Group") are principally engaged in the entertainment industry specialising in digital film technologies in Mainland China, Hong Kong, Taiwan and Macau ("Greater China").

The Group refers to all the theatres using the IMAX theatre system in Greater China as "IMAX theatres".

The Company has listed its shares on The Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 October 2015 (the "Listing").

These consolidated financial statements are presented in United States dollars ("US$"), unless otherwise stated.

2. Summary of significant accounting policies

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") interpretations applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

3. New accounting standards and accounting changes

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations to be adopted in future reporting periods, and have not been applied in preparing this consolidated financial information. None of these are expected to have a significant effect on the consolidated financial information of the Group, except the following set out below:

IFRS 9 Financial Instruments

IFRS 9, "Financial instruments", addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group currently classifies its financial assets into loans and receivables (cash and cash equivalents, trade and other receivables and net financed sales receivable) which are measured at amortised cost, and available-for-sale (available-for-sale investment) which is measured at cost.

The Group's debt instruments currently classified as measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

The Group's equity investment currently classified as available-for-sale (AFS) will be reclassified to financial assets at fair value through profit or loss (FVPL) or other comprehensive income (FVOCI), which is being under the process of the election. Based on the fair value assessments undertaken to date, the Group does not expect material impact on the consolidated financial statements.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change of the loss allowance for the Group's trade debtors and other debt investments held at amortised cost and net investment in finance leases.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. IFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations.

Effective 1 January 2018, for the year ended 31 December 2018, the Group adopted "Revenue from Contracts with Customers" (IFRS 15) utilizing the modified retrospective approach with a cumulative catch up adjustment and will provide additional disclosures comparing results to previous IFRS in its 2018 consolidated financial statements. The Group plans to apply the new revenue standard only to contracts not completed as of the date of initial application, referred to as open contracts. All system sales and maintenance contracts with the existing network of IMAX theaters and the backlog of sales contracts make up a significant majority of the Group's open contracts at any point in time. DMR arrangements where the film continues to be shown by the Group's exhibitor partners, aftermarket sales orders that have been received but for which control of the assets has not yet transferred to the customer are all also considered open contracts.

The Group's revenues from the sales of theatre systems (Systems Deliverables), provision of maintenance and extended warranty services, sale of aftermarket 3D glasses and parts, conversion of Chinese language film content into the IMAX DMR format and DMR revenue from Hollywood films are within the scope of the standard. The Group's joint revenue sharing arrangements are not in scope of IFRS 15 due to their classification as leases.

The Group has assessed its performance obligations under its arrangements pursuant to IFRS 15 and has concluded that there are no significant differences between the performance obligations required to be units of account under IFRS 15 and the deliverables considered to be units of account under IAS 18.

Certain of the Group's revenue streams will be impacted by the variable consideration provisions of the new standard. The arrangements for the sale of theatre systems include indexed minimum payment adjustments over the term of the arrangement, as well as provision for additional payments in excess of the minimum agreed payments in situations where the theater exceeds certain box office thresholds. Both contract provisions constitute variable consideration under the new standard that, subject to constraints to ensure significant reversal of revenues do not occur, require estimation and recognition at the point of revenue recognition, which is at the earlier of client acceptance of the installation of the system, including projectionist training, and the theater's opening to the public. As this variable consideration extends through the entire term of the arrangement, which typically last 10 years, the Group applies constraints to its estimates and recognizes the variable consideration on a discounted present value basis at recognition. Under the previous standard, these amounts were recognized as reported by exhibitors (or customers) in future periods.

The Group's arrangements include a requirement for the provision of maintenance services over the life of the arrangement, subject to a consumer price index adjustment on renewal each year. Under the new standard, the Group has included the future consideration from the provision of maintenance services in the relative selling price calculation at revenue recognition. The amount allocated to maintenance services is deferred and recognized over the full life of the arrangement. As the maintenance services are a stand ready obligation revenue is recognized evenly over time, which is consistent with past treatment. Under the previous recognition standard, only the first year's extended warranty and maintenance services included as part of the upfront consideration received by the Group was included in the relative selling price allocation to determine the allocation of consideration between deliverables, while the future years maintenance services were recognized and amortized over each year's renewal term. The Group does not expect a significant change in the allocation of consideration between performance obligations to arise as a result of this change.

The DMR revenue is calculated as a percentage of box-office receipts and are recognized when box-office receipts are reported. For Chinese language film, DMR revenue applies the variable consideration exemption for sales- or usage-based royalties. While the Group does not hold rights to the intellectual property in the form of the film content, the Group is receiving revenue for the application of IMAX intellectual property used in the DMR process of creating IMAX DMR version of film. For Hollywood films, the Group receives DMR revenue from IMAX Corporation and also pays IMAX Corporation corresponding DMR conversion cost. Under the new revenue standard, the payment of DMR costs to IMAX Corporation is not in exchange for a distinct good or service that IMAX Corporation transfers to the Group. Therefore, the payment of DMR conversion cost for Hollywood films should be recorded as a reduction of DMR revenue earned from IMAX Corporation.

The Group's remaining revenue streams are not significantly impacted by the new standard. The Group's balance sheet will require adjustment for contract assets and liabilities arising from the variable consideration calculations noted above.

At this point, the Group is in the process of calculating the opening retained earnings impacts of the above. The Group is implementing changes to its revenue accounting system, processes and internal controls over revenue recognition as part of the adoption of the new standard.

IFRS 16 Leases

On 13 January 2016, the International Accounting Standards Board (IASB) published a new standard for the accounting of leases, International Financial Reporting Standard 16 — Leases ("IFRS 16").

The Group is a lessee of various offices, warehouses and apartments which are currently classified as operating leases. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the statement of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in property, plant and equipment and an increase in financial liabilities in the consolidated statement of financial position. In the income statement, leases will be recognised in the future as capital expenditure on the purchasing side and will no longer be recorded as an operating expense. As a result, the operating expense under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. This will lead to an improvement in EBITDA. The new standard is not expected to apply until the financial year 2019, including the adjustment of prior years.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. Segment information

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

In 2017, modifications were made to the chief operating decision maker's reporting packages to reorganize the Company's two primary groups (the theatre business and the film business) to three primary groups (the network business, the theatre business and new business and other). These modifications were made to more closely align the Company's disclosures with the manner in which the chief operating decision maker manages the business. The new structure is expected to provide users of the financial statements with an enhanced understanding of how management views the business, and the drivers behind the Company's performance. Certain of the prior year's figures have been represented to conform to the current year's presentation.

The Company has identified new business and other as an additional reportable segment in 2017. The Group now has six operating and reportable segments: sales arrangements, theatre system maintenance, revenue sharing arrangements, film, other theatre, new business and other.

The Group's reportable segments are now organised under three primary groups identified by nature of product sold or service provided: (1) Network Business, representing variable revenue generated by box-office results and which includes the reportable segment of film and contingent rent from the revenue sharing arrangements and sales arrangements; (2) Theatre Business, representing revenue generated by the sale and installation of theatre systems and maintenance services, primarily related to the sales arrangements and theatre system maintenance reportable segments, and also includes fixed hybrid revenues and upfront installation cost from the revenue sharing arrangements segment and after-market sales of projection system parts and 3D glasses from the other theatre segment; and (3) New Business and Other, which includes all revenue in connection with any other non-core business initiatives that are in development and/or start-up phase. Revenues from the sales arrangements and revenue sharing arrangements segment is separated into Network Business and Theatre Business depending on whether the consideration is based on box-office receipts as additional information.

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

Transactions between the other segments are not significant.

(a) Operating segments

	Years Ended 31 December	
	2017	2016
Revenue		
Network business		
Film	**27,436**	26,650
Revenue sharing arrangements — contingent rent	**18,748**	21,072
Sales arrangements — contingent rent	**430**	427
	46,614	48,149
Theatre business		
Sales arrangements	**56,220**	47,442
Revenue sharing arrangements — upfront fees	**6,788**	9,855
Theatre system maintenance	**15,082**	11,702
Other theatre	**1,560**	1,220
	79,650	70,219
New business and other	**210**	164
Total	**126,474**	118,532
Gross profit		
Network business		
Film	**18,354**	17,515
Revenue sharing arrangements — contingent rent	**7,248**	12,913
Sales arrangements — contingent rent	**430**	427
	26,032	30,855
Theatre Business		
Sales arrangements	**40,452**	29,933
Revenue sharing arrangements — upfront fees	**1,277**	1,510
Theatre system maintenance	**9,430**	6,503
Other theatre	**477**	424
	51,636	38,370
New business and other	**(310)**	72
Total gross profit	**77,358**	69,297
Selling, general and administrative expenses	**(14,530)**	(17,083)
Restructuring expenses	**(636)**	—
Other operating expenses	**(7,087)**	(6,363)
Interest income	**725**	573
Profit before income tax	**55,830**	46,424

The Group's operating assets and liabilities are located in Greater China. All revenue earned by the Group is generated by the activity of IMAX theatres operating in Greater China.

Significant Customers

Revenue from the Group's significant customers (individually defined as greater than 10% of total revenues) as reported in segments are as follows:

Customer A

Revenues of approximately $22.5 million in 2017 (2016: $23.8 million) are derived from a single external customer. These revenues are attributable to revenue sharing arrangements, theatre system maintenance, sales arrangements, film and other segments.

Customer B

Revenues of approximately $18.7 million in 2017 (2016: $19.3 million) are derived from a related party. These revenues are attributable to the film, theatre system maintenance and other segments.

No other single customers comprises of more than 10% of total revenues in 2017 or 2016.

Supplemental Information

(b) Depreciation and amortisation

	Years Ended 31 December	
	2017	2016
Sales arrangements	**—**	8
Theatre system maintenance	**162**	212
Revenue sharing arrangements	**8,203**	5,857
Film	**7,167**	6,843
New business and other	**44**	—
Corporate and other non-segment specific assets	**639**	522
Total	**16,215**	13,442

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

	Years Ended 31 December	
	2017	2016
Sales arrangements	**—**	353
Revenue sharing arrangements	**562**	36
Corporate and other non-segment specific assets	**137**	—
Total	**699**	389

5. Expenses by nature

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

	Years Ended 31 December	
	2017	2016
Cost of theatre system sales and finance leases	**21,080**	24,207
Depreciation, including joint revenue sharing arrangements and film cost	**16,215**	13,442
Employee salaries and benefits	**8,271**	8,327
Technology and trademark fees	**6,535**	6,175
Advertising and marketing expenses	**4,489**	5,046
Other employee expenses	**3,550**	3,855
Theatre maintenance fees	**3,163**	3,009
Share-based compensation expenses	**2,271**	1,890
Professional fees	**1,505**	1,641
Operating lease rentals in respect of office buildings	**1,197**	1,347
Travel and transportation expenses	**916**	1,244
Cost of new business	**346**	—
Utilities and maintenance expenses	**217**	195
Provision for receivables impairment	**146**	146
Foreign exchange (gain) loss	**(590)**	500
Other business expenses	**1,486**	861
Other film costs (recoveries)	**96**	(29)
Auditor's remuneration		
— Non-audit services	**126**	169
— Audit services	**350**	656
Total costs of sales, selling, general and administrative expenses, restructuring expenses and other operating expenses	**71,369**	72,681

6. Restructuring expenses

In June 2017, the Company announced the implementation of a cost-reduction plan to create cost savings aimed at increasing profitability, operating leverage and free cash flow. Restructuring expenses are mainly comprised of employee severance costs and expenses of facilities contract termination costs. Restructuring expenses are based upon plans that have been committed to by the Company's management, but may be refined in subsequent periods. A liability for expenses associated with an exit is recognized and measured at its fair value in the consolidated statement of financial position in the period in which the liability is incurred.

In connection with the Company's restructuring initiatives, the Company incurred $0.6 million in restructuring expenses for the year ended 31 December 2017, to better align its organizational structure and costs with its strategy. A summary of the restructuring expenses recognised during the year ended 31 December 2017 is as follows:

	Years Ended 31 December	
	2017	2016
Employee severance and benefits	**314**	—
Facilities	**281**	—
Share-based compensation expenses	**41**	—
Total restructuring expenses	**636**	—

7. Income tax expense

	Years Ended 31 December	
	2017	2016
Current income tax:		
Current tax on profits for the year	**(13,473)**	(11,001)
Adjustments in respect of prior years	**36**	(48)
Total current income tax	**(13,437)**	(11,049)
Deferred income tax (note 9)		
Origination and reversal of temporary differences	**1,320**	713
Total deferred income tax	**1,320**	713
Income tax expense	**(12,117)**	(10,336)

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

	Years Ended 31 December	
	2017	2016
Profit before tax	**55,830**	46,424
Tax calculated at domestic tax rates applicable to profits in all respective countries	**(12,335)**	(10,410)
Tax effects of:		
Income not subject to tax	**776**	978
Expenses not deductible for tax purposes	**(176)**	(128)
Withholding taxes	**(445)**	(673)
Other	**27**	(55)
Adjustment in respect of prior years	**36**	(48)
Tax charge	**(12,117)**	(10,336)

The applicable tax rate reflects the impact of the income tax refund of $1.4 million for the year ended 31 December 2017 (2016: $1.1 million). For the year ended 31 December 2017, the weighted average applicable tax rate was 21.7% (2016: 22.3%). The change is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

8. Property, plant and equipment

	Theatre System Components	Office and Production Equipment	Leasehold Improvements	Construction in Process	Total
As at 1 January 2016					
Cost	64,368	970	978	454	66,770
Accumulated depreciation	(13,708)	(400)	(672)	—	(14,780)
Net book amount	50,660	570	306	454	51,990
Year ended 31 December 2016					
Opening net book amount	50,660	570	306	454	51,990
Exchange differences	(5,075)	(216)	(54)	(131)	(5,476)
Additions	567	541	681	28,436	30,225
Transfers	25,034	284	399	(25,717)	—
Disposals	(389)	—	—	—	(389)
Depreciation charge	(5,865)	(269)	(465)	—	(6,599)
Closing net book amount	64,932	910	867	3,042	69,751
As at 1 January 2017					
Cost	**82,408**	**1,514**	**1,905**	**3,042**	**88,869**
Accumulated depreciation	**(17,476)**	**(604)**	**(1,038)**	**—**	**(19,118)**
Net book amount	**64,932**	**910**	**867**	**3,042**	**69,751**
Year ended 31 December 2017					
Opening net book amount	**64,932**	**910**	**867**	**3,042**	**69,751**
Exchange differences	**4,869**	**60**	**59**	**53**	**5,041**
Additions	**—**	**206**	**—**	**23,650**	**23,856**
Transfers	**24,968**	**—**	**73**	**(25,041)**	**—**
Disposals	**(562)**	**(20)**	**(148)**	**—**	**(730)**
Depreciation charge	**(8,247)**	**(379)**	**(422)**	**—**	**(9,048)**
Impairment loss	**(250)**	**—**	**—**	**—**	**(250)**
Closing net book amount	**85,710**	**777**	**429**	**1,704**	**88,620**
As at 31 December 2017					
Cost	**112,140**	**1,725**	**1,818**	**1,704**	**117,387**
Accumulated depreciation and impairment	**(26,430)**	**(948)**	**(1,389)**	**—**	**(28,767)**
Net book amount	**85,710**	**777**	**429**	**1,704**	**88,620**

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

	Years Ended 31 December	
	2017	2016
Cost of sales	**8,284**	5,871
Selling, general and administrative expenses	**764**	728
	9,048	6,599

During the year ended 31 December 2017, the Group recorded disposal charges of $0.7 million (2016: $0.4 million) related to theatre system components, office and production equipment and leasehold improvements.

9. Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2017	2016
Deferred income tax assets		
Deferred income tax asset to be recovered after more than 12 months	**1,665**	1,135
Deferred income tax asset to be recovered within 12 months	**1,626**	695
Deferred income tax assets	**3,291**	1,830
Deferred income tax liabilities		
Deferred income tax liability to be recovered after more than 12 months	**—**	—
Deferred income tax liability to be recovered within 12 months	**—**	—
Deferred income tax liabilities	**—**	—

The gross movement in the deferred income tax asset is as follows:

	As at 31 December	
	2017	2016
Opening balance	**1,830**	1,309
Exchange differences	**141**	(192)
Income statement charge (note 7)	**1,320**	713
Closing balance	**3,291**	1,830

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

	Fixed assets, inventory and other property	Share-based compensation	Accrued reserves	Others	Total
As at 1 January 2016	68	835	437	(31)	1,309
Credited to the income statement	13	352	317	31	713
Exchange difference	(6)	(127)	(59)	—	(192)
As at 31 December 2016	75	1,060	695	—	1,830
Credited to the income statement	25	412	883	—	1,320
Exchange difference	4	88	49	—	141
As at 31 December 2017	**104**	**1,560**	**1,627**	**—**	**3,291**

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

No deferred income tax liability has been provided for the People's Republic of China ("PRC") withholding tax that would be payable on the unremitted earnings totalling $129.0 million at 31 December 2017 (2016: $88.2 million). Such earnings are expected to be retained by the PRC subsidiaries and not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

10. Financing receivables

Some of the Group's leases are classified as finance leases. The Group classifies its lease arrangements at inception of the arrangement and, if required, after a modification of the lease arrangement, to determine whether they are finance leases or operating leases. Under the Group's lease arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Group's lease portfolio terms are typically non-cancellable for 10 to 12 years with renewal provisions from inception. The Group's leases generally do not contain an automatic transfer of title at the end of the lease term. The Group's lease arrangements do not contain a guarantee of residual value at the end of the lease term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Group for maintenance and extended warranty generally after the first year of the lease until the end of the lease term. The customer is responsible for obtaining insurance coverage for the theatre systems commencing on the date specified in the arrangement's shipping terms and ending on the date the theatre systems are delivered back to the Group.

Financing receivables, consisting of net investment in finance leases and receivables from financed sales of theatre systems are as follows:

	As at 31 December	
	2017	2016
Gross minimum finance lease payments receivable	**403**	471
Unearned finance income	**(28)**	(40)
Minimum finance lease payments receivable	**375**	431
Accumulated allowance for uncollectible amounts	**—**	—
Net investment in finance leases	**375**	431
Gross financed sales receivables	**62,906**	48,037
Unearned finance income	**(15,512)**	(12,328)
Financed sales receivables	**47,394**	35,709
Accumulated allowance for uncollectible amounts	**—**	—
Net financed sales receivables	**47,394**	35,709
Total financing receivables	**47,769**	36,140

	As at 31 December	
	2017	2016
Gross investment in finance leases may be analysed as follows:		
No later than one year	**117**	110
Later than one year and no later than five years	**286**	361
Later than five years	**—**	—
Total gross investment in finance leases	**403**	471
Gross financed sales receivables may be analysed as follows:		
No later than one year	**11,778**	8,464
Later than one year and no later than five years	**30,408**	23,969
Later than five years	**20,720**	15,604
Total financed sales receivables	**62,906**	48,037

	As at 31 December	
	2017	2016
Net investment in finance leases may be analysed as follows:		
No later than one year	**105**	96
Later than one year and no later than five years	**270**	335
Later than five years	**—**	—
Total net investment in finance leases	**375**	431
Net financed sales receivables may be analysed as follows:		
No later than one year	**8,345**	5,735
Later than one year and no later than five years	**21,212**	16,611
Later than five years	**17,837**	13,363
Total net financed sales receivables	**47,394**	35,709

As at 31 December 2017, the financed sales receivables had a weighted average effective interest rate of 8.6% (2016: 8.9%).

Contingent rents that meet the Group's revenue recognition policy, from customers under financing arrangements, were $0.2 million for the year ended 31 December 2017 (2016: $0.4 million).

The Group classifies its customers into four categories to indicate the credit quality worthiness of its financing receivables for internal purposes only:

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

Credit watch — theatre operator has begun to demonstrate a delay in payments, has been placed on the Group's credit watch list for continued monitoring, but active communication continues with the Group. Depending on the size of outstanding balance, length of time in arrears and other factors, transactions may need to be approved by management. These financing receivables are considered to be in better condition than those receivables related to theatres in the "Pre-approved transactions" category, but not in as good of condition as those receivables in "Good standing".

Pre-approved transactions only — theatre operator is demonstrating a delay in payments with little or no communication with the Group. All service or shipments to the theatre must be reviewed and approved by management. These financing receivables are considered to be in better condition than those receivables related to theatres in the "All transactions suspended" category, but not in as good of condition as those receivables in "Credit watch". Depending on the individual facts and circumstances of each customer, finance income recognition may be suspended if management believes the receivable to be impaired.

All transactions suspended — theatre is severely delinquent, non-responsive or not negotiating in good faith with the Group. Once a theatre is classified as "All transactions suspended", the theatre is placed on nonaccrual status and all revenue recognitions related to the theatre are stopped.

As at 31 December 2017, 99% (2016: 99%) of the Group's financing receivables were in good standing.

