IMAX CHINA HOLDING, INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1970)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021,

FINAL DIVIDEND ANNOUNCEMENT AND

INSIDE INFORMATION OUR CONTROLLING SHAREHOLDER IMAX CORPORATION RELEASED ITS FOURTH QUARTER AND FULL YEAR 2021 FINANCIAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 as follows.

FINAL DIVIDEND ANNOUNCEMENT

The Board of Directors of the Company is pleased to announce its recommendation of a final dividend of US$0.027 per share (equivalent to approximately HK$0.210 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 2021 final dividend is expected to be distributed to shareholders on or around 10 June 2022. There will be no scrip dividend option for the 2021 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 23 February 2022 (New York time), announced its fourth quarter and year ended 31 December 2021 financial results and on 23 February 2022 (New York time), released its annual report and results for the year ended 31 December 2021.

FINANCIAL HIGHLIGHTS

	2021	2020	Change
Total revenue (US$'000)	**112,801**	52,331	115.6%
Gross profit (US$'000)	**68,188**	19,347	252.4%
Gross profit %	**60.4%**	37.0%	2,340 bps
Profit (loss) for the year (US$'000)	**38,217**	(26,739)	242.9%
Profit (loss) for the year %	**33.9%**	(51.1)%	8,500 bps
Profit (loss) per share (US$)	**0.11**	(0.08)	237.5%
Adjusted profit (loss) (US$'000)	**41,661**	(4,612)	1,003.3%
Adjusted profit (loss) %	**36.9%**	(8.8)%	4,570 bps
Selling, general and administrative expenses (US$'000)	**(16,820)**	(14,381)	17.0%
Adjusted EBITDA (US$'000)	**66,805**	7,782	758.5%
Adjusted EBITDA %	**59.2%**	14.9%	4,430 bps
Total theatre system signings	**25**	38	(13 units)
Sales arrangements	**9**	20	(11 units)
Revenue sharing arrangements	**9**	1	8 units
IMAX Laser upgrades	**2**	17	(15 units)
Sales renewals	**5**	—	5 units
Total theatre system installations	**57**	42	15 units
Sales and sales-type lease arrangements	**26**	15	11 units
Revenue sharing arrangements	**26**	24	2 units
IMAX Laser upgrades	**5**	3	2 units
Gross box office (US$'000)	**239,454**	99,249	141.3%
Box office per screen (US$'000)	**328**	145	126.2%

LETTER TO SHAREHOLDERS

Dear Shareholders,

As I look back on the last two years, it is remarkable how we have emerged from the pandemic with a stronger footing and growing momentum on many fronts. Our accomplishments are the result of years of strategic positioning and investment with consumers and creative talent that has made IMAX what we are today — a premier, global technology platform for entertainment and events.

We command a powerful, premium theater network with unique end-to-end technology. In addition, we strategically empower visionary creators with proprietary cameras and image enhancement tools to amplify their stories and present them in the way they want them to be experienced. As a result, our brand is associated with the creation of must-see events around world-class content with unmatched clarity, sound, scope, and scale.

Nowhere is that clearer than in China, a market ripe with opportunity for our platform given the Chinese filmmaking industry is creating more and more of the world's most ambitious and successful blockbusters, an evolution that favors IMAX. We continue to focus on forming strong partnerships with the best local filmmakers who have embraced IMAX, infusing IMAX DNA into their productions using IMAX Cameras and our unique aspect ratios to create unrivaled experiences that are *Filmed for IMAX*.

These efforts helped drive strong financial performance in 2021, including:

- A revenue and adjusted net income rebound of $112.8 million and $41.7 million, respectively — both approaching pre pandemic, 2019 levels;

- Record local language box office of $150 million, highlighted by record-breaking Chinese New Year opening weekend and National Day Holiday;

- Expanding market share in local blockbusters with strong IMAX DNA;

- Operating cash flow of $30 million; and

- Continued network expansion to 783 screens which when coupled with contractual backlog of 215 will draw close to a 1,000-theater milestone.

The evolution of the industry has been underpinned by tentpole films that continue to grow their dominance in box office, both local language and Hollywood.