11. Trade and other receivables

	As at 31 December	
	2017	2016
Trade receivables	**31,438**	18,979
Less: provision for impairment of trade receivables	**(321)**	(176)
Trade receivables — net	**31,117**	18,803
Receivables from IMAX Corporation	**16,448**	14,879
Loan receivable from a joint venture	**2,806**	—
Other accrued receivables	**3,624**	4,293
	53,995	37,975

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

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

	As at 31 December	
	2017	2016
0–30 days	**7,848**	7,905
31–60 days	**3,642**	1,541
61–90 days	**4,797**	1,350
Over 90 days	**31,599**	23,062
	47,886	33,858

As at 31 December 2017, trade receivables of $47.9 million (2016: $33.9 million) were fully performing.

As at 31 December 2017, trade receivables of $31.3 million (2016: $22.9 million) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and from whom the Company, based on past experience, believes the overdue amounts can be recovered, as well as related party receivables. The aging analysis of these trade receivables, including receivables from IMAX Corporation, is as follows:

	As at 31 December	
	2017	2016
Over 90 days	**31,278**	22,886

The aging of the Group's impaired trade receivables is as follows:

	As at 31 December	
	2017	2016
Over 90 days	**321**	176

At 31 December 2017, 19% (2016: 32%) of the Group's over 90 days trade and other receivables balance relates to receivables aged over one year, 53% (2016: 68%) of which do not bear interest, have no fixed repayment terms and are due on demand from IMAX Corporation.

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

	As at 31 December	
	2017	2016
US$	**9,322**	15,630
RMB	**44,593**	22,269
Other currencies	**80**	76
	53,995	37,975

Movements in the Group's allowance for impairment of trade receivables are as follows:

	As at 31 December	
	2017	2016
As at 1 January	**176**	49
Provision for receivables impairment	**146**	146
Write-off	**(1)**	(19)
As at 31 December	**321**	176

During the year ended 31 December 2017, the Group recorded a net provision of $0.1 million (2016: $0.1 million) related to trade receivables.

12. Deferred revenue

	As at 31 December	
	2017	2016
Theatre system deposits	**41,832**	29,486
Maintenance prepayments	**5,589**	4,526
Other deferred revenue	**—**	80
	47,421	34,092
Deferred revenue, current	**23,545**	13,025
Deferred revenue, non-current	**23,876**	21,067
	47,421	34,092

13. Trade and other payables

	As at 31 December	
	2017	2016
Trade payables	**2,732**	4,943
Other payables	**1,134**	1,097
Amounts due to IMAX Corporation	**14,656**	22,419
	18,522	28,459

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

	As at 31 December	
	2017	2016
0–30 days	**8,015**	13,205
31–60 days	**2,264**	1,745
61–90 days	**925**	1,288
Over 90 days	**7,318**	12,221
	18,522	28,459

As at 31 December 2017 and 2016, the carrying amounts of trade and other payables approximated their fair values due to short maturity. Trade and other payables over 90 days primarily consist of amounts due to IMAX Corporation.

The carrying amounts of the Group's trade and other payables (excluding advances from customers) are denominated in the following currencies:

	As at 31 December	
	2017	2016
RMB	**11,032**	19,142
US$	**7,160**	8,675
Other	**330**	642
	18,522	28,459

14. Share capital and reserves

(a) Share capital

	Number of shares		Share capital	
	2017	2016	**2017**	2016
			US$	US$
Ordinary shares of US$0.0001 each				
Authorised				
At beginning and end of year	**625,625,000**	625,625,000	**62,562.50**	62,562.50

	Number of shares	
	2017	2016
Issued and fully paid		
At beginning of year	**356,565,100**	355,325,000
Exercise of stock options	**1,485,000**	1,240,100
Shares issued for vested restricted share units	**74,984**	—
Number of shares as at 31 December 2017	**358,125,084**	356,565,100

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

(b) Shares held for China long-term incentive plan

These shares are shares in IMAX China Holding, Inc. that are held by Computershare Hong Kong Trustees Limited (the "Trust") for the purpose of issuing shares under China long-term incentive plan (refer to (c) below). Shares issued to employees are recognised on a first-in-first-out basis.

	Number of shares		US$'000	
	2017	2016	**2017**	2016
Shares held for China long-term incentive plan				
At beginning of year	**—**	—	**—**	—
Acquisition of shares by the Trust	**158,269**	58,254	**439**	310
Issued to employees for vested restricted share units	**(114,369)**	(58,254)	**(306)**	(310)
At end of year	**43,900**	—	**133**	—

(c) Share-based payments

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

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

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

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

The compensation costs recorded in the consolidated statement of comprehensive income for these plans were $2.3 million in the year ended 31 December 2017 (2016: $1.9 million).

SOP and IMAX LTIP

The Group utilises a lattice-binomial option-pricing model ("Binomial Model") to determine the fair value of share-based payment awards. The fair value determined by the

Binomial Model is affected by IMAX Corporation's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, IMAX Corporation's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviours. The Binomial Model also considers the expected exercise multiple which is the multiple of exercise price to grant price at which exercises are expected to occur on average. Expected volatility rate is estimated based on a blended volatility method which takes into consideration IMAX Corporation's historical stock price volatility, IMAX Corporation's implied volatility which is implied by the observed current market prices of IMAX Corporation's traded options and IMAX Corporation's peer group volatility. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because IMAX Corporation's employee stock options have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the Binomial Model provides the best measure of the fair value of IMAX Corporation's employee stock options.

All awards of stock options under the IMAX LTIP and SOP are made at fair market value of IMAX Corporation's common shares on the date of grant. The fair market value of a common share on a given date means the higher of the closing price of a common share on the grant date (or the most recent trading date if the grant date is not a trading date) on the New York Stock Exchange ("NYSE") or such national exchange, as may be designated by IMAX Corporation's Board of Directors (the "Fair Market Value"). The stock options vest within 5 years and expire 7 years or less from the date granted. The SOP and IMAX LTIP provide that vesting will be accelerated if there is a change of control, as defined in each plan and upon certain conditions.

The Group recorded an expense of less than $0.1 million in the year ended 31 December 2017 (2016: $0.1 million) related to stock option grants issued to Group employees in the IMAX LTIP and SOP plans.

The weighted average fair value of all stock options, granted to Group employees in the year ended 31 December 2017 at the measurement date was $8.92 per share (2016: $8.57 per share). The following assumptions were used to estimate the average fair value of the stock options:

	Years Ended 31 December	
	2017	2016
Grant date share price	**$32.45**	$31.85
Exercise price	**$32.45**	$31.85
Average risk-free interest rate	**2.40%**	1.72%
Expected option life (in years)	**4.80**	4.88
Expected volatility	**30%**	30%
Dividend yield	**0%**	0%
Early exercise multiple	**1.28**	1.28

SOP and IMAX LTIP Summary

The following table summarizes certain information in respect of option activity related to employees of the Group, in IMAX Corporation options issued under the SOP and IMAX LTIP:

For the years ended 31 December:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2017	2016	**2017**	2016
Options outstanding, beginning of year	**66,911**	57,645	**30.97**	29.93
Granted	**4,204**	4,376	**32.45**	31.85
Transferred in	**—**	7,877	**—**	32.01
Transferred out	**(34,115)**	—	**30.32**	—
Exercised	**—**	(2,987)	**—**	15.01
Options outstanding, end of year	**37,000**	66,911	**31.73**	30.97
Options exercisable, end of year	**37,000**	49,570	**31.73**	31.17

No stock options were surrendered or cancelled by Group employees in the year ended 31 December 2017 (2016: none).

In respect of the stock options exercised during the year, the weighted average stock price at the dates of exercise is $32.70 for the year ended 31 December 2016. As at 31 December 2017, the weighted average remaining contractual life of options outstanding is 0.5 years (2016: 2.3 years).

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

China IPO Options Summary

The China IPO Options issued under China LTIP vest and become exercisable only upon specified events, including upon the likely event of a qualified initial public offering or upon a change in control on or prior to the fifth anniversary of the grant date. If such a specified event is likely to occur, the China IPO Options vest over a 5 year period beginning on the date of grant. In addition to China IPO Options, the Group has granted options to certain employees that operate in tandem with options granted under the IMAX Corporation's SOP and IMAX LTIP ("Tandem Options"). The Group would recognise the Tandem Options expense over a 5 year period if it is determined that a qualified initial public offering is unlikely. Upon vesting of the China IPO Options, the Tandem Options would not vest and be forfeited.

No China IPO Options were granted after 2015. Both the China IPO Options and Tandem Options have a maximum contractual life of 7 years.

During the year ended 31 December 2017, the Group recorded an expense of $0.2 million (2016: $0.5 million) related to equity-settled China IPO Options issued under the China LTIP.

The Group did not record any expense related to Tandem Options issued under the China LTIP, since it was likely that a qualified initial public offering would occur. The Tandem Options were forfeited on 8 October 2015, as an initial public offering occurred. An expense has been recorded for China IPO Options as discussed in the section below.

China IPO Options were priced using Binomial Model. Expected volatility rate is estimated based on a blended volatility method which takes into consideration IMAX Corporation's historical stock price volatility, IMAX Corporation's implied volatility which is implied by the observed current market prices of IMAX Corporation's traded options and IMAX Corporation's peer group volatility.

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

Equity-settled China IPO Options

For the years ended 31 December:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2017	2016	**2017**	2016
Options outstanding, beginning of year	**7,737,400**	8,977,500	**1.42**	1.41
Exercised	**(1,485,000)**	(1,240,100)	**1.36**	1.36
Options outstanding, end of year	**6,252,400**	7,737,400	**1.43**	1.42
Options exercisable, end of year	**6,252,400**	4,635,760	**1.43**	1.43

In respect of the China IPO Options exercised during the year, the weighted average stock price at the dates of exercise is $3.05 (2016: $5.67). As at 31 December 2017, the weighted average remaining contractual life of options outstanding is 2.8 years (2016: 3.6 years).

China Options Summary

During the year ended 31 December 2017, 415,094 (2016: 139,579) China Options were granted to certain employees in accordance with the China LTIP. The China Options vest between a three and four year period beginning on the date of grant. The China Options have a maximum contractual life of 7 years.

During the year ended 31 December 2017, the Group recorded an expense of $0.3 million (2016: less than $0.1 million) related to China Options issued under the China LTIP.

The weighted average fair value of China Options granted in the year ended 31 December 2017 at the measurement date was $1.08 per share (2016: $1.52 per share). China Options were priced using Binomial Model. Expected volatility is based on the historical volatility of IMAX Corporation's stock price over the past years and the industry average historical volatility. The following inputs were used to estimate the average fair value of the options:

	Years Ended 31 December		
	2017	**2017**	2016
	A	**B**	
Grant date share price	**HK$36.35**	**HK$20.35**	HK$45.05
Exercise price	**HK$36.94**	**HK$21.43**	HK$45.31
Average risk-free interest rate	**1.66%**	**2.10%**	1.13%
Expected option life (in years)	**4.27**	**4.94**	4.27
Expected volatility	**30%**	**30%**	30%
Dividend yield	**0%**	**0%**	0%
Early exercise multiple	**1.28**	**1.42**	1.28

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

	Number of Shares		**Weighted Average Exercise Price Per Share**	
	2017	2016	**2017**	2016
Options outstanding, beginning of year	**139,579**	—	**5.84**	—
Granted	**415,094**	139,579	**4.10**	5.84
Options outstanding, end of year	**554,673**	139,579	**4.53**	5.84
Options exercisable, end of year	**87,892**	—	**5.84**	—

As at 31 December 2017, the weighted average remaining contractual life of options outstanding is 6.0 years (2016: 6.2 years).

Cash Settled China Awards

In 2012, certain employees of the Group were given CSSBP which are tied to the appreciation in the value of the Group. The CSSBP represent the right to receive cash payments in an amount equal to 0.3% of the excess of the total equity value of the Group based on the per share price in the Qualified IPO or Change in Control over the strike price of the CSSBP. The CSSBP were issued in conjunction with the China LTIP, with similar terms and conditions as the China IPO Options. During the year ended 31 December 2017, the Group recorded an expense of $0.1 million (2016: $0.2 million) related to the CSSBP.

The carrying amount of the liability relating to the CSSBP transactions as of 31 December 2017 is $nil (2016: $0.5 million). During the year ended 31 December 2017, the remaining portion of the CSSBP awards vested and were settled in cash for $0.6 million (2016: $0.5 million).

Restricted Share Units

RSUs have been granted to employees of the Group under the IMAX LTIP. Each RSU represents a contingent right to receive one common share of IMAX Corporation and is the economic equivalent of one common share of IMAX Corporation. RSUs were not issued before 2013. The grant date fair value of each RSU is equal to the share price of IMAX Corporation's stock at the grant date. The Group recorded an expense of $0.2 million for the year ended 31 December 2017 (2016: $0.3 million) related to RSU grants issued to employees in the plan. The annual termination probability assumed for the year ended 31 December 2017 was zero (2016: 8.08%).

RSUs granted under the IMAX LTIP vest between one and four years. Vesting of the RSUs is subject to continued employment or service with the Group or IMAX Corporation.

RSUs Summary

The following table summarizes certain information in respect of RSU activity under the IMAX LTIP:

For the years ended 31 December:

	Number of Awards		**Weighted Average Grant Date Fair Value Per Share**	
	2017	2016	**2017**	2016
RSUs outstanding, beginning of year	**18,276**	11,823	**33.21**	31.48
Granted	**3,467**	3,533	**32.45**	31.85
Transferred in	**—**	9,045	**—**	34.64
Transferred out	**(11,655)**	—	**33.75**	—
Vested and settled	**(8,792)**	(6,125)	**31.77**	31.21
RSUs outstanding, end of year	**1,296**	18,276	**36.09**	33.21

China RSUs

China RSUs have been granted to employees of the Group under the IMAX China LTIP. Each China RSU represents a contingent right to receive one common share of the Company and its economic equivalent of one common share of the Company. China RSUs were not issued before 2015. The grant date fair value of each China RSU is equal to the share price of the Company's stock at the grant date. The Group recorded an expense of $1.4 million for the year ended 31 December 2017 (2016: $0.7 million) related to China RSU grants issued to employees in the plan. The annual termination probability assumed for the year ended 31 December 2017 was nil (2016: nil).

RSUs granted under the China LTIP vest between immediately and four years. Vesting of the RSUs is subject to continued employment or service with the Group or IMAX Corporation.

China RSUs Summary

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

For the years ended 31 December:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2017	2016	**2017**	2016
RSUs outstanding, beginning of year	**174,975**	—	**5.81**	—
Granted	**567,862**	239,821	**3.85**	5.65
Vested and settled	**(189,353)**	(58,254)	**3.98**	5.16
Forfeited	**(29,655)**	(6,592)	**4.88**	5.81
RSUs outstanding, end of year	**523,829**	174,975	**4.39**	5.81

(d) Profit per share

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

	Years Ended 31 December	
	2017	2016
Profit for the year	**43,713**	36,088
Weighted average number of common shares (in ’000s):		
Issued and outstanding, beginning of year	**356,565**	355,325
Weighted average number of shares issued during the year	**202**	509
Weighted average number of shares used in computing basic earnings per share	**356,767**	355,834
Adjustments for:		
Stock options	**4,624**	6,226
Restricted share units	**116**	—
Weighted average number of shares used in computing diluted earnings per share	**361,507**	362,060

(e) Reserves

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

Share premium

The application of the share premium account is governed by Section 34(2) of the Companies Law (2013 Revision) of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

Capital reserve

The Group's capital reserve represents the net contributions from the Controlling Shareholder and share-based payment expenses.

Statutory reserves

The PRC laws and regulations require companies registered in the PRC to provide certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. PRC companies are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their post-tax profits. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the Board of Directors. The PRC companies of the Group had not distributed any of their post-tax profits up to 31 December 2017, accordingly, no statutory reserves were appropriated (31 December 2016: $nil).

15. Financial instruments

(a) Financial instruments

The Group maintains cash with various major financial institutions.

The Group's accounts receivables and financing receivables are subject to credit risk. The Group's accounts receivable and financing receivables are concentrated with the theatre exhibition industry and film entertainment industry. To minimise the Group's credit risk, the Group retains title to underlying theatre systems leased, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimate of potentially uncollectible amounts. The Group believes it has adequately provided for related exposures surrounding receivables and contractual commitments.

(b) Fair value measurements

The carrying values of the Group's cash and cash equivalents, trade and other receivables, trade and other payables and accruals and other liabilities due within one year approximate fair values due to the short-term maturity of these instruments. The Group's other financial instruments at the following year ends are comprised of the following:

	As at 31 December 2017		As at 31 December 2016	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Net financed sales receivable	**47,394**	**48,206**	35,709	36,901
Net investment in finance leases	**375**	**375**	431	431
Available-for-sale investment	**4,000**	**n/a**	4,000	n/a

	Loans and receivables	**Available-for-sale**	**Total**
31 December 2017			
Assets as per statement of financial position			
Available-for-sale investment	**—**	**4,000**	**4,000**
Net financed sales receivable	**47,394**	**—**	**47,394**
Net investment in finance leases	**375**	**—**	**375**
Trade and other receivables	**53,995**	**—**	**53,995**
Cash and cash equivalents	**116,678**	**—**	**116,678**
	218,442	**4,000**	**222,442**

	Liabilities at fair value through profit or loss	**Liabilities at amortised cost**	**Total**
Liabilities as per statement of financial position			
Trade and other payables	**—**	**18,522**	**18,522**
	—	**18,522**	**18,522**

	Loans and receivables	Available-for-sale	Total
31 December 2016			
Assets as per statement of financial position			
Available-for-sale investment	—	4,000	4,000
Net financed sales receivable	35,709	—	35,709
Net investment in finance leases	431	—	431
Trade and other receivables	37,975	—	37,975
Cash and cash equivalents	105,903	—	105,903
	180,018	4,000	184,018

	Liabilities at fair value through profit or loss	Liabilities at amortised cost	Total
Liabilities as per statement of financial position			
Trade and other payables	—	28,459	28,459
	—	28,459	28,459

Cash and cash equivalents are comprised of cash and interest-bearing investments with original maturity dates of 90 days or less. Cash and cash equivalents are recorded at cost, which approximates fair value as at 31 December 2017 and 2016, respectively.

In 2014, the Company purchased one preferred share of IMAX (Hong Kong) Holdings, Limited at a cost of $4.0 million. The investment is classified as available-for-sale. The preferred share does not have a quoted price in an active market and its fair value cannot be reliably measured, accordingly, it is measured at cost.

The estimated fair values of the net financed sales receivable and net investment in finance leases are estimated based on discounting future cash flows at currently available interest rates with comparable terms as at 31 December 2017 and 2016, respectively.

There were no significant transfers between Level 1 and Level 2 during the year ended 31 December 2017 (2016: none). When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement.

16. Balance sheet and reserve movement of the Company

(a) Balance sheet

	As at 31 December **2017**	2016
ASSETS		
Non-current assets		
Investment in subsidiaries	**32,538**	32,538
Other assets	**843**	462
	33,381	33,000
Current assets		
Prepayments	**115**	131
Trade and other receivables	**21,762**	20,642
Cash and cash equivalents	**57,781**	56,239
	79,658	77,012
Total Assets	**113,039**	110,012
LIABILITIES		
Current liabilities		
Trade and other payables	**8,696**	8,137
Accrued and other liabilities	**228**	506
	8,924	8,643
Total Liabilities	**8,924**	8,643
EQUITY		
Share capital	**36**	35
Share premium	**375,296**	372,131
Shares held for China long-term incentive plan	**(133)**	—
Capital reserve	**2,998**	2,493
Accumulated deficit	**(274,082)**	(273,290)
Total Equity	**104,115**	101,369
Total Equity and Liabilities	**113,039**	110,012

Balance sheet of the Company was approved by the board of directors on 27 February 2018 and was signed on its behalf

Jiande Chen	**Jim Athanasopoulos**
Director	Director

(b) Reserve movement

	Share Capital	Share Premium	Shares Held for China Long-term Incentive Plan	Capital Reserve	Accumulated Deficit	Total Equity
Balance as at 1 January 2016	35	369,864	—	349	(271,375)	98,873
Comprehensive loss						
Loss for the year	—	—	—	—	(1,915)	(1,915)
Total comprehensive loss	—	—	—	—	(1,915)	(1,915)
Controlling Shareholder's net investment	—	—	—	1,676	—	1,676
Restricted share units vested and settled	—	—	310	(310)	—	—
Acquisition of shares for settlement of restricted share units	—	—	(310)	—	—	(310)
Exercise of stock options during the year	—	2,267	—	(585)	—	1,682
China long-term incentive plan	—	—	—	1,363	—	1,363
Total transactions with owners, recognised directly in equity	—	2,267	—	2,144	—	4,411
Balance as at 31 December 2016	**35**	**372,131**	**—**	**2,493**	**(273,290)**	**101,369**
Comprehensive loss						
Loss for the year	**—**	**—**	**—**	**—**	**(792)**	**(792)**
Total comprehensive loss	**—**	**—**	**—**	**—**	**(792)**	**(792)**
Exercise of stock options during the year	**1**	**2,718**	**—**	**(702)**	**—**	**2,017**
Restricted share units vested and settled	**—**	**447**	**306**	**(753)**	**—**	**—**
Acquisition of shares for settlement of restricted share units	**—**	**—**	**(439)**	**—**	**—**	**(439)**
China long-term incentive plan	**—**	**—**	**—**	**1,960**	**—**	**1,960**
Total transactions with owners, recognised directly in equity	**1**	**3,165**	**(133)**	**505**	**—**	**3,538**
Balance as at 31 December 2017	**36**	**375,296**	**(133)**	**2,998**	**(274,082)**	**104,115**

(c) Subsidiaries

The following is a list of the principal subsidiaries as at 31 December 2017:

Name of the Company	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares and paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
IMAX China (Hong Kong), Limited	Hong Kong S.A.R Limited Liability Company 12 November 2010	Sale and lease of theatre systems and associated film performance in Greater China	2 ordinary shares for HK39,000,000 12 ordinary shares for US$ 27,538,341	100%	100%
IMAX (Shanghai) Multimedia Technology Co., Ltd.	The PRC Wholly owned foreign-enterprise 31 May 2011	Sale and lease of theatre systems and associated film performance in Mainland China	Paid in capital of US$ 11,500,000	—	100%
IMAX (Shanghai) Theatre Technology Services Co., Ltd.	The PRC Wholly owned foreign-enterprise 9 November 2011	Technological development of theatre systems, provision of after-sales services (including installation), maintenance and repair of theatre systems and equipment in the PRC	Paid in capital of US$ 200,000	—	100%
IMAX (Shanghai) Digital Media Co., Ltd.	The PRC Limited Liability Company (wholly owned by foreign-invested enterprise) 23 December 2016	Technological development, technological transfer, technological consultation and technological services in the fields of digital media technology in the PRC	Registered capital of RMB100,000	—	100%

Name of the Company	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares and paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
IMAX (Shanghai) Commerce and Trade Co., Ltd.	The PRC Limited Liability Company (wholly owned by foreign-invested enterprise) 24 August 2017	Sales of gift, handicraft, stationery commodity, clothing and apparel and electronic product; ticket agency; design, production, agency and publishing of advertisements; technology development, technology consulting, technology services, technology transfer in the field of computer information; handicraft design, gift design; culture and art exchange and planning; business consulting; creation services; conference services; e-commerce business (excluding telecom value-added services and financial services) in the PRC	Registered capital of RMB2,000,000	—	100%

(d) Dividends

No dividends were declared or paid during the year ended 31 December 2017 (2016: none). During the board meeting held on 27 February 2018, the Board recommended a final dividend of $0.04 per share (equivalent to approximately HK$0.31 per share) to the shareholders. Subject to the approval of the shareholders at the forthcoming Annual General Meeting and subject to further announcement(s) in respect to the book closure date, record date and payment date, the proposed 2017 final dividend is expected to be distributed to shareholders on or around 31 May 2018. There will be no scrip dividend option for the 2017 final dividend. The proposed dividend has not been provided for in the consolidated financial statement for the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

History and Introduction

The IMAX business commenced operations in the PRC in 1998, when IMAX Corporation started offering its theatre systems to museums and science centres. Over the years, the focus of the business has moved from institutional theatres to commercial theatres and, as at 31 December 2017, there were 544 IMAX theatres in Greater China, including 527 in commercial locations, and an additional 309 theatres in backlog. On 8 October 2015, the Company completed a Global Offering and the Company's Shares were listed on the Stock Exchange.

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

We have three primary groups, namely the (1) Network Business, (2) Theatre Business and (3) New Business and Other.

Network Business

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

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

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

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

Under sales arrangements, we charge smaller ongoing fees which are the greater of an annual minimum payment or small percentage of the theatre's box office. Upfront fees under sales arrangements are recorded in the Theatre Business.

While we continue to generate the majority of our Network Business revenue from Hollywood films, we have increased our percentage of Chinese language box office year over year from 22.7% to 24.1% and intend to focus our efforts in further increasing this percentage to maximize overall box office. Chinese language films continue to improve and clearly resonate with local audiences, especially in lower tiered Chinese cities where we have recently seen significant expansion. We recently incorporated a dual programming strategy whereby we program multiple Chinese language films within the same release window to take advantage of this changing dynamic and offer our partners more flexibility in programing. Our network expansion and long term partnerships with local studios and filmmakers have helped to facilitate the change in approach. To further strengthen our ties to local studios and filmmakers, and in furtherance of our commitment to grow our portfolio of Chinese language films, we remain committed to invest in a film fund (the "**China Film Fund**") together with an entity related to CMC Capital Partners ("**CMC**"). The purpose of the China Film Fund is to invest in tentpole Chinese language films.

Theatre Business

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

Theatre Business revenue is revenue not directly tied to box office results and includes four segments: (1) sales arrangements, (2) hybrid revenue sharing arrangements, (3) theatre system maintenance and (4) other theatre.

Under sales arrangements, we generate revenue when we typically charge a significant upfront fee as well as an ongoing unconditional annual minimum payment. Under hybrid revenue sharing arrangements, we will charge a relatively small upfront fee to our exhibitor partners. Theatre system maintenance includes an annual maintenance fee which include initial terms of 10 to 12 years in length plus renewal terms of 5 to 10 additional years. Under other theatre, we generate revenue from the aftermarket sales of 3D glasses, screen sheets, sounds, parts and other items.

New Business and Other

New business and other include pilot VR initiatives, and any other non-core business initiatives that are in development and/or start-up phase.

IMAX Technology

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

Our Partnerships

We have strong and successful partnerships with a number of key players across the Greater China film industry. These include over 60 exhibitors, including the largest exhibitor in the world, Wanda Film (formerly Wanda Cinema), as well as other established market players such as CGI Holdings Limited (formerly CJ CGV Holdings, Ltd.), Guangzhou Jinyi Media Corporation, Omnijoi Cinema Development Co., Ltd, Beijing Bona International Cineplex Investment and Management Co., Ltd., Shanghai Film Co. Ltd., and Guangdong Dadi Theatre Construction Co., Ltd. We have access to IMAX Corporation's exceptional Hollywood relationships that include long term film slate deals with Disney, Warner Brothers and 20th Century Fox. We also work with leading producers, directors and studios in Greater China, such as Huayi Brothers Media Corporation, Bona Film Group Limited, Wanda Media Co. Ltd., Edko (Beijing) Films Limited, and New Classics Media Corporation to convert Chinese language films into the IMAX format for release on the IMAX theatre network. In addition, we work with large commercial real estate developers, such as Wanda Plaza, China Resources and Longfor, to identify potential new IMAX theatre locations.

Our Competitive Strengths

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

- A strong entertainment brand in the large and fast-growing Greater China market;
- Strong slate of Hollywood films complemented by a growing portfolio of Chinese language films;
- Unparalleled network supported by over 60 exhibitor partnerships;
- Leading IMAX theatre system and technology delivering a unique cinematic experience;
- Significant value creation across the film industry for exhibitors, studios, filmmakers and commercial real estate developers; and
- Experienced management team supported by prominent shareholders.

Our Business Strategies

Our goal is to deliver the unique IMAX experience to an even wider audience in both the PRC and Greater China as a whole through the following strategies:

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

- Strengthening our cooperation with PRC studios and filmmakers;

- Expanding the IMAX theatre network in the PRC;

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

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

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

- Leveraging the IMAX brand to develop and invest in complementary businesses.

The management discussion and analysis is based on the Company's consolidated financial statements for FY2017 prepared in accordance with IFRS and must be read together with the consolidated financial statements and the notes which form an integral part of the consolidated financial statements.

Significant Factors Affecting Our Financial Condition and Results of Operations

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

Expansion of the IMAX Theatre Network in Greater China

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

Network Expansion

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

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

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

The number of IMAX theatres in Greater China increased from 424 IMAX theatres as at 31 December 2016 to 544 IMAX theatres as at 31 December 2017. The revenue generated from these incremental theatres helped alleviate the revenue impact resulting from decreased IMAX per screen box office averages in FY2017. The revenue from our Theatre Business increased from US$70.2 million for FY2016 to US$79.7 million for FY2017, and the revenue from our Network Business decreased from US$48.1 million for FY2016 to US$46.6 million for FY2017. Total revenue increased from US$118.5 million in FY2016 to US$126.5 million for FY2017.

Backlog

Our ability to expand the IMAX theatre network is driven by our ability to sign new theatre agreements with exhibitor partners and replenish our backlog as theatres are installed. The installation of theatre systems in newly-built, and retrofitted, multiplexes depends primarily on the timing of the construction of these projects by exhibitors and/or commercial real estate developers, which is not under our control. Although revenue from our backlog is recognised following the installation of the relevant IMAX theatre systems and not at the time of signing, continuously replenishing our backlog is crucial to our long-term success as it underpins the continued growth of the IMAX theatre network. The number of IMAX theatre systems in our backlog decreased from 334 as at 31 December 2016 to 309 as at 31 December 2017, and the carrying value of our backlog increased from US$114.9 million as at 31 December 2016 to US$149.3 million as at 31 December 2017 due to a larger proportion of sales and hybrid arrangements. Approximately 24% of our backlog are sales arrangements, 43% are full revenue sharing arrangements and 33% are hybrid revenue sharing arrangements.

As part of our strategy to expand the IMAX theatre network, we have mapped out a number of "IMAX zones" across Greater China. Each zone represents an area in which, based on our analysis, an exhibitor could potentially open an IMAX theatre without negatively affecting the business and financial results of the nearest IMAX theatre. We estimate each IMAX zone will typically only contain one IMAX theatre, subject to certain exceptions based on the location of the zone and any carve-outs in the agreements we entered with exhibitors. The number of zones may continue to grow as the population and/or consumer demand in a geographical area increases to a level where it becomes commercially viable for us to add an IMAX theatre and create a new IMAX zone without negatively affecting the business and financial performance of the nearest IMAX theatre. As at 31 December 2017, we had identified approximately 1,200 IMAX zones across Greater China.

We had installed IMAX theatres in 179 different cities in the PRC as at 31 December 2017. Historically we focused on Tier 1 and Tier 2 cities and building the IMAX theatre network in more developed cities and regions. We plan to further penetrate major Tier 1 and Tier 2 cities by continuing to work with our exhibitor partners and commercial real estate developers to identify new zones for IMAX theatres. We also plan to continue our expansion of the IMAX theatre network in Tier 3 and Tier 4 Cities, markets that represent approximately US$3.1 billion in box office in 2017 for the industry, 22% increase over 2016, according to EntGroup Inc, an independent third-party consulting firm. Our network in the PRC currently includes 81 theatres in Tier 1 cities, 235 in Tier 2 cities, 95 in Tier 3 cities and 116 in Tier 4 cities and below.

Box Office Success of IMAX Films

Film Slate

Our financial performance is affected by the number of films released to the IMAX network in Greater China (known as the "slate") and the box office performance of those films. We source films produced by Hollywood and Chinese studios and filmmakers and convert those films into the IMAX format using IMAX DMR conversion technology developed by IMAX Corporation. In FY2016 and FY2017, 37 and 44 IMAX films, respectively, were released and generated revenue for us in the PRC. IMAX Corporation has entered into contractual arrangements with filmmakers and studios in Hollywood to convert a number of films into the IMAX format for release in FY2018 and FY2019. However, while it is our intention that these films be released to the IMAX theatre network in the PRC, given the restrictions imposed by film quotas for Hollywood films in the PRC and censorship rules, we cannot assure you that these IMAX format Hollywood films will be made available.

Securing a slate of desirable Hollywood and Chinese language films in the IMAX format is critical to driving higher total box office and average box office per screen for IMAX theatres than non-IMAX theatres. The strength of the movie slate we choose is also important to maintaining the ticket price premium that IMAX theatres typically command. We carefully select films for conversion into the IMAX format that we believe will be best received by local audiences, and then we work closely with the studios and filmmakers to enhance the viewing experience, which in addition to conversion into the IMAX format may include unique aspect ratios and utilisation of IMAX cameras for image capture. As a result, the average box office per screen for IMAX theatre is significantly higher than that of conventional theatres in the PRC. The average box office per screen of IMAX theatres in Greater China was US$0.67 million in FY2017 and this compares to average box office per screen of approximately US$0.16 million for all screens in the PRC for FY2017, according to EntGroup Inc, an independent third-party consulting firm. Higher average box office per screen for IMAX theatres make them more attractive to exhibitors, which enables us to grow the IMAX theatre network and generate revenue from new installations.

In addition, because the number of IMAX theatres under revenue sharing arrangements has grown considerably from 261 as at 31 December 2016 to 340 as at 31 December 2017, and because our backlog as at 31 December 2017 also included an additional 236 IMAX theatre systems under revenue sharing arrangements, strong box office performance of films will continue to weigh significantly on Network Business revenues as well as profit. While we mitigate box office highs and lows by employing a portfolio approach to our films in any given year, we believe that a key factor in the box office success of our films is not only selecting the right Hollywood and Chinese language films, but also ensuring the right balance of Hollywood and Chinese language films for our slate.

Film Release Date and Film Mix

Censorship rules and film quotas restrict the number of Hollywood films that can be shown in the PRC each year. Accordingly, balancing the release dates for IMAX films released in Greater China as well as the mix of Chinese language films and Hollywood films released in the PRC is an important factor affecting our business. Over the past few years, PRC regulatory bodies have supported gradual liberalisation of the film industry and introduced many government initiatives to foster growth of the film industry, including a 2012 agreement with the United States to permit an additional 14 3D or IMAX films to be released in the PRC each year beyond the previous quota of 20 Hollywood films. Since a significant portion of our revenue is derived from the box office of Hollywood films released in IMAX format in the PRC, an increase in the number of Hollywood films that can be released in the PRC has had in the past, and is likely to continue to have in the future, an impact on our results of operations. However, the 2012 agreement with the United States expired in 2017 and will need to be renegotiated. The scope of any renegotiation may include the quota of Hollywood films to be released in the PRC and Hollywood studios' take rate on these films. If the number of Hollywood films to be released in the PRC increases over and above the current quota and/or if the Hollywood studios' take rate increases, it will likely have a positive effect on our business. However, we cannot assure you that the Hollywood film quota or Hollywood studio take rate will increase or that any renegotiation will benefit us.

Release dates for Hollywood films in the PRC generally have been set with a shorter lead times than in other markets. In addition, at certain times during the year, Chinese language films are released with less competition from Hollywood films. As a result, supplying IMAX theatres with Chinese language films in the IMAX format is important to ensure that there are IMAX films showing in IMAX theatres at all times, as well as to cater to local consumer demand for Chinese language films. Chinese language films also have proven to be very successful at the box office. According to EntGroup Inc., as at 31 December 2017, 5 of the top 10 box office films in the PRC in calendar 2017 were Chinese language films. In 2017, the Chinese language films *Wolf Warriors 2*, *Journey to the West 2*, *Never Say Die* and *Youth* were a part of the top 10 performing box office films for the Company. We also share a higher percentage of box office for Chinese language films compared to Hollywood films primarily due to Chinese studios retaining a much higher percentage of box office than Hollywood studios. Chinese language films make up a significant share of total PRC box office, amounting to 54.0% in FY2017 and 58.0% in FY2016, according to EntGroup Inc. IMAX format Chinese language films as a percentage of our PRC box office amounted to 24.1% in FY2017 and 22.7% in FY2016. As part of our commitment to increase the availability of Chinese language films that are suitable for release to our network, we committed to invest in a China Film Fund.

Proportion of Revenue Sharing Arrangements

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

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

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

Impact on Our Profitability

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

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

Revenue sharing arrangements increased from 261 arrangements in FY2016 to 340 arrangements in FY2017. As the level of our involvement and capital commitment is much greater with a revenue sharing arrangement, we can provide more input in the exhibitor's marketing campaigns for an

IMAX film or an IMAX theatre launch. Going forward, we plan to continue to promote revenue sharing arrangements to exhibitors that can roll out their theatre network quickly and that have a portfolio of quality theatres with box office potential or a proven track record of success with IMAX theatres. Notwithstanding our interest in adding additional revenue sharing arrangements, our exhibitor partners may have other commercial considerations and may not choose revenue sharing arrangements over sales arrangements.

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

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

Economic growth and development had a significant impact on the entertainment industry in the PRC over the past few years, as individuals and households have been able to increase the amount of money they are willing to spend on movie tickets. We believe leisure consumption will be an important growth area in the coming decade for the Chinese consumer. Box office in the PRC grew to US$8.2 billion in 2017 at a compound annual growth rate (CAGR) of 27.5% from 2010 to 2017.

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

Our Ability to Maintain Our Pricing and Profit Margins

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

Seasonality Effects

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

Currency Fluctuations

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

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

Description of Selected Line Items In the Statement of Comprehensive Income Items

In 2017, modifications were made to the chief operating decision maker's reporting packages to reorganize the Company's two primary groups (the Theatre Business and the Film Business) to three primary groups (the Network Business, the Theatre Business and the New Business and Other). These modifications were made to more closely align the Company's disclosures with the way the chief operating decision maker manages the business. The new structure is expected to provide users of the financial statements with an enhanced understanding of how management views the business, and the drivers behind the Company's performance. Certain of the prior year's figures have been represented to conform to the current year's presentation.

Revenue

We derive a majority of our revenue from our three primary groups — the Network Business, the Theatre Business and the New Business and Other.

Network Business

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

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

- Revenue sharing arrangements, of which the Company has two types – full revenue sharing arrangements and hybrid revenue sharing arrangements. Under its full revenue sharing arrangements, the Company 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 Company receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theatre. The Company also receives a fixed upfront fee, which is less than the sales price, and which is recorded in the Theatre Business. Contingent rent revenue from revenue sharing arrangements is recognized when reported by our exhibitor partners; and

- Sales arrangements, pursuant to which the Company receives contingent rent in excess of the fixed minimum ongoing payments from the exhibitor partners with any fixed upfront or ongoing fees included in the Theatre Business revenue described below. Contingent rent revenue from sales arrangements is recognized when reported by our exhibitor partners.

Theatre Business

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

- Sales arrangements, pursuant to which the Company generates revenue from the one-time sale of an IMAX theatre system and related services. The revenue recognized includes the upfront purchase price and fixed, discounted minimum ongoing payments. Sales arrangements revenue is recognized at the time of installation and exhibitor acceptance of the respective IMAX theatre system;

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

- Theatre system maintenance, pursuant to which the Company generates revenue from the provision of ongoing maintenance services. The revenue recognized is primarily comprised of an annual maintenance fee payable by exhibitor partners under all sales and revenue sharing arrangements; and

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

New Business and Other

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

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

	FY2017		FY2016	
	US$'000	***%***	*US$'000*	*%*
Network Business				
Film	**27,436**	**21.7%**	26,650	22.5%
Revenue sharing arrangements — contingent rent	**18,748**	**14.8%**	21,072	17.8%
Sales arrangements — contingent rent	**430**	**0.3%**	427	0.4%
Sub-total	**46,614**	**36.9%**	48,149	40.6%
Theatre Business				
Sales arrangements	**56,220**	**44.5%**	47,442	40.0%
Revenue sharing arrangements — upfront fees	**6,788**	**5.4%**	9,855	8.3%
Theatre system maintenance	**15,082**	**11.9%**	11,702	9.9%
Other theatre	**1,560**	**1.2%**	1,220	1.0%
Sub-total	**79,650**	**63.0%**	70,219	59.2%
New Business and Other	**210**	**0.2%**	164	0.1%
Total	**126,474**	**100.0%**	118,532	100.0%

Cost of Sales

Our cost of sales are primarily comprised of the costs for the rights of all digital re-mastered films purchased under our intercompany agreement with IMAX Corporation, the costs of IMAX theatre systems and related services under sales and hybrid revenue sharing arrangements, depreciation of IMAX theatre systems capitalized under full revenue sharing arrangements and certain one-time costs at the time of system installation and exhibitor acceptance of the respective IMAX theatre system such as marketing costs for IMAX theatre launches, commissions and the cost for providing any maintenance service during a warranty period.