'*Detective Chinatown 3*' and '*The Battle at Lake Changjin*' — both *Filmed for IMAX* — shattered multiple records overall and in IMAX in 2021 during the Chinese New Year and National Day Holiday, respectively. '*Lake Changjin*' delivered over RMB5.7 billion box office, surpassing '*Wolf Warrior 2*' to become the highest-grossing title of all-time in China. IMAX accounted for close to 6% of its opening weekend box office. Its sequel, the country's top grossing film thus far in 2022, was also *Filmed for IMAX* and we have driven nearly 6% of its box office.

We expanded our long-term commitment with local language films in 2022 by making a RMB30 million investment into '*Mozart in Space*', a science fiction movie, *Filmed for IMAX* with proven director Chen Sicheng who directed the '*Detective Chinatown*' franchise. We look forward to making similar investments in the future where possible for local films with great box office potential and that embrace IMAX DNA. When it comes to creating the most immersive and ambitious blockbuster filmmaking, IMAX — as the only end-to-end technology — is increasingly a first-choice partner in China — replicating a strategy that we have done so well with in Hollywood for 20 years.

We continue to grow our market share with Hollywood films as well, with our average opening weekend indexing now exceeding 13%, up from approximately 11% in 2019 despite a stable screen market share of just 1%. '*Dune*' which was *Filmed for IMAX* is a perfect example of Chinese audiences' growing demand to see visual cinematic spectacles, with IMAX contributing to an impressive 24% of its opening box office. With Hollywood relying more and more on franchise films, IMAX China critically continues to grow its indexing with Hollywood sequels, including '*No Time to Die*' (15%), '*Fast and Furious 9*' (9%) and '*Godzilla vs Kong*' (12%).

The drive towards blockbuster movies in theaters and the growing appetite to view them in IMAX positions us very well going into 2022 which features an unprecedented slate of Hollywood films we are hoping to see gain access to China, including new installments of '*Thor*', '*Doctor Strange*' '*Black Panther*', '*Jurassic World*', and of course, the sequel to '*Avatar*' – all proven box office performers in China.

The huge success of '*Avatar*' on IMAX screens 12 years ago accelerated our network expansion in China to becoming the largest premium entertainment network as we are currently standing. The film still has an extremely strong brand association with IMAX as evidenced when IMAX captured 31% of its opening weekend box office, on just 1% of screens, in its re-release earlier this year.

Our strong performance in 2021 was achieved despite the inability of many Hollywood films to enter China. There were many factors contributing to this trend — factors which include the Hollywood studios' experimentation with hybrid distribution strategies and the backlog of local films created by the pandemic. The recent release date announcements of '*Uncharted*' and '*The Batman*' is an encouraging sign that certain genre films will once again start releasing in China. We will obviously continue to monitor the issue closely as we stand to benefit greatly from a very strong 2022 Hollywood slate — full of IMAX DNA and commercially proven IP in the Chinese market.

Finally, due to the unique asset-light nature of our business and because of our strong cash flow generation, we are pleased to announce the recommendation of a final dividend of approximately $9.2 million or HK$0.210 per share on an increased net income payout ratio of 50%, up from 33% previously. Our commitment to returning capital to our shareholders remains an important objective of the Company as demonstrated by the $27 million we returned in dividends and share repurchases this year.

On behalf of the Board and management, I would like to thank our shareholders for your unwavering support, trust, and confidence. 2021 accelerated the drive to further eventize content creation and consumption, setting a favorable backdrop for IMAX China to strengthen our footing in the years to come. We look forward to building on the momentum as we capitalize on the continued premiumization of China's theatrical entertainment and a multi-year pipeline of blockbuster content.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(In thousands of U.S. dollars)

	Notes	Years Ended 31 December **2021**	2020
Revenues	*5*	**112,801**	52,331
Cost of sales	*6*	**(44,613)**	(32,984)
Gross profit	*5*	**68,188**	19,347
Selling, general and administrative expenses	*6*	**(16,820)**	(14,381)
Reversals (provision) of impairment losses on financial assets	*6*	**3,997**	(10,892)
Other operating expenses	*6*	**(6,062)**	(3,900)
Operating profit (loss)		**49,303**	(9,826)
Interest income		**1,643**	1,330
Interest expense		**(458)**	(108)
Profit (Loss) before income tax		**50,488**	(8,604)
Income tax expense	*7*	**(12,271)**	(18,135)
Profit (Loss) for the year, attributable to owners of the Company		**38,217**	(26,739)
Other comprehensive income (loss):			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		**3,538**	14,139
Items that may not be subsequently reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income (“**FVOCI**”)		**5,219**	(2,084)
Other comprehensive income:		**8,757**	12,055
Total comprehensive income (loss) for the year, attributable to owners of the Company		**46,974**	(14,684)
Profit (Loss) per share attributable to owners of the Company — basic and diluted (expressed in U.S. dollars per share):			
Profit (Loss) for the year — basic	*8*	**0.11**	(0.08)
Profit (Loss) for the year — diluted	*8*	**0.11**	(0.08)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of U.S. dollars)