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

	FY2017		FY2016	
	US$'000	%	*US$'000*	%
Network Business				
Film	**9,082**	**33.1%**	9,135	34.3%
Revenue sharing arrangements — contingent rent	**11,500**	**61.3%**	8,159	38.7%
Sales arrangements — contingent rent	**—**	**—**	—	—
Sub-total	**20,582**	**44.2%**	17,294	35.9%
Theatre Business				
Sales arrangements	**15,768**	**28.0%**	17,509	36.9%
Revenue sharing arrangements — upfront fees	**5,511**	**81.2%**	8,345	84.7%
Theatre system maintenance	**5,652**	**37.5%**	5,199	44.4%
Other theatre	**1,083**	**69.4%**	796	65.2%
Sub-total	**28,014**	**35.2%**	31,849	45.4%
New Business and Other	**520**	**247.6%**	92	56.1%
Total	**49,116**	**38.8%**	49,235	41.5%

Gross Profit and Gross Profit Margin

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

	FY2017		FY2016	
	US$'000	%	*US$'000*	%
Network Business				
Film	**18,354**	**66.9%**	17,515	65.7%
Revenue sharing arrangements — contingent rent	**7,248**	**38.7%**	12,913	61.3%
Sales arrangements — contingent rent	**430**	**100.0%**	427	100.0%
Sub-total	**26,032**	**55.8%**	30,855	64.1%
Theatre Business				
Sales arrangements	**40,452**	**72.0%**	29,933	63.1%
Revenue sharing arrangements — upfront fees	**1,277**	**18.8%**	1,510	15.3%
Theatre system maintenance	**9,430**	**62.5%**	6,503	55.6%
Other theatre	**477**	**30.6%**	424	34.8%
Sub-total	**51,636**	**64.8%**	38,370	54.6%
New Business and Other	**(310)**	**(147.6)%**	72	43.9%
Total	**77,358**	**61.2%**	69,297	58.5%

Selling, General and Administrative Expenses

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

	FY2017		FY2016	
	US$'000	***%***	*US$'000*	*%*
Employee salaries and benefits	**5,468**	**4.3%**	6,137	5.2%
Share-based compensation expenses	**2,230**	**1.8%**	1,890	1.6%
Travel and transportation	**916**	**0.7%**	1,244	1.0%
Advertising and marketing	**1,118**	**0.9%**	1,252	1.1%
Professional fees	**1,981**	**1.6%**	2,466	2.1%
Other employee expense	**377**	**0.3%**	480	0.4%
Facilities	**1,414**	**1.1%**	1,542	1.3%
Depreciation	**764**	**0.6%**	728	0.6%
Foreign exchange	**(590)**	**(0.5)%**	500	0.4%
Other expenses	**852**	**0.7%**	844	0.7%
Total	**14,530**	**11.5%**	17,083	14.4%

Restructuring Expenses

In June 2017, the Company announced the implementation of a cost-reduction plan to create cost savings aimed at increasing profitability, operating leverage and free cash flow. Restructuring expenses are comprised of employee severance costs and contract termination costs. Our restructuring expenses for FY2017 were US$0.6 million (FY2016: US$ nil).

Other Operating Expenses

Other operating expenses primarily include the annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology Licence Agreements and the Trademark Licence Agreements, charged at an aggregate of 5% of our revenue. Our other operating expenses for FY2017 and FY2016 were US$7.1 million and US$6.4 million, respectively.

Interest Income

Interest income represents interest earned on various term deposits and a related party short-term loan receivable we hold. None of the term deposits had a term of more than 90 days. Our interest income for FY2017 and FY2016 was US$0.7 million and US$0.6 million, respectively.

Income Tax Expenses

We are subject to PRC and Hong Kong income tax. We are also subject to withholding taxes in Taiwan. The enterprise income tax ("**EIT**") rate generally levied in the PRC and Hong Kong is 25% and 16.5%, respectively. Our effective tax rate differs from the statutory tax rate and varies from year to year primarily because of numerous permanent differences, subsidies, investment and other tax credits, the provision for income taxes at different rates in different jurisdictions, the application of Hong Kong's territorial tax system, enacted statutory tax rate increases or reductions in the year, changes due to our recoverability assessments of deferred tax assets.

Our income tax expense for FY2017 and FY2016 was US$12.1 million and US$10.3 million, respectively. Our effective tax rate was 21.7% and 22.3% during FY2017 and FY2016, respectively.

Year to Year Comparison Of Results of Operations

Consolidated Statement of Comprehensive Income

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

	FY2017		FY2016	
	US$'000	**%**	*US$'000*	%
Revenues	**126,474**	**100.0%**	118,532	100.0%
Cost of sales	**(49,116)**	**(38.8)%**	(49,235)	(41.5)%
Gross profit	**77,358**	**61.2%**	69,297	58.5%
Selling, general and administrative expenses	**(14,530)**	**(11.5)%**	(17,083)	(14.4)%
Restructuring expenses	**(636)**	**(0.5)%**	—	—
Other operating expenses	**(7,087)**	**(5.6)%**	(6,363)	(5.4)%
Operating profit	**55,105**	**43.6%**	45,851	38.7%
Interest income	**725**	**0.6%**	573	0.5%
Profit before income tax	**55,830**	**44.1%**	46,424	39.2%
Income tax expense	**(12,117)**	**(9.6)%**	(10,336)	(8.8)%
Profit for the year, attributable to owners of the Company	**43,713**	**34.6%**	36,088	30.4%
Other comprehensive income (loss):				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	**8,333**	**6.6%**	(7,392)	(6.2)%
Other comprehensive income (loss)	**8,333**	**6.6%**	(7,392)	(6.2)%
Total comprehensive income for the year, attributable to owners of the Company	**52,046**	**41.2%**	28,696	24.2%

Adjusted Profit

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

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

	FY2017	FY2016
	US$'000	*US$'000*
Profit for the year	**43,713**	36,088
Adjustments:		
Share-based compensation expenses	**2,230**	1,890
Restructuring expenses	**636**	—
Tax impact on items listed above	**(630)**	(416)
Adjusted profit	**45,949**	37,562

FY2017 Compared with FY2016

Revenue

Our revenue increased 6.7% from US$118.5 million in FY2016 to US$126.5 million in FY2017 driven by an increase of US$9.4 million in our Theatre Business revenue and a decrease of US$1.5 million in the Network Business revenue, as explained further below.

Network Business

Revenue from our Network Business decreased 3.2% from US$48.1 million in FY2016 to US$46.6 million in FY2017, primarily due to a US$4.9 million, or 1.6% decrease in box office revenue in FY2017 compared to the prior year and a temporary decrease in Wanda Film's revenue sharing percentage rental rate. The revenue sharing percentage rental rate was automatically reduced under the terms of the Group's written agreement with Wanda Film because of Wanda Film's accelerated rollout, which was approximately 3 years ahead of schedule. Under the terms of the agreement, the reduction will expire on 31 December 2018.

Film

Film revenue increased 2.9% from US$26.7 million in FY2016 to US$27.4 million in FY2017 as a result of better performance of Chinese language films in FY2017 despite that a slight decrease in overall box office revenue generated by IMAX films. IMAX formatted Chinese language films, as a percentage of our PRC box office, increased from 22.7% in FY2016 to 24.1% in FY2017, and we shared in a higher percentage of box office for Chinese language films compared to Hollywood films. Despite our network expansion, box office revenue generated by IMAX films slightly decreased 1.6% from US$295.7 million in FY2016 to US$290.8 million in FY2017, primarily due to a number of variables, including missing a top performing local language title, competition from overall screen expansion in China, expansion into lower tiered cities subject to lower ticket prices, new developments that take some time to mature and the depreciation of the RMB relative to the USD. The box office revenue generated by IMAX films, on a same currency basis, increased 0.8% from FY2016 to FY2017.

Box office revenue per screen decreased 28.6% from US$0.93 million in FY2016 to US$0.67 million in FY2017 as a result of flat box office but larger network due to explanations laid out above. Our network increased 28.3% from 424 IMAX theatres in FY2016 to 544 IMAX theatres in FY2017.

The following table sets out the number of films we released in the IMAX format in FY2017 and FY2016 in Greater China:

	FY2017	FY2016
Hollywood films	**29**	27
Hollywood films (Hong Kong and Taiwan only)	**6**	9
Local language films — Chinese language films	**14**	10
Local language films — Non-Chinese language films	**1**	—
Local language films — Non-Chinese language films (Hong Kong and Taiwan only)	**1**	—
Total IMAX films released	**51**	46

Revenue Sharing Arrangements — Contingent Rent

Contingent rent from revenue sharing arrangements decreased 11.0% from US$21.1 million in FY2016 to US$18.7 million in FY2017, primarily due to a lower box office revenue per screen, which was partly offset by a greater number of IMAX theatres operating under revenue sharing arrangements in FY2017 compared to FY2016. We had 261 theatres operating under revenue sharing arrangements at the end of FY2016, as compared to 340 at the end of FY2017, which represented an increase of 30.3%.

Contingent rent from full revenue sharing arrangements decreased 13.9% from US$17.9 million in FY2016 to US$15.4 million in FY2017 as a result of lower box office revenue per screen and a temporary decrease in Wanda Film's full revenue sharing percentage rental rate. The revenue sharing percentage rental rate was automatically reduced under the terms of the Group's written agreement with Wanda Film because of Wanda Film's accelerated rollout, as discussed previously. These reductions were partly offset by growth in the full revenue sharing network in FY2017, which increased 33.3% year over year, from 195 IMAX theatres in FY2016 to 260 IMAX theatres in FY2017.

Contingent rent from hybrid revenue sharing arrangements increased 5.2% from US$3.2 million in FY2016 to US$3.3 million in FY2017, primarily driven by percentage of box office revenue recognised on a larger IMAX theatre network in FY2017, which increased 21.2% from 66 IMAX theatres in FY2016 to 80 IMAX theatres in FY2017 offset by lower average box office per screen.

Sales Arrangements — Contingent Rent

Contingent rent from sales arrangements was flat in FY2017 and FY2016 at US$0.4 million.

Theatre Business

Revenue from our Theatre Business increased 13.4% from US$70.2 million in FY2016 to US$79.7 million in FY2017.

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

Commercial	**As at 31 December**		
	2017	2016	Growth (%)
The PRC	**513**	394	30.2%
Hong Kong	**5**	4	25.0%
Taiwan	**9**	9	—
	527	407	29.5%
Institutional[1]	**17**	17	—
Total	**544**	424	28.3%

Note:

(1) Institutional IMAX theatres include museums, zoos, aquaria and other destination entertainment sites that do not exhibit commercial films.

The following table sets out the number of IMAX theatre systems installed by business arrangements in FY2017 and FY2016:

	FY2017	FY2016
Sales arrangements	**41**	33
Revenue sharing arrangements	**79**	84
Laser GT upgrades	**—**	2
Total theatre systems installed	**120**	119[1]

Notes:

(1) We installed 117 new IMAX theatre systems plus 2 laser GT upgrades (2 sales arrangements) in FY2016.

Sales Arrangements

Theatre Business revenue from sales arrangements increased 18.5% from US$47.4 million in FY2016 to US$56.2 million in FY2017, resulting primarily from the revenue recognition in FY2017 of 8 additional system sales over FY2016. We recognised sales revenue on 33 new theatre systems in FY2016 with a total value of US$42.0 million, compared to 41 new theatre systems in FY2017 with a total value of US$53.2 million. In addition, we installed 2 laser GT upgrades at a total value of US$2.9 million in FY2016. There were no upgrades in FY2017.

Average revenue per new system under sales arrangements was unchanged in FY2017 and FY2016 at US$1.3 million.

Revenue Sharing Arrangements – Upfront Fees

Upfront revenue from hybrid revenue sharing arrangements decreased 31.1% from US$9.9 million in FY2016 to US$6.8 million in FY2017, primarily due to 6 fewer hybrid revenue sharing installations in FY2017.

Theatre System Maintenance

Theatre system maintenance revenue increased 28.9% from US$11.7 million in FY2016 to US$15.1 million in FY2017. Maintenance revenue increased in FY2017 as a result of a 28.3% increase in the size of the IMAX network and the maintenance revenue driven by each of these incremental theatres.

New Business and Other

Revenue from new business and other was flat in FY2017 and FY2016 at US$0.2 million.

Cost of Sales

Our cost of sales slightly decreased 0.2% from US$49.2 million in FY2016 to US$49.1 million in FY2017. This decrease was primarily due to a decrease of US$3.8 million in our Theatre Business offset by an increase of US$3.3 million in our Network Business and an increase of US$0.4 million in the New Business and Other.

Network Business

The cost of sales for our Network Business increased 19.0% from US$17.3 million in FY2016 to US$20.6 million in FY2017 due to additional DMR conversion costs from additional films and increased depreciation costs associated with a larger full revenue sharing network, currently 260 theatres as at FY2017 versus 195 theatres as at FY2016.

Film

The cost of sales for film was flat in FY2017 and FY2016 at US$9.1 million, primarily due to additional DMR conversion costs resulting from 7 more films exhibited in the PRC during FY2017 as compared to FY2016, while being offset by decreased film marketing spend due to the performance of certain films.

Revenue Sharing Arrangements – Contingent Rent

Cost of sales for contingent rent from revenue sharing arrangements increased 40.9% from US$8.2 million in FY2016 to US$11.5 million in FY2017, primarily due to higher depreciation expenses from a greater number of IMAX theatres under full revenue sharing arrangements and the one-time upfront costs related to the installation of 1 incremental full revenue sharing arrangement in FY2017 versus FY2016.

Theatre Business

The cost of sales for our Theatre Business decreased 12.0% from US$31.8 million in FY2016 to US$28.0 million in FY2017, primarily due to 6 fewer IMAX theatres systems under hybrid revenue sharing arrangements and lower cost mix of systems under sales arrangements due to GT laser.

Sales Arrangements

Cost of sales from our Theatre Business under sales arrangements decreased 9.9% from US$17.5 million in FY2016 to US$15.8 million in FY2017, primarily due to the higher cost mix of systems in FY2016. Total 35 IMAX theatre systems installed under sales arrangements in FY2016 which included 1 laser GT installation and 2 laser GT upgrades, as compared to 41 in FY2017 without any laser GT installation/upgrade.

Revenue Sharing Arrangements — Upfront Fees

Cost of sales from installation of hybrid revenue sharing arrangements decreased 34.0% from US$8.3 million in FY2016 to US$5.5 million in FY2017, primarily due to the costs recognised on 20 theatre system installations under hybrid revenue sharing arrangements in FY2016 as compared to 14 in FY2017.

Theatre System Maintenance

Cost of sales from our Theatre Business with respect to theatre system maintenance increased 8.7% from US$5.2 million in FY2016 to US$5.7 million in FY2017 commensurate with the additional costs associated with servicing a larger IMAX theatre network in FY2017 versus FY2016.

New Business and Other

Cost from new business and other increased from US$0.1 million in FY2016 to US$0.5 million in FY2017, primarily due to the cost related to the newly opened pilot IMAX VR centre in Shanghai in FY2017 including an asset impairment of US$0.3 million.

Gross Profit and Gross Profit Margin

Our gross profit in FY2016 was US$69.3 million, or 58.5% of total revenue, compared to US$77.4 million, or 61.2% of total revenue, in FY2017. The increase in gross profit was largely attributable to an increase of US$13.3 million in our Theatre Business, which was partially offset by a decrease of US$4.8 million of our Network Business. The increase in gross profit margin was primary due to 2 higher-cost laser GT upgrades in FY2016, while there were no laser installations in FY2017.

Network Business

The gross profit from our Network Business decreased 15.6% from US$30.9 million in FY2016 to US$26.0 million in FY2017, and the gross profit margin for our Network Business decreased from 64.1% in FY2016 to 55.8% in FY2017. The decrease was primarily due to a decrease in our overall box office revenue and average per screen box office and the incremental depreciation associated with continued growth in the IMAX theatre network under revenue sharing arrangements.

Film

The gross profit for film increased 4.8% from US$17.5 million in FY2016 to US$18.4 million in FY2017, and the gross profit margin for our films business increased from 65.7% in FY2016 to 66.9% in FY2017. The increase was primarily due to an increase in our film revenue as a result of better performance of Chinese language films which we shared a higher percentage of revenue for Chinese language films, lower marketing costs per film and essentially flat cost of sales for film.

Revenue Sharing Arrangements — Contingent Rent

The gross profit for contingent rent from revenue sharing arrangements decreased 43.9% from US$12.9 million in FY2016 to US$7.2 million in FY2017. The gross profit margin was 61.3% in FY2016 and 38.7% in FY2017.

The gross profit for contingent rent from full revenue sharing arrangements decreased 59.7% from US$9.7 million in FY2016 to US$3.9 million in FY2017, and the gross profit margin decreased from 54.5% in FY2016 to 25.5% in FY2017. The decrease was primarily due to increased depreciation costs associated with a larger full revenue sharing network, and lower box office revenue per screen in FY2017 as compared to FY2016, and a temporary decrease in Wanda Film's full revenue sharing percentage rental rate as described previously.

The gross profit for contingent rent from hybrid revenue sharing arrangements increased slightly from US$3.2 million in FY2016 to US$3.3 million in FY2017. Lower box office revenue per screen was offset by growth in the hybrid revenue sharing network which increased 21.2% from 66 IMAX theatres in FY2016 to 80 IMAX theatres in FY2017.

Sales Arrangements — Contingent Rent

The gross profit for sales arrangements – contingent rent was flat in FY2017 and FY2016 at US$0.4 million.

Theatre Business

The gross profit for our theatres business increased 34.6% from US$38.4 million in FY2016 to US$51.6 million in FY2017. During the same period, our gross profit margin increased from 54.6% to 64.8%. The increase in gross profit was primarily driven by the installation of 6 additional theatres under sales arrangements and partially setoff by the installation of 6 fewer theatres under hybrid revenue sharing arrangements in FY2017. The increase in gross profit margin was mainly driven by higher cost mix of sales systems in FY2016 due to GT laser.

Sales Arrangements

The gross profit for our Theatre Business from sales of new IMAX theatre systems increased 35.1% from US$29.9 million in FY2016 to US$40.5 million in FY2017, primarily due to our installation of 6 additional IMAX theatre systems under sales arrangements in FY2017. Our gross profit margin increased from 63.1% in FY2016 to 72.0% in FY2017 due to higher cost mix of systems in FY2016 including 2 laser GT upgrades and 1 laser GT installation while there was no laser installation/ upgrade in FY2017.

Revenue Sharing Arrangements — Upfront Fees

The gross profit from upfront fees derived from hybrid revenue sharing arrangements was US$1.5 million in FY2016 and US$1.3 million in FY2017. The decrease was driven by the installation of 6 fewer hybrid revenue sharing arrangements in FY2017. The gross profit margin was 15.3% in FY2016 as compared to 18.8% in FY2017.

Theatre System Maintenance

The gross profit for our theatre system maintenance increased 45.0% from US$6.5 million in FY2016 to US$9.4 million in FY2017 as a result of certain operating leverage within the maintenance business generated from a larger network of theatres. Our gross profit margin increased from 55.6% in FY2016 to 62.5% in FY2017.

New Business and Other

The gross profit for new business and other was US$0.1 million in FY2016 and a loss at US$0.3 million in FY2017. The decrease was driven by the newly opened pilot IMAX VR centre in Shanghai in FY2017.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased 14.9% from US$17.1 million in FY2016 to US$14.5 million in FY2017, primarily due to: (i) a decrease in foreign exchange of US$1.1 million resulting from a foreign exchange gain of US$0.6 million in FY2017 related to the translation of foreign currency denominated monetary assets and liabilities as compared to a foreign exchange loss of US$0.5 million in FY2016; (ii) a decrease in professional fees of US$0.5 million due to higher audit, legal costs and other compliance related fees incurred in FY2016 as a result of it being our early years as a public company; and (iii) a decrease of US$1.0 million related to employee salaries and benefits, travel and transportation, advertising and marketing, and facilities due to the implementation of cost controls and a cost-reduction plan.

Restructuring Expenses

Restructuring expenses of US$0.6 million were incurred in FY2017 due to the implementation of a cost-reduction plan to create cost savings aimed at increasing profitability, operating leverage and free cash flow. Restructuring expenses are mainly comprised of US$0.3 million for employee severance costs, US$0.2 million for facilities, and US$0.1 million for share-based compensation expenses.

Other Operating Expenses

Other operating expenses increased 11.4% from US$6.4 million in FY2016 to US$7.1 million in FY2017, primarily due to a custom penalty accrual of US$0.3 million in FY2017, while there was no such penalty accrual in FY2016, and an increase of US$0.4 million in annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements due to the increase of our revenue.

Income Tax Expense

Our income tax expense increased 17.2% from US$10.3 million in FY2016 to US$12.1 million in FY2017. The increase in income tax expense was primarily due to an increase in our operating profit before income tax of US$9.4 million from US$46.4 million in FY2016 to US$55.8 million in FY2017. Our effective tax rate was 22.3% in FY2016 as compared to 21.7% in FY2017.

Profit For The Year

We reported a comprehensive profit for the year of US$52.0 million in FY2017 as compared to US$28.7 million in FY2016. The increase was primarily due to an increase in our profit for the year of US$7.6 million from US$36.1 million in FY2016 to US$43.7 million in FY2017 and an increase in other comprehensive income of US$15.7 million from a loss of US$7.4 million in FY2016 to an income of US$8.3 million in FY2017. Comprehensive profit for the year in FY2017 included a US$2.2 million charge (US$1.9 million in FY2016) for share-based compensation.

Adjusted Profit

Adjusted profit, which consists of profit for the year adjusted for the impact of share-based compensation, restructuring expenses and the related tax impact, was US$37.6 million in FY2016 as compared to adjusted profit of US$45.9 million in FY2017, an increase of 22.3%.

Liquidity and Capital Resources

	As at 31 December	
	2017	2016
	US$'000	*US$'000*
Current assets		
Other assets	**2,960**	1,796
Film assets	**—**	10
Inventories	**5,612**	5,731
Prepayments	**1,971**	1,093
Financing receivables	**8,450**	5,831
Trade and other receivables	**53,995**	37,975
Cash and cash equivalents	**116,678**	105,903
Total Current assets	**189,666**	158,339
Current liabilities		
Trade and other payables	**18,522**	28,459
Accruals and other liabilities	**10,161**	10,820
Income tax liabilities	**4,458**	2,446
Deferred revenue	**23,545**	13,025
Total Current Liabilities	**56,686**	54,750
Net Current Assets	**132,980**	103,589

As at 31 December 2017, we had net current assets of US$133.0 million compared to net current assets of US$103.6 million as at 31 December 2016. The increase in net current assets in FY2017 was mainly attributable to a US$16.0 million increase in trade and other receivables, a US$10.8 million increase in cash and cash equivalents, a US$2.7 million increase in financing receivables, and a US$10.0 million decrease in trade and other payables and offset by a US$10.5 million increase in deferred revenue driven by new signings of sales arrangements in FY2017 and funds received on the large number of sales arrangement installations scheduled to install in the next 12 months.

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

	As at 31 December			
		2017		2016
Cash and cash equivalents denominated in US$	**$**	**79,572**	$	70,376
Cash and cash equivalents denominated in RMB (in thousands)	**¥**	**231,085**	¥	218,253
Cash denominated in Hong Kong dollars HK$ (in thousands)	**$**	**34,657**	$	31,520

Capital Management

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

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

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

Cash Flow Analysis

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

	FY2017	FY2016
	US$'000	US$'000
Net cash provided by operating activities	**35,338**	46,723
Net cash used in investing activities	**(27,452)**	(28,838)
Net cash provided by financing activities	**936**	837
Effects of exchange rate changes on cash	**1,953**	(3,508)
Increase in cash and cash equivalents during year	**10,775**	15,214
Cash and cash equivalents, beginning of year	**105,903**	90,689
Cash and cash equivalents, end of year	**116,678**	105,903

Cash From Operating Activities

FY2017

Our net cash provided by operations was approximately US$35.3 million in FY2017. We had profit before income tax for the year of US$55.8 million in FY2017 and positive adjustments for amortisation of film assets of US$7.2 million and depreciation of property, plant and equipment of US$9.0 million, and settlement of equity and other non-cash compensation of US$2.3 million, reduced by our taxes paid of US$12.7 million, our net investment in film assets of US$7.1 million and changes in working capital of US$19.9 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US$10.1 million; (ii) an increase in financing receivables of US$10.0 million; (iii) a decrease in trade and other payables of US$8.9 million; and (iv) a decrease in accruals and other liabilities of US$1.0 million, partially offset by an increase in deferred revenue of US$10.8 million.

FY2016

Our net cash provided by operations was approximately US$46.7 million in FY2016. We had profit before income tax for the year of US$46.4 million in FY2016, and positive adjustment for amortisation of film assets of US$6.8 million and depreciation of property, plant and equipment of US$6.6 million, and changes in working capital of US$3.9 million, reduced by our taxes paid of US$13.2 million, our net investment in film assets of US$6.8 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US$1.3 million; (ii) an increase in financing receivables of US$8.4 million; (iii) a decrease in deferred revenue of US$4.7 million; and (iv) a decrease in inventories of US$0.1 million, partially offset by: (i) an increase in trade and other payables of US$15.1 million; and (ii) an increase in accruals and other liabilities of US$3.6 million.

Cash Used in Investing Activities

FY2017

Our net cash used in investing activities was approximately US$27.5 million for FY2017, primarily related to: (i) investments in IMAX theatre equipment amounting to US$24.6 million installed in our exhibitor partners' theatres under full revenue sharing arrangements; and (ii) a loan to a joint venture of US$2.6 million related to the ongoing set up of the China Film Fund.

FY2016

Our net cash used in investing activities was approximately US$28.8 million for FY2016, primarily related to: (i) investments in IMAX theatre equipment amounting to US$24.2 million installed in our exhibitor partners' theatres under full revenue sharing arrangements; and (ii) the purchase of property, plant and equipment amounting to US$4.6 million.

Cash From Financing Activities

FY2017

Our net cash provided by financing activities was approximately US$0.9 million for FY2017 primarily due to issuance of common shares of US$ 2.0 million, partially offset by settlement of restricted share units and options of US$1.1 million.

FY2016

Our net cash provided by financing activities was approximately US$0.8 million for FY2016 primarily due to issuance of common shares of US$1.7 million, partially offset by settlement of restricted share units and options of US$0.8 million.

Contractual Obligations and Capital Commitments

Lease Commitments

We have lease commitments in FY2018 and FY2019 amounting to US$1.6 million and US$0.4 million respectively related primarily to leased office and warehouse space in Shanghai.

Capital Commitments

As at 31 December 2017, we had capital expenditures contracted but not provided for of US$30.0 million (2016: US$26.4 million), and capital expenditures authorised but not contracted for of US$ nil (2016: US$5.0 million).

Capital Expenditures and Contingent Liabilities

Capital Expenditures

Our capital expenditures primarily relate to the acquisition of IMAX theatre systems. During FY2017 and FY2016, our capital expenditures were US$27.5 million and US$28.8 million, respectively.

Going forward, with respect to our Theatre Business, we plan to allocate a significant portion of our capital expenditures to the continued expansion of the IMAX theatre network under revenue sharing arrangements to execute on our existing contractual backlog and future signings. We expect to incur capital expenditures of approximately US$29.3 million in FY2018, which will be primarily used to expand the IMAX theatre network under full revenue sharing arrangements, commercial laser upgrades and invest in a China film fund.

Contingent Liabilities

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

In March 2013, IMAX Shanghai Multimedia, the Company's wholly-owned subsidiary in the PRC, received notice from the Shanghai office of the General Administration of Customs ("**Customs Authority**") that it had been selected for a customs audit (the "**Audit**"). In the course of the Audit, the Customs Authority discovered the underpayment by IMAX Shanghai Multimedia of the freight and insurance portion of the customs duties and taxes applicable to the importation of certain IMAX theatre systems during the period from October, 2011 through March, 2013. Though IMAX Shanghai Multimedia's importation agent accepted responsibility for the error giving rise to the underpayment, the matter was transferred first to the Anti-Smuggling Bureau (the "**ASB**") of the Customs Authority and then to the Third Division of Shanghai People's Procuratorate for further review. During the year ended 31 December 2017, at the request of the ASB, the Company paid RMB1 million (approximately US$0.15 million) to the ASB to satisfy the amount owing as a result of the underpayment. Given that the amount of the underpayment exceeds RMB200, 000, the Company has been advised that the matter may be treated as a criminal rather than as an administrative matter. During the year ended 31 December 2017, the Company accrued US$0.3 million in respect of fines that it believes are likely to result from the matter. The Company has been advised that the range of potential penalties is between three and five times the underpayment depending on whether the matter is assessed as criminal or administrative; however, the actual amount of any fines or other penalties remains unknown and the Company cautions that these actual fines or other penalties may be greater or less than the amount accrued or the expected range.

Except as disclosed above or as otherwise disclosed herein, as at 31 December 2017, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. The Directors confirm that there has been no material change in our commitments and contingent liabilities since 31 December 2017.

Working Capital

We finance our working capital needs primarily through cash flow from operating activities. Cash flow generated from operating activities was US$35.3 million in FY2017 and US$46.7 million in FY2016. As the IMAX theatre network continues to grow, we believe our cash flow from operating activities will continue to increase and fund existing business operations and any initial capital expenditures required under revenue sharing arrangements.

Statement of Indebtedness

As at 31 December 2017:

- we did not have any bank borrowings or committed bank facilities;
- we did not have any borrowing from IMAX Corporation or any related parties; and
- we did not have any hire purchase commitments or bank overdrafts.

Since 31 December 2017, being the latest date of our audited financial statements, there has been no material adverse change to our indebtedness.

Recent Developments

No important event affecting the Group has occurred since 31 December 2017.

Off Balance Sheet Arrangements

We had no off-balance sheet arrangements as at 31 December 2017.

Key Financial Ratios

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

	2017	2016
Gearing ratio(1)	**32.9%**	40.1%
Adjusted profit margin(2)	**36.3%**	31.7%

Notes:

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

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

Gearing Ratio

Our gearing ratio decreased from 40.1% as at 31 December 2016 to 32.9% as at 31 December 2017, primarily due to an increase in profit for the year in FY2017 from FY2016.

Adjusted Profit Margin

Our adjusted profit margin increased from 31.7% as at 31 December 2016 to 36.3% as at 31 December 2017, primarily due to increased gross profit margin from 58.5% in FY2016 to 61.2% in FY2017, driven by 2 higher-cost laser GT upgrades and 1 laser GT installation in FY2016, while there were no higher-cost laser GT installations in FY2017.

Dividend Policy and Distributable Reserves

The proposal of payment and the amount of our dividends will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Our Board recommended the payment of a final dividend, for the 2017 fiscal year, of US$0.04 per share (equivalent to approximately HK$0.31 per share). Any dividend distribution shall also be subject to the approval of our Shareholders in a Shareholders' meeting.

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

As at 31 December 2017, the Company had a total equity of US$104.1 million. Under the Companies Law of the Cayman Islands, subject to the provisions of memorandum of association of the Company or the articles of association (the "**Articles of Association**"), the Company's share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Dividend

No dividends were declared or paid during the year ended 31 December 2017. During the board meeting held on 27 February 2018, the Board recommended a final dividend of US$0.04 per share (equivalent to approximately HK$0.31 per share) to the shareholders. Subject to the approval of the shareholders at the forthcoming Annual General Meeting and subject to further announcement(s) in respect to the book closure date, record date and payment date, the proposed 2017 final dividend is expected to be distributed to shareholders on or around 31 May 2018. There will be no scrip dividend option for the 2017 final dividend.

Material Acquisitions or Disposals

We have not undertaken any material acquisition or disposal for the year ended 31 December 2017.

Significant Investments

We are entitled to IMAX Hong Kong Holding's share of any distributions and dividends paid by TCL-IMAX Entertainment in respect of profit from Greater China as a result of a preferred share we hold in IMAX Hong Kong Holding, which holds 50% of TCL-IMAX Entertainment, a 50:50 joint venture between IMAX Hong Kong Holding (which is indirectly wholly owned by IMAX Corporation) and Sino Leader (Hong Kong) Limited (which is wholly owned by TCL Multimedia Technology Holdings Limited). TCL-IMAX Entertainment engages in the design, development, manufacturing and global sale of premium home theatre systems incorporating components of IMAX's projection and sound technology adapted for a broader home environment. TCL-IMAX Entertainment has commenced offering home theatre systems in Greater China in the second half of 2016. We did not receive any distributions or dividends from TCL-IMAX Entertainment during the year ended 31 December 2017.

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

The Company expects to install approximately 105 new theatres for the year 2018. Of these installations, roughly 37 are expected to be sales arrangements and 68 are expected to be revenue sharing arrangements. We also expect our sales, general and administrative expenses, excluding share-based compensation to grow roughly 9%, primarily as a result of specifically targeted marketing initiatives over 2017.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

There have been no convertible securities issued or granted by the Group, no exercise of any conversion or subscription rights, nor any purchase, sale or redemption by the Group of its listed Shares during the year ended December 31, 2017 (the "**Reporting Period**"), other than purchases of 158,269 listed Shares conducted through Computershare Hong Kong Trustees Limited, the trustee engaged by the Company for administering its share option schemes, for satisfying the vesting of the relevant options and/or RSUs.

CORPORATE GOVERNANCE PRACTICES

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

During the Reporting Period, the Company has complied with all the code provisions of the CG Code during the Reporting Period, except for the deviation from code provision A.5.2(a) of the CG Code.

Code provision A.5.2(a) states that the nomination committee should review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy. The nomination committee did not hold meetings during the Reporting Period because it was satisfied that the composition of the Board remained sufficiently diverse.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

The audit committee consists of three members: Mr. John Davison, an Independent Non-executive Director, Ms. Dawn Taubin, an Independent Non-Executive Director and Mr. Richard Gelfond, a Non-executive Director. Mr. John Davison is the chairman of the audit committee. The audit committee members have reviewed the Group's results for the year ended 31 December 2017.

ANNUAL REPORT

The Company's annual report for the year ended 31 December 2017 containing all the information required by Appendix 16 of the Listing Rules has been published on the Company's and the Stock Exchange's websites.

LITIGATION

The Group did not have any material litigation outstanding as at 31 December 2017.

INSIDE INFORMATION

This is an announcement made pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and Rule 13.09 of the Listing Rules.

Results of IMAX Corporation

Our controlling shareholder, IMAX Corporation, is a company listed on the New York Stock Exchange in the United States. As of the date of this announcement, IMAX Corporation beneficially owns 67.93% of the issued share capital of the Company.

On or about 27 February 2018 (approximately 4:30 p.m., New York time), IMAX Corporation made an announcement regarding its financial results for the fourth quarter and full year ended 31 December 2017 (the **"Earnings Release"**) and held its fourth quarter and full year results earnings call (the **"Earnings Call"**). If you wish to review the Earnings Release prepared by

IMAX Corporation and as filed with the U.S. Securities and Exchange Commission, please visit: https://www.sec.gov/Archives/edgar/data/921582/000119312518060838/d540033dex991.htm. Unless otherwise provided therein, all dollar amounts in the Earnings Release and Earnings Call are denominated in United States dollars.

On or about 27 February 2018 (approximately 5:30 p.m., New York time), IMAX Corporation filed its audited annual report on the Form 10-K for the year ended 31 December 2017 with the United States Securities and Exchange Commission (the **"Annual Report"**), in accordance with the ongoing disclosure obligations applicable to the companies listed on the New York Stock Exchange. The Annual Report includes certain annual financial information and operating statistics regarding the Company. If you wish to review the Annual Report prepared by IMAX Corporation and as filed with the U.S. Securities and Exchange Commission, please visit: https://www.sec.gov/Archives/edgar/data/921582/000119312518061184/d544249d10k.htm. Unless otherwise provided therein, all dollar amounts in the Annual Report are denominated in United States dollars.

The financial information disclosed in the Earnings Release, Earnings Call and the financial results contained in the Annual Report have been prepared in accordance with the Generally Accepted Accounting Principles of the United States, which are different from the International Financial Reporting Standards, which is the standard employed by the Company, as a company listed on the Main Board of the Stock Exchange, to prepare and present financial information. As such financial information of the Company in the Earnings Release, Earnings Call and the Annual Report are not directly comparable to the financial results published directly by the Company.

With a view to ensuring that all shareholders and potential investors of the Company have equal and timely access to information pertaining to the Company, set forth below are the key highlights of financial information and other information published by IMAX Corporation in the Annual Report and Earnings Release that relate to our Company and our operations:

(1) ANNUAL REPORT EXTRACTS

"ITEM 1. BUSINESS

IMAX THEATER NETWORK

Greater China continues to be the Company's second-largest market, measured by revenues, with approximately 33% of overall revenues generated from the Company's China operations in 2017. As at December 31, 2017, the Company had 544 theaters operating in Greater China and an additional 309 theaters in backlog that are scheduled to be installed in Greater China by 2022. The Company's backlog in Greater China represents 61.9% of the Company's current backlog. The Company's largest single international partnership is in China with Wanda Film, formerly Wanda Cinema Line Corporation ("**Wanda**"). Wanda's total commitment to the Company is for 359 theater systems, of which 343 theater systems are under the parties' joint revenue sharing arrangement.

In 2015, the Company's subsidiary, IMAX China Holding, Inc. ("**IMAX China**"), completed an initial public offering of its ordinary shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**IMAX China IPO**"). Following the IMAX China IPO, the Company continues to indirectly own approximately 67.93% of IMAX China, which remains a consolidated subsidiary of the Company.

Digital Re-Mastering (IMAX DMR)

In 2017, 60 films were converted through the IMAX DMR process and released to theaters in the IMAX network by film studios as compared to 51 films in 2016. In addition, in 2017, in conjunction with Marvel and Disney|ABC Television Group, the Company co-produced and exclusively premiered theatrically the television series "*Marvel's Inhumans*" in IMAX theaters.

To date, the Company has announced the following 31 DMR titles to be released in 2018 to the IMAX theater network:

- *The Commuter: The* IMAX *Experience* (Lionsgate Entertainment Inc., January 2018);
- *12 Strong: The* IMAX *Experience* (Warner Bros. Pictures, January 2018);
- *Padmaavat: The* IMAX *Experience* (Viacom 18 Motion Pictures and Paramount Pictures, January 2018, India, plus limited Domestic footprint and International markets);
- *Maze Runner: The Death Cure: The* IMAX *Experience* (20th Century Fox, January 2018);
- *Fifty Shades Freed: The* IMAX *Experience* (Universal Pictures, February 2018);
- *Monster Hunt 2: The* IMAX *Experience* (Edko Films, February 2018, China only);
- *Detective Chinatown 2: The* IMAX *Experience* (WanDa Pictures, February 2018, China only);
- *Operation Red Sea: The* IMAX *Experience* (Bona Film Group, February 2018, China only);
- *Marvel's Black Panther: The* IMAX *Experience* (Walt Disney Studios, February 2018);
- *Red Sparrow: The* IMAX *Experience* (20th Century Fox, March 2018);
- *Tomb Raider: The* IMAX *Experience* (Warner Bros. Pictures, March 2018);
- *Pacific Rim Uprising: The* IMAX *Experience* (Warner Bros. Pictures, March 2018);
- *Ready Player One: The* IMAX *Experience* (Warner Bros. Pictures, March 2018);
- *Rampage: The* IMAX *Experience* (Warner Bros. Pictures, April 2018);
- *Avengers: Infinity War: The* IMAX *Experience* (Walt Disney Studios, May 2018, most International markets — April 2018);
- *Deadpool 2: The* IMAX *Experience* (20th Century Fox, May 2018, select markets only);
- *Solo: A Star Wars Story: The* IMAX *Experience* (Walt Disney Studios, May 2018);
- *The Incredibles 2: The* IMAX *Experience* (Walt Disney Studios, June 2018);

- *Jurassic World: Fallen Kingdom: The* IMAX *Experience* (Universal Pictures, June 2018);
- *Ant-Man and the Wasp: The* IMAX *Experience* (Walt Disney Studios, June 2018, US markets - July 2018);
- *Mission Impossible: Fallout: The* IMAX *Experience* (Paramount Pictures, July 2018);
- *The Darkest Minds: The* IMAX *Experience* (20th Century Fox, August 2018);
- *Predator: The* IMAX *Experience* (20th Century Fox, September 2018);
- *Robin Hood: The* IMAX *Experience* (Lionsgate Entertainment Inc., September 2018);
- *Venom: The* IMAX *Experience* (Sony Pictures Entertainment, October 2018);
- *X-Men: Dark Phoenix: The* IMAX *Experience* (20th Century Fox, November 2018);
- *Fantastic Beasts: The Crimes of Grindelwald: The* IMAX *Experience* (Warner Bros. Pictures, November 2018);
- *Ralph Breaks the Internet: Wreck-It-Ralph 2: The* IMAX *Experience* (Walt Disney Studios, December 2018, select markets);
- *Alita: Battle Angel: An* IMAX *Experience* (20th Century Fox, December 2018); and
- *Aquaman: The* IMAX *Experience* (Warner Bros. Pictures, December 2018).

New Business Initiatives

Virtual Reality

In January 2017, the Company launched its flagship pilot IMAX VR Center in Los Angeles. Since that time, the Company has opened six pilot IMAX VR Centers (two in New York City, one in Toronto, one in Manchester, England, one in Shanghai, China and one in Bangkok, Thailand.) The Company continues to evaluate its pilot VR strategy based on several factors, including the overall customer experience, pricing models, throughput, types of content featured and differences in geographic areas.

The Company has also established a virtual reality fund (the "**VR Fund**") among the Company, its subsidiary IMAX China and other strategic investors. The VR Fund will help finance the creation of interactive VR content experiences over the next three years for use across all VR platforms, including in the pilot IMAX VR Centers. The VR Fund recently helped finance the production of one interactive VR experience, which debuted exclusively in the pilot IMAX VR Centers in November 2017 before being made available to other VR platforms.

Original Content

The Company has also created two film funds to help finance the production of original content. The Company is forming the IMAX China Film Fund (the "**China Film Fund**") with its subsidiary

IMAX China Holding, Inc. ("**IMAX China**"), its partner CMC and several other large investors to help fund Mandarin language commercial films. The China Film Fund, which is expected initially to be capitalized with over $80.0 million, will target productions that can leverage the Company's brand, relationships, technology and release windows in China. The China Film Fund is expected to co-finance approximately 15 Mandarin-language tent-pole films over three years, and will target contributions of between $3.0 million and $7.0 million per film. The China Film Fund will operate under an IMAX China-CMC controlled greenlight committee.

IMAX Home Entertainment Technologies and Services

The Company has also announced home theater initiatives, including a joint venture with TCL Multimedia Technology Holding Limited ("**TCL**") to design, develop, manufacture and sell a premium home theater system. The joint venture has signed agreements with end users for the sale of more than 170 premium home theater systems, and has signed agreements with distributors for the sale of more than 470 home theater systems. The Company does not intend to invest significant capital into the joint venture going forward, and instead expects any additional funding to be provided through third party capital.

MARKETING AND CUSTOMERS

The Company markets its theater systems through a direct sales force and marketing staff located in offices in Canada, the United States, Greater China, Europe and Asia. In addition, the Company has agreements with consultants, business brokers and real estate professionals to locate potential customers and theater sites for the Company on a commission basis.