		As at 31 December	
	Notes	**2021**	2020
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	**100,200**	104,752
Other assets		**510**	12,825
Deferred tax assets	*10*	**6,899**	7,089
Variable consideration receivables from contracts		**2,791**	2,712
Financing receivables	*11*	**60,681**	48,958
		171,081	176,336
Current assets			
Other assets		**633**	150
Contract acquisition costs		**518**	1,374
Film assets		**76**	180
Inventories		**5,857**	5,968
Prepayments		**3,566**	2,902
Variable consideration receivables from contracts		**516**	434
Financing receivables	*11*	**18,278**	16,755
Trade and other receivables	*12*	**51,496**	42,223
Cash and cash equivalents		**97,737**	88,472
		178,677	158,458
Total assets		**349,758**	334,794
LIABILITIES			
Non-current liabilities			
Accruals and other liabilities		**—**	496
Deferred revenue	*13*	**19,390**	24,077
Deferred tax liabilities	*10*	**17,642**	19,134
		37,032	43,707

	Notes	As at 31 December 2021	2020
Current liabilities			
Trade and other payables	*14*	**21,107**	21,296
Accruals and other liabilities		**9,669**	10,735
Income tax liabilities		**5,585**	4,293
Borrowings		**3,612**	7,643
Deferred revenue	*13*	**18,875**	15,514
		58,848	59,481
Total liabilities		**95,880**	103,188
EQUITY			
Equity attributable to owners of the Company			
Share capital		**34**	35
Share premium and reserves		**257,611**	269,641
Accumulated deficit		**(3,767)**	(38,070)
Total equity		**253,878**	231,606
Total equity and liabilities		**349,758**	334,794

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. General information

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

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

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

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

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

2. Basis of preparation

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

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

3. New accounting standards and accounting changes

A number of new or amended standards became applicable for the annual reporting period commencing 1 January 2021. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2	1 January 2021

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
IAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Annual improvements	Annual Improvements to IFRS standards 2018–2020 cycle	1 January 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

4. Impact of COVID-19 Pandemic

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Group's business and the global economy. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theatres in countries around the world to temporarily close, including the IMAX theatres in those countries. As a result of the theatre closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in Greater China IMAX theatres, while several other films were released directly or concurrently to streaming platforms which the Group believes negatively impacted the box office of such films.

The COVID-19 pandemic resulted in significantly lower levels of revenues, profits, and operating cash flows for the Group during 2020 and, to a lesser extent, during 2021, when compared to periods prior to the onset of the pandemic primarily due to limited Hollywood film releases during these years which impacted IMAX box office receipts ("**GBO**"). Installation and maintenance activity during the year ended 31 December 2021 approximated pre pandemic activity in Mainland China but may continue to be impacted in the event of any future COVID-19 outbreaks and theatre closures.

As a result of past theatre closures and reduced box office levels, beginning in the second quarter of 2020 through the fourth quarter of 2021, the Group provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theatres were closed and operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding, or longer, extension of the term of the underlying sale or lease arrangement. Notwithstanding the above, the Group experienced, and is likely to continue to experience, delays in collecting payments due under existing theatre sales or lease arrangements with exhibitor partners who are facing financial difficulties.

For the year ended 31 December 2021, GBO generated by IMAX films totaled $239 million, surpassing the totals for 2020 by $140 million (141%) and included record Chinese language films box office of $136 million. The Group is encouraged by these box office results and is further encouraged by the strong pipeline of Hollywood and Chinese language films scheduled to be released for theatrical exhibition in 2022. In addition, due to the broad reopening of the IMAX theatre network in 2021, the Group reversed $4.0 million of its allowance for current expected credit losses as the theatrical exhibition industry continues to recover from the COVID-19 pandemic.

As of 31 December 2021, over 95% of IMAX theatres in Greater China had resumed operations with 75% capacity restrictions in place, however, the impact of the COVID-19 pandemic on the Group's business and financial results will continue to depend on numerous evolving factors that cannot be accurately predicted. These factors will vary by market in Greater China, including the duration and scope of the pandemic, the emergence of variants of the virus, and ongoing government responses to the pandemic, which could lead to further theatre closures, theatre capacity restrictions and/or delays in the release of films.

5. Revenue and segment information

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

The Group now has six operating and reportable segments: IMAX DMR films, Revenue sharing arrangements, IMAX Systems, IMAX Maintenance, Other Theatre Business, New Business Initiatives and Other.

The Group's reportable segments are organised under three primary groups identified by nature of product sold or service provided: (1) IMAX Technology Network, which earns revenue based on contingent box office receipts and includes the IMAX DMR films segment and contingent rent from revenue sharing arrangements segment; (2) IMAX Technology Sales and Maintenance, which includes results from IMAX Systems, IMAX Maintenance and Other Theatre Business, as well as upfront fees from revenue sharing arrangements; and (3) New Business Initiatives and Other, which includes activities related to the exploration of new lines of business and new initiatives outside of the Group's core business.

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	
	2021	2020
Revenue		
IMAX Technology Network		
IMAX DMR films	**21,750**	7,721
Revenue sharing arrangements — contingent rent	**17,623**	7,461
	39,373	15,182
IMAX Technology Sales and Maintenance		
IMAX Systems	**41,413**	23,953
Revenue sharing arrangements — upfront fees	**5,150**	1,285
IMAX Maintenance	**25,581**	11,156
Other Theatre Business	**858**	543
	73,002	36,937
New Business Initiatives and Other	**426**	212
Total	**112,801**	52,331
Gross profit (loss)		
IMAX Technology Network		
IMAX DMR films	**17,436**	6,054
Revenue sharing arrangements — contingent rent	**4,860**	(5,968)
	22,296	86

	Years Ended 31 December	
	2021	2020
IMAX Technology Sales and Maintenance		
IMAX Systems	**27,214**	13,867
Revenue sharing arrangements — upfront fees	**1,225**	(141)
IMAX Maintenance	**16,996**	5,578
Other Theatre Business	**234**	68
	45,669	19,372
New Business Initiatives and Other	**223**	(111)
Total gross profit	**68,188**	19,347
Selling, general and administrative expenses	**(16,820)**	(14,381)
Reversals (provision) of impairment losses on financial assets	**3,997**	(10,892)
Other operating expenses	**(6,062)**	(3,900)
Interest income	**1,643**	1,330
Interest expense	**(458)**	(108)
Profit (Loss) before income tax	**50,488**	(8,604)

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

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

	Years Ended 31 December			
	Recognised under IFRS 15		Recognised under IFRS 16	
	2021	2020	**2021**	2020
Revenue				
IMAX Technology Network				
IMAX DMR films	**21,750**	7,721	**—**	—
Revenue sharing arrangements — contingent rent	**—**	—	**17,623**	7,461
	21,750	7,721	**17,623**	7,461

	Years Ended 31 December			
	Recognised under IFRS 15		**Recognised under IFRS 16**	
	2021	2020	**2021**	2020
IMAX Technology Sales and Maintenance				
IMAX Systems	**30,704**	19,339	**10,709**	4,614
Revenue sharing arrangements — upfront fees	**—**	—	**5,150**	1,285
IMAX Maintenance	**25,581**	11,156	**—**	—
Other Theatre Business	**858**	543	**—**	—
	57,143	31,038	**15,859**	5,899
New Business Initiatives and Other	**426**	212	**—**	—
Total	**79,319**	38,971	**33,482**	13,360

Of the revenue from IMAX systems, finance income was approximately $3.8 million for the year ended 31 December 2021 (2020: $3.3 million).

Of the revenue sharing arrangements – contingent rent, approximately $15.0 million for the year ended 31 December 2021 (2020: $6.4 million) were from revenues under operating leases and approximately $2.6 million for the year ended 31 December 2021 (2020: $1.1 million) were from revenues under finance leases.

The selling profit for the Group's finance leases was approximately $6.7 million for the year ended 31 December 2021 (2020: $1.9 million).