The following table outlines the breakdown of the theater network by type and geographic location as at December 31:

	2017 Theater Network				2016 Theater Network			
	Commercial Multiplex	**Commercial Destination**	**Institutional**	**Total**	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	**364**	**4**	**35**	**403**	349	5	41	395
Canada	**37**	**2**	**7**	**46**	37	2	7	46
Greater China[1]	**527**	**—**	**17**	**544**	407	—	17	424
Asia (excluding Greater China)	**100**	**1**	**3**	**104**	93	2	3	98
Western Europe	**88**	**4**	**10**	**102**	76	6	10	92
Russia & the CIS	**58**	**—**	**—**	**58**	56	—	—	56
Latin America[2]	**42**	**—**	**12**	**54**	38	—	12	50
Rest of the World	**56**	**1**	**2**	**59**	51	1	2	54
Total	**1,272**	**12**	**86**	**1,370**	1,107	16	92	1,215

(1) Greater China includes the People's Republic of China, Hong Kong, Taiwan and Macau.

(2) Latin America includes South America, Central America and Mexico.

For information on revenue breakdown by geographic area, see note 18 to the accompanying audited consolidated financial statements in Item 8 of this 2017 Form 10-K. The Company's foreign operations are subject to certain risks. See "Risk Factors — The Company conducts business internationally, which exposes it to uncertainties and risks that could negatively affect its operations sales and future growth prospects" and "Risk Factors — The Company faces risks in connection with the continued expansion of its business in China" in Item 1A. The Company's largest customers as at December 31, 2017, collectively represent 34.1% of the Company's network of theaters, 28.5% of the Company's theater system backlog and 13.2% of revenues.

ITEM 1A. RISK FACTORS

Recent consolidation among commercial exhibitors and studios reduces the breadth of the Company's customer base, and could result in a narrower market for the Company's products and reduced negotiating leverage. A deterioration in the Company's relationship with key partners could materially, adversely affect the Company's business, financial condition or results of operation. In addition, an adverse economic impact on a significant customer's business operations could have a corresponding material adverse effect on the Company.

The Company's primary customers are commercial multiplex exhibitors. The commercial exhibition industry has undergone significant consolidation in recent years, with Dalian Wanda's acquisitions of AMC and Hoyts Group in 2012 and 2015, respectively, and AMC's acquisition of Carmike Cinemas and Odeon & UCI Cinemas Group, which includes Nordic Cinema Group, in 2016. The industry continues to consolidate, as evidenced by Cineworld Group's planned acquisition of Regal Entertainment Group. Exhibitor concentration has resulted in individual exhibitor chains constituting a material portion of the Company's network and revenue. For instance, Wanda and AMC continue to be the Company's largest exhibitor customer, representing approximately, 16.4%, 13.5% and 16.0% of the Company's total revenues in 2017, 2016 and 2015, respectively. Wanda's current commitment to the Company stands at 359 IMAX theater systems, and Wanda and AMC together represented approximately 40.7% of the commercial network and 30.5% of the Company's backlog as of December 31, 2017. The share of the Company's revenue that is generated by Wanda and AMC is expected to continue to grow as the significant number of Wanda theater systems currently in backlog are opened. No assurance can be given that significant customers such as Wanda and/or AMC will continue to purchase theater systems and/or enter into joint revenue sharing arrangements with the Company and if so, whether contractual terms will be affected. If the Company does business with either Wanda and/or AMC or other large exhibitor chains less frequently or on less favorable terms than currently, the Company's business, financial condition or results of operations may be adversely affected. In addition, an adverse economic impact on a significant customer's business operations could have a corresponding material adverse effect on the Company.

The Company may experience adverse effects due to exchange rate fluctuations.

A substantial portion of the Company's revenues are denominated in U.S. dollars, while a substantial portion of its expenses are denominated in Canadian dollars. The Company also generates revenues in Chinese Yuan Renminbi, Euros and Japanese Yen. While the Company periodically enters into forward contracts to hedge its exposure to exchange rate fluctuations between the U.S. and the Canadian dollar, the Company may not be successful in reducing its exposure to these fluctuations. The use of derivative contracts is intended to mitigate or reduce transactional level volatility in the results of foreign operations, but does not completely eliminate volatility. Even in jurisdictions in which the Company does not accept local currency or requires minimum payments in U.S. dollars, significant local currency issues may impact the profitability of the Company's arrangements for the Company's customers, which ultimately affect the Company's ability to negotiate cost-effective arrangements and, therefore, the Company's results of operations. In addition, because IMAX films generate box-office in 75 different countries, unfavorable exchange rates between applicable local currencies and the U.S. dollar could affect the Company's reported gross box-office and revenues, further impacting the Company's results of operations.

The Company may not fully realize the projected cost savings and benefits from its restructuring initiative.

The Company recently implemented a cost reduction plan that included staff reductions and the consolidation of certain leased facilities. As part of its cost reduction plan, the Company eliminated approximately 100 full-time positions, including positions at IMAX China Holding, Inc., equal to roughly 14% of the Company's full-time global workforce. Although the Company expects the restructuring plan to result in cost savings aimed at increasing profitability, operating leverage and free cash flow, there can be no assurances that these benefits will be realized to the full extent projected. If the Company does not achieve projected savings as a result of these initiatives, or incurs higher than expected or unanticipated costs in implementing these initiatives, its business, financial condition or results of operations could be adversely impacted.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Network Business: Digital Re-Mastering (IMAX DMR) and Joint Revenue Sharing Arrangements

Digital Re-Mastering (IMAX DMR)

The Company has developed a proprietary technology, known as IMAX DMR, to digitally re-master Hollywood films into IMAX digital cinema package format or 15/70-format film for exhibition in IMAX theaters at a cost that is incurred by the Company. IMAX DMR digitally enhances the image resolution of motion picture films for projection on IMAX screens while maintaining or enhancing the visual clarity and sound quality to levels for which *The* IMAX *Experience* is known. In a typical IMAX DMR film arrangement, the Company receives a percentage, which in recent years has averaged approximately 12.5%, of net box office receipts, defined as gross box office receipts less applicable sales taxes, of any commercial films released outside of Greater China in return for converting them to the IMAX DMR format and distributing them through the IMAX theater network. Within Greater China, the Company receives a lower percentage of box office receipts for certain Hollywood films.

The Company believes that the growth in international box office remains an important driver of future growth for the Company. During the year ended December 31, 2017, 63.4% of the Company's gross box office from IMAX DMR films was generated in international markets, as compared to 61.8% in the year ended December 31, 2016. To support continued growth in international markets, the Company has sought to bolster its international film strategy, supplementing the Company's film slate of Hollywood DMR titles with appealing local IMAX DMR releases in select markets. During the year ended December 31, 2017, 22 local language

IMAX DMR films including 15 in China, three in Russia, three in Japan and one in India were released to the IMAX theater network. The Company expects to announce additional local language IMAX DMR films to be released to the IMAX theater network in the remainder of 2018 and beyond.

To date, the Company has announced the following 31 DMR titles to be released in 2018 to the IMAX theater network:

- *The Commuter: The* IMAX *Experience* (Lionsgate Entertainment Inc., January 2018);
- *12 Strong: The* IMAX *Experience* (Warner Bros. Pictures, January 2018);
- *Padmaavat: The* IMAX *Experience* (Viacom 18 Motion Pictures and Paramount Pictures, January 2018, India, plus limited Domestic footprint and International markets);
- *Maze Runner: The Death Cure: The* IMAX *Experience* (20th Century Fox, January 2018);
- *Fifty Shades Freed: The* IMAX *Experience* (Universal Pictures, February 2018);
- *Monster Hunt 2: The* IMAX *Experience* (Edko Films, February 2018, China only);
- *Detective Chinatown 2: The* IMAX *Experience* (WanDa Pictures, February 2018, China only);
- *Operation Red Sea: The* IMAX *Experience* (Bona Film Group, February 2018, China only);
- *Marvel's Black Panther: The* IMAX *Experience* (Walt Disney Studios, February 2018);
- *Red Sparrow: The* IMAX *Experience* (20th Century Fox, March 2018);
- *Tomb Raider: The* IMAX *Experience* (Warner Bros. Pictures, March 2018);
- *Pacific Rim Uprising: The* IMAX *Experience* (Warner Bros. Pictures, March 2018);
- *Ready Player One: The* IMAX *Experience* (Warner Bros. Pictures, March 2018);
- *Rampage: The* IMAX *Experience* (Warner Bros. Pictures, April 2018);
- *Avengers: Infinity War: The* IMAX *Experience* (Walt Disney Studios, May 2018, most International markets — April 2018);
- *Deadpool 2: The* IMAX *Experience* (20th Century Fox, May 2018, select markets only);
- *Solo: A Star Wars Story: The* IMAX *Experience* (Walt Disney Studios, May 2018);
- *The Incredibles 2: The* IMAX *Experience* (Walt Disney Studios, June 2018);
- *Jurassic World: Fallen Kingdom: The* IMAX *Experience* (Universal Pictures, June 2018);

- *Ant-Man and the Wasp: The* IMAX *Experience* (Walt Disney Studios, June 2018, US markets - July 2018);
- *Mission Impossible: Fallout: The* IMAX *Experience* (Paramount Pictures, July 2018);
- *The Darkest Minds: The* IMAX *Experience* (20th Century Fox, August 2018);
- *Predator: The* IMAX *Experience* (20th Century Fox, September 2018);
- *Robin Hood: The* IMAX *Experience* (Lionsgate Entertainment Inc., September 2018);
- *Venom: The* IMAX *Experience* (Sony Pictures Entertainment, October 2018);
- *X-Men: Dark Phoenix: The* IMAX *Experience* (20th Century Fox, November 2018);
- *Fantastic Beasts: The Crimes of Grindelwald: The* IMAX *Experience* (Warner Bros. Pictures, November 2018);
- *Ralph Breaks the Internet: Wreck-It-Ralph 2: The* IMAX *Experience* (Walt Disney Studios, December 2018, select markets);
- *Alita: Battle Angel: An* IMAX *Experience* (20th Century Fox, December 2018); and
- *Aquaman: The* IMAX *Experience* (Warner Bros. Pictures, December 2018).

New Business

Virtual Reality

In January 2017, the Company launched its flagship pilot IMAX VR Center in Los Angeles. Since that time, the Company has opened six pilot IMAX VR Centers (two in New York City, one in Toronto, one in Manchester, England, one in Shanghai, China and one in Bangkok, Thailand). The Company continues to evaluate its pilot VR strategy based on several factors including the overall customer experience, pricing models, throughput, types of content featured and differences in geographic areas.

The Company also has a virtual reality fund (the "**VR Fund**") among the Company, its subsidiary IMAX China and other strategic investors. The VR Fund will help finance the creation of interactive VR content experiences over the next three years for use across all VR platforms, including in the pilot IMAX VR Centers. The VR Fund recently helped finance the production of one interactive VR experience, which debuted exclusively in the pilot IMAX VR Centers in November 2017 before being made available to other VR platforms.

Original Content

The Company has also created two film funds to help finance the production of original content. The Company is forming the IMAX China Film Fund (the "**China Film Fund**") with its subsidiary IMAX China Holding, Inc. ("**IMAX China**"), its partner CMC and several other large investors to help fund Mandarin language commercial films. The China Film Fund, which is expected initially to be capitalized with over $80.0 million, will target productions that can leverage the Company's brand, relationships, technology and release windows in China. The China Film Fund is expected to co-finance approximately 15 Mandarin-language tent-pole films over three years, and will target contributions of between $3.0 million and $7.0 million per film. The China Film Fund will operate under an IMAX China-CMC controlled greenlight committee.

IMAX Home Entertainment Technologies and Services

The Company has also announced home theater initiatives, including a joint venture with TCL Multimedia Technology Holding Limited ("**TCL**") to design, develop, manufacture and sell a premium home theater system. The joint venture has signed agreements with end users for the sale of more than 170 premium home theater systems, and has signed agreements with distributors for the sale of more than 470 home theater systems. The Company does not intend to invest significant capital into the joint venture going forward, and instead expects any additional funding to be provided through third party capital.

IMAX Theater Network and Backlog

IMAX Theater Network

The following table outlines the breakdown of the IMAX theater network by type and geographic location as at December 31:

	2017 Theater Network				2016 Theater Network			
	Commercial Multiplex	**Commercial Destination**	**Institutional**	**Total**	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	**364**	**4**	**35**	**403**	349	5	41	395
Canada	**37**	**2**	**7**	**46**	37	2	7	46
Greater China[(1)]	**527**	**—**	**17**	**544**	407	—	17	424
Asia (excluding Greater China)	**100**	**1**	**3**	**104**	93	2	3	98
Western Europe	**88**	**4**	**10**	**102**	76	6	10	92
Russia & the CIS	**58**	**—**	**—**	**58**	56	—	—	56
Latin America[(2)]	**42**	**—**	**12**	**54**	38	—	12	50
Rest of the World	**56**	**1**	**2**	**59**	51	1	2	54
Total	**1,272**	**12**	**86**	**1,370**	1,107	16	92	1,215

(1) Greater China includes China, Hong Kong, Taiwan and Macau.

(2) Latin America includes South America, Central America and Mexico.

Greater China continues to be the Company's second largest market, measured by revenues, with approximately 33% of overall revenues generated from the Company's China operations in 2017. As at December 31, 2017, the Company had 544 theaters operating in Greater China with an additional 309 theaters in backlog that are scheduled to be installed in Greater China by 2022. The Company's backlog in Greater China represents 61.9% of the Company's current backlog. The

Company's largest single international partnership is in China with Wanda Film, formely Wanda Cinema Line Corporation ("**Wanda**"). Wanda's total commitment to the Company is for 359 theater systems in Greater China (of which 343 theater systems are under the parties' joint revenue sharing arrangement). See Risk Factors — "The Company faces risks in connection with the continued expansion of its business in China" in Item 1A of Part I of this 2017 Form 10-K.

The following table outlines the breakdown of the Commercial Multiplex theater network by arrangement type and geographic location as at December 31:

	2017 IMAX Commercial Multiplex Theater Network				
	Traditional JRSA	**Hybrid JRSA**	**Total JRSA**	**Sale/ Sales-type lease**	**Total**
Domestic Total (United States & Canada)	**273**	**4**	**277**	**124**	**401**
International:					
Greater China	**260**	**80**	**340**	**187**	**527**
Asia (excluding Greater China)	**35**	**23**	**58**	**42**	**100**
Western Europe	**31**	**24**	**55**	**33**	**88**
Russia & the CIS	**—**	**—**	**—**	**58**	**58**
Latin America	**—**	**—**	**—**	**42**	**42**
Rest of the World	**14**	**3**	**17**	**39**	**56**
International Total	**340**	**130**	**470**	**401**	**871**
Worldwide Total	**613**	**134**	**747**	**525**	**1,272**

	2016 IMAX Commercial Multiplex Theater Network				
	JRSA	Hybrid JRSA	Total JRSA	Sale/ Sales-type lease	Total
Domestic Total (United States & Canada)	262	4	266	120	386
International:					
Greater China	195	66	261	146	407
Asia (excluding Greater China)	34	20	54	39	93
Western Europe	21	23	44	32	76
Russia & the CIS	—	—	—	56	56
Latin America	—	—	—	38	38
Rest of the World	13	2	15	36	51
International Total	263	111	374	347	721
Worldwide Total	525	115	640	467	1,107

As at December 31, 2017, 277 (2016 — 266) of the 747 (2016 — 640) theaters under joint revenue sharing arrangements in operation, or 37.1% (2016 — 41.6%) were located in the United States and Canada, with the remaining 470 (2016 — 374) or 62.9% (2016 — 58.4%) of arrangements being located in international markets.

The following table outlines the breakdown of the total backlog by arrangement type and geographic location as at December 31:

	2017 IMAX Theater Backlog				
	JRSA	**Hybrid JRSA**	**Total JRSA**	**Sale/ Lease**	**Total**
Domestic Total (United States & Canada)	**37**	**3**	**40**	**9**	**49**
International:					
Greater China	**134**	**102**	**236**	**73**	**309**
Asia (excluding Greater China)	**6**	**11**	**17**	**20**	**37**
Western Europe	**33**	**4**	**37**	**8**	**45**
Latin America	**—**	**—**	**—**	**17**	**17**
Rest of the World	**6**	**1**	**7**	**35**	**42**
International Total	**179**	**118**	**297**	**153**	**450**
Worldwide Total	**216**	**121**	**337**	**162**	**499**

	2016 IMAX Theater Backlog				
	JRSA	Hybrid JRSA	Total JRSA	Sale/ Lease	Total
Domestic Total (United States & Canada)	48	3	51	10	61
International:					
Greater China	199	76	275	59	334
Asia (excluding Greater China)	4	8	12	20	32
Western Europe	7	5	12	6	18
Russia & the CIS	—	—	—	18	18
Latin America	—	—	—	15	15
Rest of the World	5	—	5	15	20
International Total	215	89	304	133	437
Worldwide Total	263	92	355	143	498

Approximately 90.2% of IMAX theater system arrangements in backlog as at December 31, 2017 are scheduled to be installed in international markets (2016 — 87.8%).

RESULTS OF OPERATIONS

Results of Operations Discussion for the Three Years Ended December 31, 2017

The Company reported net income of $12.5 million, or $0.19 per basic and diluted share, for the year ended December 31, 2017, as compared to net income of $39.3 million, or $0.58 per basic and diluted share, for the year ended December 31, 2016 and net income of $64.6 million, or $0.92 per basic share and $0.90 per diluted share, for the year ended December 31, 2015.

Net income for the year ended December 31, 2017 includes a $22.7 million charge, or $0.35 per diluted share (2016 — $30.5 million, or $0.45 per diluted share; 2015 — $21.9 million or $0.31 per diluted share), for stock-based compensation and a $16.2 million charge, or $0.25 per diluted share for exit costs, restructuring charges and associated impairments (2016 — $nil; 2015 — $nil). In 2017, the Company also recognized a $9.3 million, or $0.14 per diluted share, non-recurring tax charge as the Company re-measured its deferred tax assets and liabilities as of the date of enactment of the recently passed Tax Act.

Adjusted net income, which consists of net income excluding the impact of stock-based compensation, exit costs, restructuring charges and associated impairments, the related tax impact of these adjustments, and tax charge from the provisional re-measurement of U.S. deferred tax assets and liabilities given changes enacted by the Tax Act, was $51.5 million, or $0.79 per diluted share, for the year ended December 31, 2017 as compared to adjusted net income of $61.1 million, or $0.90 per diluted share, for the year ended December 31, 2016 and $82.4 million, or $1.15 per diluted share, for the year ended December 31, 2015.

The Company reported net income attributable to common shareholders of $2.3 million, or $0.04 per basic share and diluted share for the year ended December 31, 2017 (2016 — $28.8 million, or $0.43 per basic share and $0.42 per diluted share; 2015 — $55.8 million, or $0.79 per basic share and $0.78 per diluted share).

Adjusted net income attributable to common shareholders, which consists of net income attributable to common shareholders excluding the impact of stock-based compensation, exit costs, restructuring charges and associated impairments, the related tax impact of these adjustments, and tax charge from the provisional re-measurement of U.S. deferred tax assets and liabilities given changes enacted by the Tax Act, was $40.5 million, or $0.62 per diluted share, for the year ended December 31, 2017 as compared to adjusted net income attributable to common shareholders of $50.0 million, or $0.73 per diluted share, for the year ended December 31, 2016 and $73.0 million, or $1.02 per diluted share, for the year ended December 31, 2015.

A reconciliation of net income and net income attributable to common shareholders, the most directly comparable U.S. GAAP measure, to adjusted net income, adjusted net income per diluted share, adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share is presented in the table below:

	Years Ended December 31,					
	2017		2016		2015	
	Net Income	**Diluted EPS**	Net Income	Diluted EPS	Net Income	Diluted EPS
Reported net income	**$ 12,518**	**$ 0.19**	$ 39,320	$ 0.58	$ 64,624	$ 0.90
Adjustments:						
Stock-based compensation	**22,653**	**0.35**	30,523	0.45	21,880	0.31
Exit costs, restructuring charges and associated impairments	**16,174**	**0.25**	—	—	—	—
Tax impact on items listed above	**(9,218)**	**(0.14)**	(8,783)	(0.13)	(4,056)	(0.06)
Impact of enactment of U.S. Tax Act	**9,323**	**0.14**	—	—	—	—
Adjusted net income	**51,450**	**0.79**	61,060	0.90	82,448	1.15
Net income attributable to non-controlling interests[(1)]	**(10,174)**	**(0.16)**	(10,532)	(0.16)	(8,780)	(0.12)
Stock-based compensation (net of tax of $0.2 million, $0.2 million and $0.2 million, respectively)[(1)]	**(620)**	**(0.01)**	(533)	(0.01)	(703)	(0.01)
Exit costs, restructuring charges and associated impairments (net of tax of $0.1 million)[(1)]	**(181)**	**—**	—	—	—	—
Adjusted net income attributable to common shareholders	**$ 40,475**	**$ 0.62**	$ 49,995	$ 0.73	$ 72,965	$ 1.02
Weighted average diluted shares outstanding		**65,540**		68,263		71,058

(1) Reflects amounts attributable to non-controlling interests.

Revenues and Gross Margin

The Company's revenues for the year ended December 31, 2017 increased to $380.8 million from $377.3 million in 2016. The gross margin across all segments in 2017 was $185.2 million, or 48.7% of total revenue, compared to $202.7 million, or 53.7% of total revenue in 2016. Impairment charges included in gross margin for the year ended December 31, 2017 were $19.7 million, of which $13.0 million related to new business initiatives, or 5.2% of total revenue, compared to $3.7 million, of which $nil related to new business initiatives, or 1.0% of total revenue in the year ended December 31, 2016. Impacting the gross margin in 2017, was a gross loss experienced in the Company's new business segment mainly due to the impairment charges discussed above.

The Company's revenues for the year ended December 31, 2016 increased to $377.3 million from $373.8 million in 2015, largely due to an increase in revenues from the Company's theater business. The gross margin across all segments in 2016 was $202.7 million, or 53.7% of total revenue, compared to $219.3 million, or 58.7% of total revenue in 2015. Impacting the gross margin in 2016 was the lower revenues experienced in the Company's network business largely due to weaker box-office performance, particularly in the China region. Gross box-office is a significant driver of the Company's business as the impact of film performance affects multiple reporting segments, as discussed below.

Network Business

Gross box-office generated by IMAX DMR films increased 1.1% to $976.5 million in 2017 from $965.6 million in 2016. The 2016 gross box-office generated was 2.1% lower than the $985.3 million in 2015. In 2017, gross box-office was generated primarily from the exhibition of 67 films (60 new and 7 carryovers), as compared to 58 films (51 new and 7 carryover) exhibited in 2016 and 57 films (44 new and 13 carryover) exhibited in 2015. In recent years, the Company has experienced weaker gross box-office particularly in the China region resulting from both film performance and unfavorable exchange rates.

Income Taxes

The Company's Chinese subsidiary has made certain enquiries of the Chinese State Administration of Taxation regarding the potential deductibility of certain stock based compensation for stock options issued by the Chinese subsidiary's parent company, IMAX China. In addition, Chinese regulatory authorities responsible for capital and exchange controls will need to review and approve the proposed transactions before they can be completed. There may be a requirement for future investment of funds into China in order to secure the deduction. Should the Company proceed, any such future investment would come from existing capital invested in the IMAX China group of companies being redeployed amongst the IMAX China group of companies, including the Chinese subsidiary. The Company is unable to reliably estimate the magnitude of the related tax benefits at this time.

Non-Controlling Interests

The Company's consolidated financial statements include the non-controlling interest in the net income of IMAX China resulting from the IMAX China Investment and the IMAX China IPO as well as the impact of non-controlling interests in its subsidiaries created for the Film Fund and VR Content Fund activity. For the year ended December 31, 2017, the net income attributable to non-controlling interests of the Company's subsidiaries was $10.2 million (2016 — $10.5 million; 2015 — $8.8 million).

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As at December 31, 2017, the Company's principal sources of liquidity included cash and cash equivalents of $158.7 million, the Credit Facility, anticipated collection from trade accounts receivable of $130.5 million including receivables from theaters under joint revenue sharing arrangements and DMR agreements with studios, anticipated collection from financing receivables due in the next 12 months of $27.0 million and payments expected in the next 12 months on existing backlog deals. As at December 31, 2017, the Company did not have any amount drawn on the Credit Facility (remaining availability of $200.0 million) and the Company had $25.7 million drawn on the Playa Vista Loan. There were no letters of credit and advance payment guarantees outstanding under the Credit Facility and the Bank of Montreal Facility. Cash held outside of North America as at December 31, 2017 was $119.4 million (December 31, 2016 — $117.4 million), of which $32.6 million was held in the People's Republic of China ("**PRC**") (December 31, 2016 — $31.5 million). The Company's intent is to permanently reinvest these amounts outside of Canada and the Company does not currently anticipate that it will need funds generated from foreign operations to fund North American operations. In the event funds from foreign operations are needed to fund operations in North America and if withholding taxes have not already been previously provided, the Company would be required to accrue and pay these additional withholding tax amounts on repatriation of funds from China to Canada. The Company currently estimates this amount to be $6.9 million.

ITEM 7A. QUANTITATIVE AND QUALITATIVE FACTORS ABOUT MARKET RISK

The Company is exposed to market risk from foreign currency exchange rates and interest rates, which could affect operating results, financial position and cash flows. Market risk is the potential change in an instrument's value caused by, for example, fluctuations in interest and currency exchange rates. The Company's primary market risk exposure is the risk of unfavorable movements in exchange rates between the U.S. dollar, the Canadian dollar and the Chinese Yuan Renminbi. The Company does not use financial instruments for trading or other speculative purposes.

Foreign Exchange Rate Risk

A majority of the Company's revenue is denominated in U.S. dollars while a significant portion of its costs and expenses is denominated in Canadian dollars. A portion of the Company's net U.S. dollar cash flows is converted to Canadian dollars to fund Canadian dollar expenses through the spot market. In addition, IMAX films generate box office in 75 different countries, and therefore unfavorable exchange rates between applicable local currencies and the U.S. dollar could have an impact on the Company's reported gross box office and revenues. The Company has incoming cash flows from its revenue generating theaters and ongoing operating expenses in China through its majority-owned subsidiary IMAX (Shanghai) Multimedia Technology Co., Ltd. In Japan, the Company has ongoing Yen-denominated operating expenses related to its Japanese operations. Net Renminbi and Japanese Yen cash flows are converted to U.S. dollars through the spot market. The Company also has cash receipts under leases denominated in Renminbi, Japanese Yen, Euros and Canadian dollars.

The Company's subsidiaries, IMAX (Shanghai) Multimedia Technology Co., Ltd. and IMAX (Shanghai) Theatre Technology Services Co. Ltd., held approximately 213.0 million Renminbi ($32.6 million U.S. dollars) in cash and cash equivalents in the PRC as at December 31, 2017 (December 31, 2016 — 218.2 million Renminbi or $31.5 million U.S. dollars) and are required to transact locally in Renminbi. Foreign currency exchange transactions, including the remittance of any funds into and out of the PRC, are subject to controls and require the approval of the China State Administrative of Foreign Exchange to complete. Any developments relating to the Chinese economy and any actions taken by the China government are beyond the control of the Company, however, the Company monitors and manages its capital and liquidity requirements to ensure compliance with local regulatory and policy requirements.

IMAX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars)

	As at December 31, 2017	2016
Assets		
Cash and cash equivalents	**$ 158,725**	$ 204,759
Accounts receivable, net of allowance for doubtful accounts of $1,613 (December 31, 2016 — $1,250)	**130,546**	96,349
Financing receivables (notes 4 and 19(c))	**129,494**	122,125
Inventories (note 5)	**30,788**	42,121
Prepaid expenses	**7,549**	6,626
Film assets (note 6)	**5,026**	16,522
Property, plant and equipment (note 7)	**276,781**	245,415
Other assets (notes 8 and 19(e))	**26,757**	33,195
Deferred income taxes (note 9)	**30,708**	20,779
Other intangible assets (note 10)	**31,211**	30,416
Goodwill	**39,027**	39,027
Total assets	**$ 866,612**	$ 857,334
Liabilities		
Bank indebtedness (note 11)	**$ 25,357**	$ 27,316
Accounts payable	**24,235**	19,990
Accrued and other liabilities (notes 6, 12, 13, 14(c), 19(b), 19(d), 20 and 22)	**100,140**	93,208
Deferred revenue	**113,270**	90,266
Total liabilities	**263,002**	230,780
Commitments and contingencies (notes 12 and 13)		
Non-controlling interests (note 21)	**1,353**	4,980
Shareholders' equity		
Capital stock (note 14) common shares — no par value. Authorized — unlimited number. 64,902,201 — issued and 64,695,550 — outstanding (December 31, 2016 — 66,224,467 — issued and 66,159,902 — outstanding)	**445,797**	439,213
Less: Treasury stock, 206,651 shares at cost (December 31, 2016 — 64,565)	**(5,133)**	(1,939)
Other equity	**175,300**	177,304
Accumulated deficit	**(87,592)**	(47,366)
Accumulated other comprehensive loss	**(626)**	(5,200)
Total shareholders' equity attributable to common shareholders	**527,746**	562,012
Non-controlling interests (note 21)	**74,511**	59,562
Total shareholders' equity	**602,257**	621,574
Total liabilities and shareholders' equity	**$ 866,612**	$ 857,334

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

IMAX CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except per share amounts)

	Years Ended December 31, **2017**	2016	2015
Revenues			
Equipment and product sales (note 15(c))	**$ 103,294**	$ 122,382	$ 118,937
Services (note 15(c))	**195,594**	166,862	161,964
Rentals (note 15(c))	**72,281**	77,315	83,651
Finance income	**9,598**	9,500	9,112
Other (note 15(a))	**—**	1,275	141
	380,767	377,334	373,805
Costs and expenses applicable to revenues (note 2(m))			
Equipment and product sales	**48,172**	69,680	63,635
Services (note 15(c))	**120,629**	83,780	70,855
Rentals	**26,720**	21,086	20,027
Other	**—**	110	—
	195,521	174,656	154,517
Gross margin	**185,246**	202,678	219,288
Selling, general and administrative expenses (note 15(b)) (including share-based compensation expense of $20.4 million, $30.5 million and $21.9 million for 2017, 2016 and 2015, respectively)	**110,400**	124,745	115,345
Research and development	**20,855**	16,315	12,730
Amortization of intangibles	**3,019**	2,079	1,860
Receivable provisions, net of recoveries (note 16)	**2,647**	954	752
Asset impairments (notes 7 and 19(e))	**1,225**	417	830
Exit costs, restructuring charges and associated impairments (note 22)	**16,174**	—	—
Income from operations	**30,926**	58,168	87,771
Interest income	**1,027**	1,490	968
Interest expense	**(1,942)**	(1,805)	(1,661)
Income from operations before income taxes	**30,011**	57,853	87,078
Provision for income taxes	**(16,790)**	(16,212)	(20,052)
Loss from equity-accounted investments, net of tax	**(703)**	(2,321)	(2,402)
Net income	**12,518**	39,320	64,624
Less: net income attributable to non-controlling interests (note 21)	**(10,174)**	(10,532)	(8,780)
Net income attributable to common shareholders	**$ 2,344**	$ 28,788	$ 55,844
Net income per share attributable to common shareholders — basic and diluted: (note 14(d))			
Net income per share — basic	**$ 0.04**	$ 0.43	$ 0.79
Net income per share — diluted	**$ 0.04**	$ 0.42	$ 0.78

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

IMAX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of U.S. dollars)

	Years Ended December 31, **2017**	2016	2015
Net income	**$ 12,518**	$ 39,320	$ 64,624
Unrealized defined benefit plan actuarial gain (note 20(a))	**1,004**	159	180
Unrealized postretirement benefit plans actuarial gain (notes 20(c) and 20(d))	**125**	184	79
Amortization of postretirement benefit plan actuarial loss (note 20(c))	**—**	69	135
Unrealized net gain (loss) from cash flow hedging instruments (note 19(d))	**2,545**	1,049	(5,881)
Realization of cash flow hedging net (gain) loss upon settlement (note 19(d))	**(824)**	3,078	3,217
Foreign currency translation adjustments (note 2)	**3,618**	(2,851)	(2,121)
Other comprehensive income (loss), before tax	**6,468**	1,688	(4,391)
Income tax (expense) benefit related to other comprehensive income (loss) (note 9(h))	**(746)**	(1,180)	511
Other comprehensive income (loss), net of tax	**5,722**	508	(3,880)
Comprehensive income	**18,240**	39,828	60,744
Less: Comprehensive income attributable to non-controlling interests	**(11,322)**	(8,797)	(9,196)
Comprehensive income attributable to common shareholders	**$ 6,918**	$ 31,031	$ 51,548

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

IMAX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Years Ended December 31,		
	2017	2016	2015
Cash provided by (used in):			
Operating Activities			
Net income	**$ 12,518**	$ 39,320	$ 64,624
Adjustments to reconcile net income to cash from operations:			
Depreciation and amortization (notes 17(c) and 18(a))	**66,807**	46,485	42,803
Write-downs, net of recoveries (notes 17(d) and 18(a))	**29,568**	5,940	3,725
Change in deferred income taxes	**(4,017)**	4,940	(1,336)
Stock and other non-cash compensation	**24,075**	31,586	22,379
Unrealized foreign currency exchange (gain) loss	**(502)**	462	785
Loss from equity-accounted investments	**306**	2,685	3,838
Gain on non-cash contribution to equity-accounted investees	**397**	(364)	(1,436)
Investment in film assets	**(34,645)**	(22,308)	(15,119)
Changes in other non-cash operating assets and liabilities (note 17(a))	**(9,141)**	(30,874)	(36,058)
Net cash provided by operating activities	**85,366**	77,872	84,205
Investing Activities			
Purchase of property, plant and equipment	**(24,143)**	(15,278)	(43,257)
Investment in joint revenue sharing equipment	**(42,634)**	(42,910)	(28,474)
Investment in new business ventures	**(1,606)**	(1,911)	(2,000)
Acquisition of other intangible assets	**(5,214)**	(4,787)	(5,065)
Net cash used in investing activities	**(73,597)**	(64,886)	(78,796)
Financing Activities			
Increase in bank indebtedness (note 11)	**—**	—	25,290
Repayment of bank indebtedness (note 11)	**(2,000)**	(2,000)	(333)
Repurchase of common shares	**(46,140)**	(116,518)	(34,276)
Settlement of restricted share units and options	**(20,331)**	(17,889)	(10,000)
Exercise of stock options	**16,668**	13,113	35,609
Taxes paid on secondary sales and repatriation dividend	**—**	(2,443)	—
Treasury stock repurchased for future settlement of restricted share units	**(5,133)**	(1,996)	—
Taxes withheld and paid on employee stock awards vested	**(600)**	(528)	(520)
Issuance of subsidiary shares to non-controlling interests — private offering	**—**	2,479	40,000
Share issuance costs from the issuance of subsidiary shares to non-controlling interests — private offering	**—**	—	(2,000)
Issuance of subsidiary shares to non-controlling interests — public offering	**—**	—	178,226
Share issuance expenses — public offering	**—**	—	(16,257)
Dividends paid to non-controlling interests	**—**	—	(9,511)
Credit facility amendment fees paid	**—**	—	(1,533)
Net cash (used in) provided by financing activities	**(57,536)**	(125,782)	204,695
Effects of exchange rate changes on cash	**(267)**	106	842
(Decrease) increase in cash and cash equivalents during year	**(46,034)**	(112,690)	210,946
Cash and cash equivalents, beginning of year	**204,759**	317,449	106,503
Cash and cash equivalents, end of year	**$ 158,725**	$ 204,759	$ 317,449

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

IMAX CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars)

	Common Shares Issued and Outstanding	Capital Stock	Other Equity	Accumulated (Deficit) Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Shareholders' Equity
Balance as at December 31, 2014	**68,988,050**	**$ 344,862**	**$ 47,319**	**$ (6,259)**	**$ (3,147)**	**$ —**	**$ 382,775**
Net income	—	—	—	64,624	—	—	64,624
Other comprehensive loss, net of tax	—	—	—	—	(4,296)	416	(3,880)
Net income attributable to non-controlling interests	—	—	—	(8,780)	—	9,113	333
Paid-in capital for non-employee stock options granted	—	—	81	—	—	—	81
Employee stock options exercised	1,650,643	49,756	(14,278)	—	—	—	35,478
Non-employee stock options exercised	9,000	206	(75)	—	—	—	131
Paid-in capital for employee stock options granted	—	—	12,225	—	—	—	12,225
Paid-in capital for restricted share units granted	—	—	8,075	—	—	—	8,075
Restricted share units vested (net of shares withheld for tax)	25,551	626	(1,151)	—	—	—	(525)
Restricted share units vested and issued to employees purchased on open market	—	—	(6,203)	—	—	—	(6,203)
Stock options exercises settled from treasury shares purchased on open market	—	—	(3,797)	—	—	—	(3,797)
Repurchase of common shares	(1,000,000)	(5,390)	—	(28,886)	—	—	(34,276)
Accretion charges associated with redeemable common stock	—	—	—	(769)	—	—	(769)
Utilization of windfall tax benefits from vested restricted share units and expensed stock options	—	—	529	—	—	—	529
Issuance of subsidiary shares, initial public offering	—	71,291	106,935	—	—	—	178,226
Share issuance expenses, initial public offering	—	(13,041)	(3,216)	—	—	—	(16,257)
Dividends paid	—	—	—	—	—	(9,511)	(9,511)
Tax impact of sale of subsidiary shares in initial public offering	—	—	(12,450)	—	—	—	(12,450)
Reduction in non-controlling interest value upon qualified initial public offering	—	—	29,100	—	—	(29,100)	—
Conversion of Class C Shares upon initial public offering	—	—	—	—	—	79,041	79,041
Balance as at December 31, 2015	**69,673,244**	**$ 448,310**	**$ 163,094**	**$ 19,930**	**$ (7,443)**	**$ 49,959**	**$ 673,850**
Retrospective adjustment related to forfeiture rates	—	—	5,331	(4,431)	—	—	900
Net income	—	—	—	39,320	—	—	39,320
Other comprehensive income, net of tax	—	—	—	—	2,243	(1,735)	508
Net income attributable to non-controlling interests	—	—	—	(10,532)	—	11,338	806
Paid-in capital for non-employee stock options granted	—	—	30	—	—	—	30
Employee stock options exercised	347,814	11,431	(3,139)	—	—	—	8,292
Fair value of stock options exercised at the grant date	—	3,139	—	—	—	—	3,139
Paid-in capital for employee stock options granted	—	—	13,766	—	—	—	13,766
Paid-in capital for restricted share units granted	—	—	16,493	—	—	—	16,493
Restricted share units vested (net of shares withheld for tax)	52,631	1,198	(14,731)	—	—	—	(13,533)
Stock options exercises settled from treasury shares purchased on open market	—	—	(5,224)	—	—	—	(5,224)
Cash received from the issuance of common shares in excess of par value	—	—	1,684	—	—	—	1,684
Repurchase of common shares	(3,849,222)	(24,865)	—	(91,653)	—	—	(116,518)
Shares held in treasury	(64,565)	(1,939)	—	—	—	—	(1,939)
Balance as at December 31, 2016	**66,159,902**	**$ 437,274**	**$ 177,304**	**$ (47,366)**	**$ (5,200)**	**$ 59,562**	**$ 621,574**
Retrospective adjustment related to intra-entity transfers	—	—	—	(8,314)	—	—	(8,314)
Net income	—	—	—	12,518	—	—	12,518
Other comprehensive income, net of tax	—	—	—	—	4,574	1,148	5,722
Net income attributable to non-controlling interests	—	—	—	(10,174)	—	13,801	3,627
Paid-in capital for non-employee stock options granted	—	—	17	—	—	—	17
Employee stock options exercised	405,229	14,652	(3,542)	—	—	—	11,110
Fair value of stock options exercised at the grant date	—	3,542	—	—	—	—	3,542
Paid-in capital for employee stock options granted	—	—	5,496	—	—	—	5,496
Paid-in capital for restricted share units granted	—	—	17,157	—	—	—	17,157
Restricted share units vested (net of shares withheld for tax)	7,127	274	(14,756)	—	—	—	(14,482)
Stock options exercises settled from treasury shares purchased on open market	66,093	—	(8,393)	—	—	—	(8,393)
Cash received from the issuance of common shares in excess of par value	—	—	2,017	—	—	—	2,017
Repurchase of common shares	(1,736,150)	(11,884)	—	(34,256)	—	—	(46,140)
Shares held in treasury	(206,651)	(3,194)	—	—	—	—	(3,194)
Balance as at December 31, 2017	**64,695,550**	**$ 440,664**	**$ 175,300**	**$ (87,592)**	**$ (626)**	**$ 74,511**	**$ 602,257**

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

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

9. Income Taxes

(a) Income (loss) before income taxes by tax jurisdiction are comprised of the following:

	Years Ended December 31, 2017	2016	2015
Canada	**$ (17,261)**	$ 21,002	$ 41,099
United States	**(11,895)**	505	4,504
China	**50,410**	41,224	45,818
Ireland	**3,632**	(9,768)	(10,581)
Other	**5,125**	4,890	6,238
	$ 30,011	$ 57,853	$ 87,078

(b) The provision for income taxes related to income (loss) before income taxes is comprised of the following:

	Years Ended December 31, 2017	2016	2015
Current:			
Canada	**$ (6,898)**	$ (1,396)	$ (10,862)
United States	**267**	1,756	985
China	**(12,724)**	(10,131)	(10,591)
Ireland	**(735)**	(405)	—
Other	**(717)**	(1,093)	(920)
	(20,807)	(11,269)	(21,388)
Deferred:[1]			
Canada	**8,748**	(3,583)	(518)
United States	**(7,109)**	(4,359)	147
China	**1,405**	776	(83)
Ireland	**1,085**	2,352	1,840
Other	**(112)**	(129)	(50)
	4,017	(4,943)	1,336
	$ (16,790)	$ (16,212)	$ (20,052)

(1) For the year ended December 31, 2017, the Company has not adjusted the valuation allowance from the prior year (2016 — $0.1 million decrease) relating to the future utilization of deductible temporary differences, tax credits, and certain net operating loss carryforwards. Also included in the provision for income taxes is the deferred tax related to amounts recorded in and reclassified from other comprehensive income in the year of $0.7 million.

13. Contingencies and Guarantees

(a) In March 2013, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("IMAX Shanghai"), the Company's majority-owned subsidiary in China, received notice from the Shanghai office of the General Administration of Customs ("Customs Authority") that it had been selected for a customs audit (the "Audit"). In the course of the Audit, the Customs Authority discovered the underpayment by IMAX Shanghai of the freight and insurance portion of the customs duties and taxes applicable to the importation of certain IMAX theater systems during the period from October 2011 through March 2013. Though IMAX Shanghai's importation agent accepted responsibility for the error giving rise to the underpayment, the matter was transferred first to the Anti-Smuggling Bureau (the "ASB") of the Customs Authority and then to the Third Division of Shanghai People's Procuratorate for further review. During the year ended December 31, 2017, at the request of the ASB, IMAX Shanghai paid approximately $0.15 million to the ASB to satisfy the amount owing as a result of the underpayment. Given that the amount of the underpayment exceeds RMB 200,000 (the applicable ASB threshold), the Company has been advised that the matter may be treated as a criminal rather than as an administrative matter. During the year ended December 31, 2017, IMAX Shanghai recorded an estimate of $0.3 million in respect of fines that it believes are likely to result from the matter. IMAX Shanghai has been advised that the range of potential penalties is between three and five times the underpayment depending on whether the matter is assessed as criminal or administrative; however, the actual amount of any fines or other penalties remains unknown and the Company cautions that these actual fines or other penalties maybe be greater or less than the amount accrued or the expected range.

14(c). Stock-Based Compensation

The Company issues stock-based compensation to eligible employees, directors, and consultants under the IMAX Corporation Amended and Restated Long-Term Incentive Plan (the "IMAX LTIP") and the China Long-Term Incentive Plan (the "China LTIP") as summarized below.

A separate stock option plan, the China LTIP, was adopted by a subsidiary of the Company in October 2012.

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

The China LTIP was adopted by IMAX China Holding, Inc. ("IMAX China"), a subsidiary of the Company, in October 2012. Each stock option ("China Option"), RSU or cash settled share-based payment ("CSSBP") issued under the China LTIP represents an opportunity to participate economically in the future growth and value creation of IMAX China. Prior to the initial public offering of IMAX China on October 8, 2015 (the "IMAX China IPO"), the China Options and CSSBPs issued by IMAX China operated in tandem with options granted to certain employees of IMAX China under the Company's SOP and the IMAX LTIP ("Tandem Options").

During 2015, no Tandem Options were granted in conjunction with China Options or CSSBPs. Immediately prior to the IMAX China IPO, there were 186,446 outstanding and unvested Tandem Options issued under the Company's SOP and IMAX LTIP with a weighted average exercise price of $23.70 per share. The Tandem Options had a maximum contractual life of 7 years. The total fair value of the Tandem Options granted with respect to the China LTIP was $1.9 million. The Company was recognizing this expense over a 5-year period.

Pursuant to their terms, upon the occurrence of a qualified initial public offering, the 186,446 Tandem Options issued would forfeit immediately and the related charge would be reversed. As a result of the IMAX China IPO on October 8, 2015, the 186,446 Tandem Options with an average price of $23.70 per share were forfeited immediately. The Company recorded a recovery of $0.6 million in 2015 (2014 — $0.3 million expense) related to the forfeiture of Tandem Options issued under the Company's SOP and IMAX LTIP.

The Company subsequently recognized an immediate charge related to the vesting of China Options and certain CSSBPs for China employees. The total fair value of the China Options and CSSBP awards granted with respect to the China LTIP was $3.9 million and $2.1 million, respectively. During the fourth quarter of 2015, a charge of $2.1 million and $1.4 million was recorded relating to the China Options and CSSBPs, respectively. The remaining charge was recognized over the related requisite period. The CSSBPs represent the right to receive cash payments in an amount equal to a certain percentage of the excess of the total equity value of IMAX China based on the per share price in the IMAX China IPO over the strike price of the CSSBPs. The CSSBPs were issued in conjunction with the China LTIP, with similar terms and conditions as the China Options. The CSSBP awards are accounted as liability awards, however the fair value of the liability is fixed at the time of the initial public offering. During 2017, the remaining balance of the CSSBPs vested and were settled in cash for $0.6 million (2016 — $0.5 million).

In connection with the IMAX China IPO and in accordance with the China LTIP, IMAX China adopted a post-IPO share option plan and a post-IPO restricted stock unit plan. Pursuant to these plans, IMAX China has issued additional China Options and China LTIP Restricted Share Units ("China RSUs").

The following table summarizes the expense related to China Options, China RSUs, CSSBPs and any accrued liability related to CSSBPs:

	Years Ended December 31,		
	2017	2016	2015
Expense			
China Options	**$ 1,034**	$ 971	$ 2,136
China RSUs	**1,124**	518	—
CSSBPs	**353**	429	1,357
CSSBPs liability	**$ —**	$ 289	$ 395

18. Segmented Information

(b) Geographic Information

Revenue by geographic area is based on the location of the customer. Revenue related to IMAX DMR is presented based upon the geographic location of the theaters that exhibit the re-mastered films. IMAX DMR revenue is generated through contractual relationships with studios and other third parties and these may not be in the same geographical location as the theater.

	Years Ended December 31,		
	2017	2016	2015
Revenue			
United States	**$ 135,153**	$ 129,844	$ 136,017
Greater China	**126,474**	118,532	110,591
Canada	**12,812**	12,822	11,665
Western Europe	**32,765**	36,286	39,569
Asia (excluding Greater China)	**35,896**	35,283	38,143
Russia & the CIS	**11,054**	14,908	12,412
Latin America	**10,963**	12,191	10,179
Rest of the World	**15,650**	17,468	15,229
Total	**$ 380,767**	$ 377,334	$ 373,805

No single country in the Rest of the World, Western Europe, Latin America and Asia (excluding Greater China) classifications comprise more than 10% of total revenue.

	As at December 31	
	2017	2016
Property, plant and equipment		
United States	**$ 105,594**	$ 104,083
Greater China	**84,619**	69,751
Canada	**51,862**	39,467
Western Europe	**19,480**	19,308
Asia (excluding Greater China)	**8,793**	8,460
Rest of the World	**6,433**	4,346
Total	**$ 276,781**	$ 245,415

21. Non-Controlling Interests

(a) IMAX China Non-Controlling Interest

In 2015, IMAX China completed the IMAX China IPO. Following the IMAX China IPO, the Company continues to indirectly own approximately 67.93% of IMAX China, which remains a consolidated subsidiary of the Company.

The following summarizes the movement of the non-controlling interest in temporary equity, in the Company's subsidiary:

Balance as at January 1, 2015	$	40,272
Issuance of subsidiary shares to a non-controlling interest		40,000
Share issuance costs from the issuance of subsidiary shares to a non-controlling interest		(2,000)
Net income prior to IMAX China IPO		5,401
Other comprehensive income prior to IMAX China IPO		164
Accretion charges associated with redeemable common stock		769
Redemption of redeemable common stock upon qualified IPO		(84,606)
Balance as at October 7, 2015	$	—

The following summarizes the movement of the non-controlling interest in shareholders' equity, in the Company's subsidiary:

Balance as at October 8, 2015	$	84,606
Net income after IMAX China IPO		3,712
Other comprehensive income after IMAX China IPO		252
Dividends paid to non-controlling shareholders		(9,511)
Reduction in value due to qualified initial public offering		(29,100)
Balance as at December 31, 2015	$	49,959
Net income		11,338
Other comprehensive loss, net of tax		(1,735)
Balance as at December 31, 2016	$	59,562
Net income		13,801
Other comprehensive income		1,148
Balance as at December 31, 2017	$	74,511"

(2) EARNINGS RELEASE EXTRACTS

"We saw tangible improvements to box office performance and operating leverage in the second half last year, largely the result of our implementing several initiatives aimed at refining our programming strategy and containing costs," said Richard L. Gelfond, IMAX CEO. "IMAX domestic box office increased 17% in the second half, compared to an exhibitor industry decline of 6%. In international markets, we grew box office 14% over the same period. We believe this underscores the IMAX consumer value proposition for compelling content and highlights the importance of analyzing our results separately from the overall industry's. Moreover, our growing international presence in markets such as Japan — a market that housed our single strongest-performing theater last year — continued to contribute meaningfully to our overall results."

Full-Year 2017 Results

The full-year systems installation total was 170 theater systems, of which 5 were upgrades, compared with 182 and 16, respectively, in the prior-year period. Continuing to build upon the Company's record signings momentum from 2016, IMAX signed contracts for 177 theaters in 2017, across 35 countries, resulting in 499 theater systems in backlog as of Dec. 31, 2017, compared to 498 theater systems in backlog as of Dec. 31, 2016. The Company's top three markets for signings during 2017 were China, Germany and India. For a breakdown of theater system signings, installations, network and backlog by type, please see the end of this press release.

"As we look to 2018, our primary focus is on expanding the earnings power of our core business," said Gelfond. "We believe the combination of the initiatives we implemented last year, coupled with a growing international presence and reduced spend on non-core businesses and R&D, should help facilitate operating leverage in the future. Our overarching efforts this year are aimed at growing the network, controlling costs and generating more box office across our theaters. And I am pleased to say that 2018 is off to a solid start. We recently achieved record box office in February, led by *Black Panther*, which did $35 million in IMAX box office over the four-day opening weekend. In China, we exhibited three local-language titles during the Chinese New Year period and grew box office 60%, compared to the prior years' holiday."

OTHER INFORMATION

(in thousands of U.S. dollars)

Non-GAAP Financial Measures:

In this release, the Company presents adjusted net income, adjusted net income per diluted share, adjusted net income attributable to common shareholders, adjusted net income attributable to common shareholders per diluted share, EBITDA, Adjusted EBITDA per Credit Facility and Adjusted EBITDA per Credit Facility excluding "*Marvel's Inhumans*" as supplemental measures of performance of the Company, which are not recognized under U.S. GAAP.

The Company presents adjusted net income and adjusted net income per diluted share because it believes that they are important supplemental measures of its comparable controllable operating performance and it wants to ensure that its investors fully understand the impact of stock-based compensation (net of any related tax impact) and non-recurring charges on net income. In addition, the Company presents adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share because it believes that they are important supplemental measures of its comparable financial results. Without the presentation of these adjusted presentation measures the Company believe it could potentially distort the analysis of trends in business performance and it wants to ensure that its investors fully understand the impact of net income attributable to non-controlling interests, its stock-based and non-recurring charges in determining net income attributable to common shareholders. Management uses these measures to review operating performance on a comparable basis from period to period. However, these non-GAAP measures may not be comparable to similarly titled amounts reported by other companies. Adjusted net income, adjusted net income per diluted share, adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share should be considered in addition to, and not as a substitute for, net income and net income attributable to common shareholders and other measures of financial performance reported in accordance with U.S. GAAP.

A reconciliation of net income and net income attributable to common shareholders, the most directly comparable U.S. GAAP measure, to adjusted net income, adjusted net income per diluted share, adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share is presented in the table below:

	Year Ended December 31,			
	2017		2016	
	Net Income	**Diluted EPS**	Net Income	Diluted EPS
Reported net income	**$ 12,518**	**$ 0.19**	$ 39,320	$ 0.58
Adjustments:				
Stock-based compensation	**22,653**	**0.35**	30,523	0.45
Exit costs, restructuring charges and associated impairments	**16,174**	**0.25**	—	—
Tax impact on items listed above	**(9,218)**	**(0.14)**	(8,783)	(0.13)
Impact of enactment of U.S. Tax Act	**9,323**	**0.14**	—	—
Adjusted net income	**51,450**	**0.79**	61,060	0.90
Net income attributable to non-controlling interests	**(10,174)**	**(0.16)**	(10,532)	(0.16)
Stock-based compensation (net of tax of $0.2 million, and $0.2 million, respectively)	**(620)**	**(0.01)**	(533)	(0.01)
Exit costs, restructuring charges and associated impairments (net of tax of $0.1 million)	**(181)**	**—**	—	—
Adjusted net income attributable to common shareholders	**$ 40,475**	**$ 0.62**	$ 49,995	$ 0.73
Weighted average diluted shares outstanding		**65,540**		68,263

DEFINITIONS USED IN THIS ANNOUNCEMENT

“Annual Report”	the annual report of IMAX Corporation dated 27 February 2018
“Board” or “Board of Directors”	the board of directors of the Company
“Company” or “IMAX China”	IMAX China Holding, Inc., a company incorporated under the laws of the Cayman Islands with limited liability on 30 August 2010
“connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder”	shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires
“CG Code”	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
“Directors”	the directors of the Company and “Director” shall be construed accordingly as a director of the Company
“Earnings Call”	the earnings call by IMAX Corporation dated 27 February 2018
“Earnings Release”	the earnings release by IMAX Corporation dated 27 February 2018
“EBITDA”	profit for the year with adjustments for depreciation and amortization, interest income and income tax expense
“FY” or “financial year”	financial year ended or ending 31 December
“Global Offering”	the offering of the Shares on the Main Board of the Stock Exchange
“Greater China”	for the purposes of this document only, the PRC, Hong Kong, Macau and Taiwan
“Group”, “we”, “our” or “us”	the Company and its subsidiaries
“HK$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board

"IMAX Barbados"	IMAX (Barbados) Holding, Inc., a company incorporated in Barbados with limited liability on 18 August 2010 and a controlling shareholder of the Company
"IMAX Corporation" or the "Controlling Shareholder"	IMAX Corporation, a company incorporated in Canada with limited liability in 1967 and listed on the New York Stock Exchange (NYSE: IMAX) and our ultimate controlling shareholder, or where the context requires, any of its wholly-owned subsidiaries
"IMAX Hong Kong"	IMAX China (Hong Kong), Limited, a company incorporated in Hong Kong with limited liability on 12 November 2010, which changed its name to its present name on 16 March 2011 and a direct wholly-owned subsidiary of the Company
"IMAX Hong Kong Holding"	IMAX (Hong Kong) Holding, Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of IMAX Barbados
"IMAX Shanghai Multimedia"	IMAX (Shanghai) Multimedia Technology Co., Ltd., a wholly foreign-owned enterprise established under the laws of the PRC on 31 May 2011 and a direct wholly-owned subsidiary of IMAX Hong Kong
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	8 October 2015
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"PRC" or "China"	the People's Republic of China, but for the purposes of this document only, except where the context requires, references in this announcement to PRC or China exclude Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated 24 September 2015
"Services Agreements"	the services agreements entered into by each of IMAX Shanghai Multimedia and IMAX Hong Kong with IMAX Corporation, details of which are set out in "Connected Transactions — Exempt Connected Transactions" in the Prospectus

"Shareholder(s)"	holder(s) of Shares
"Share(s)"	Ordinary share(s) with a nominal value of US$0.0001 each in the share capital of the Company and a "**Share**" means any of them
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TCL-IMAX Entertainment"	TCL-IMAX Entertainment Co., Limited, a company incorporated in Hong Kong with limited liability on 3 January 2014, being the joint venture company jointly owned by IMAX Hong Kong Holding and Sino Leader (Hong Kong) Limited, which is wholly owned by TCL Multimedia Technology Holdings Limited
"Tier 1 Cities"	Beijing, Shanghai, Guangzhou and Shenzhen
"Tier 2 Cities"	Tianjin, Hangzhou, Suzhou, Chengdu, Ningbo, Qingdao, Nanjing, Wuhan, Wuxi, Changsha, Chongqing, Zhengzhou, Shenyang, Xi'an, Jinan
"Tier 3 Cities"	Shijiazhuang, Kunming, Dalian, Changchun, Hohhot, Taiyuan, Hefei, Fuzhou, Xiamen, Ha'erbin, Nanchang, Shantou, Zhuhai, Haikou, Sanya, Nanning, Guiyang, Lasa, Lanzhou, Xining, Yinchuan, Urumchi, Baoding, Jinhua, Yantai, Taizhou, Changzhou, Nantong, Shaoxing, Jiaxing, Quanzhou, Cangzhou, Zibo, Handan, Jining, Xuzhou, Langfang, Ordos, Zhongshan, Dongying, Yulin, Dezhou, Binzhou, Huzhou, Luoyang, Weihai, Xingtai, Dongguan, Foshan, Wenzhou, Weifang, Linyi, Tangshan and Baotou
"Tier 4 Cities"	all cities in the PRC at or above the prefecture-level other than Tier 1, Tier 2 and Tier 3 Cities
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"USD" or "US$" or "$"	U.S. dollars, the lawful currency of the United States of America

GLOSSARY

This glossary contains explanations of certain terms used in this announcement in connection with the Group and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

"3D"	three-dimensional
"backlog"	our backlog comprises the aggregate number of commitments for IMAX theatre installations pursuant to contracts we have entered into with exhibitors
"box office"	the gross aggregate proceeds from ticket sales received by the relevant exhibitor(s) in the relevant market(s) for the relevant type(s) of film. For example, the Greater China box office is the aggregate proceeds from ticket sales received by all exhibitors in Greater China, and the Greater China IMAX box office is the aggregate proceeds from ticket sales received by all the exhibitors in Greater China in respect of IMAX films and IMAX Original Films. We also use the concept of box office in our revenue sharing arrangements, where it refers to the aggregate proceeds from ticket sales received by exhibitors in respect of IMAX films with which we have entered into a revenue sharing arrangement
"box office revenue"	the portion of box office that is due to be paid to the Group under revenue sharing arrangements in our theatre systems business and/or arrangements with IMAX Corporation and studios in our films business, as applicable
"Chinese language films"	a motion picture approved for theatrical release in the PRC which has been produced by a PRC producer or jointly produced by a PRC producer and a foreign producer, and which meets the requirements of the relevant laws and regulations of the PRC
"commercial theatre"	a theatre owned or operated by an exhibitor, excluding theatres associated with museums, zoos, aquaria and other destination entertainment sites which do not play commercial films
"distributor"	an organisation that distributes films to exhibitors or, in the PRC, theatre circuits for exhibition at theatres
"exhibitor"	exhibitors are theatre investment management companies which own and operate theatres; exhibitors receive copies of films from the theatre circuits but retain control over the screening schedules

"full revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement, and no, or a relatively small, upfront payment
"Hollywood films"	an imported motion picture for theatrical release in the PRC where the importation and release of such motion picture has been permitted in accordance with the annual quota imposed by the PRC government
"Hollywood studio"	a studio producing Hollywood films
"hybrid revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for an upfront fee that is typically half of the payment under a sales arrangement and a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement, that is typically half of that under a full revenue sharing arrangement
"IMAX DMR"	the proprietary digital re-mastering process or any other post-production process and/or technology used by IMAX Corporation in connection with the conversion of a conventional film into an IMAX film
"IMAX film"	a film converted from a conventional film using IMAX DMR technology
"IMAX Original Film"	any IMAX film invested in, produced or co-produced by IMAX Corporation and released to IMAX theatres, and/or for which IMAX Corporation owns and/or controls its theatrical distribution rights
"IMAX theatre"	any movie theatre in which an IMAX screen is installed
"multiplex"	a movie theatre with more than one screen for the exhibition of films
"revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for, among other things, a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement; our revenue sharing arrangements are either full revenue sharing arrangements or hybrid revenue sharing arrangements (See the separate glossary explanations for these terms)

"sales arrangement"	an arrangement with an exhibitor pursuant to which we sell that exhibitor an IMAX theatre system for a fee and the exhibitor agrees to pay us on-going royalty fees for use of the IMAX brand and technology over the term of the arrangement
"studio"	an organisation that produces films (which may include all or some of script writing, financing, production team and equipment sourcing, casting, shooting and post production), owns the copyright to the films it produces and works with distributors to release those films at theatres
"take rate"	a film studio's share of box office generated from a particular film, after making certain tax and other deductions
"theatre circuit"	an organisation that distributes newly released films to theatres within that circuit; every theatre in the PRC must be affiliated with a theatre circuit

By Order of the Board
IMAX China Holding, Inc.
Richard Gelfond
Chairman

Hong Kong, 28 February 2018

As at the date of this announcement, the directors of the Company are:

Executive Directors:
Jiande Chen
Jim Athanasopoulos
Mei-Hui (Jessie) Chou

Non-Executive Directors:
Richard Gelfond
RuiGang Li
Greg Foster

Independent Non-Executive Directors:
John Davison
Yue-Sai Kan
Dawn Taubin

In the event of any inconsistency between the English version and the Chinese version of this announcement, the English version shall prevail.