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 $30.3 million in 2021 (2020: $10.1 million) are derived from a single external customer. These revenues are attributable to Revenue sharing arrangements, IMAX Systems, IMAX DMR films, IMAX Maintenance and Other Theatre Business.

Customer B

Revenues of approximately $11.7 million in 2021 (2020: $3.2 million) are derived from a single external customer. These revenues are attributable to Revenue sharing arrangements, IMAX Systems, IMAX Maintenance and Other Theatre Business.

Customer C

Revenues of approximately $7.5 million in 2021 (2020: $6.4 million) are derived from a single external customer. These revenues are attributable to Revenue sharing arrangements, IMAX Systems, IMAX Maintenance and Other Theatre Business.

No other single customers comprises of more than 10% of total revenues in 2021 or 2020.

Supplemental Information

(b) Depreciation and amortisation

	Years Ended 31 December	
	2021	2020
Revenue sharing arrangements	**12,551**	12,694
IMAX DMR films	**1,492**	552
IMAX Maintenance	**307**	319
Corporate and other non-segment specific assets	**871**	1,209
Total	**15,221**	14,774

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

	Years Ended 31 December	
	2021	2020
Revenue sharing arrangements	**172**	125
Corporate and other non-segment specific assets	**2**	—
Total	**174**	125

6. Expenses by nature

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

	Years Ended 31 December	
	2021	2020
Cost of theatre system sales and finance leases	**17,459**	10,715
Depreciation, including joint revenue sharing arrangements and film costs	**15,221**	14,774
Employee salaries and benefits	**11,308**	8,775
Technology and trademark fees	**6,032**	2,911
Theatre maintenance fees	**6,006**	3,372
Advertising and marketing expenses	**4,989**	2,644
Share-based compensation expenses	**3,773**	3,386
Other employee expenses	**1,294**	1,295
Professional fees	**1,174**	1,044
Travel and transportation expenses	**571**	447
Lease expenses	**231**	213
Utilities and maintenance expenses	**88**	274
Cost of new business	**21**	18
(Decrease) Increase in allowance for expected credit losses	**(3,997)**	10,892
Foreign exchange gains	**(1,871)**	(805)
Other film (recoveries) costs	**(109)**	307
(Recoveries of) Write-downs	**(18)**	1,109
Other expenses	**790**	394
Auditor's remuneration		
— Audit services	**394**	358
— Non-audit services	**142**	34
Total costs of sales, selling, general and administrative expenses, reversals (provision) of impairment losses on financial assets and other operating expenses	**63,498**	62,157

7. Income tax expense

	Years Ended 31 December	
	2021	2020
Current income tax:		
Current tax on profits for the year	**10,420**	2,138
Dividend withholding tax paid	**2,039**	—
Adjustments in respect of prior years	**980**	329
Total current income tax	**13,439**	2,467
Deferred income tax:		
Origination of temporary differences	**(1,715)**	(3,466)
Withholding tax on historical profits	**547**	19,134
Total deferred income tax	**(1,168)**	15,668
Income tax expense	**12,271**	18,135

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

	Years Ended 31 December	
	2021	2020
Profit (Loss) before tax	**50,488**	(8,604)
Tax calculated at domestic tax rates applicable to profits in all respective countries	**11,455**	(1,462)
Tax effects of:		
Income not subject to tax	**(843)**	(406)
Expenses not deductible for tax purposes	**233**	333
Withholding tax on historical profits (note)	**547**	19,134
Withholding taxes	**172**	332
Other	**(273)**	(125)
Adjustment in respect of prior years	**980**	329
Tax charge	**12,271**	18,135

The tax rate of the People's Republic of China (the "**PRC**") subsidiaries is 25%. The entity incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2 million and 16.5% on any part of assessable profits over HKD2 million for the years presented.

The applicable tax charge reflects the impact of the income tax refund of $1.2 million for the year ended 31 December 2021 (2020: $nil).

Note: During the year ended 31 December 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Group's capital resources. Based on the results of this reassessment, management concluded that the historical earnings of one subsidiary in the PRC till the year ended 31 December 2019 in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As a result, the Group recognised a withholding tax on historical profits with a total amount of $19.7 million, which will become payable upon the repatriation of any such earnings. Currently, the Company does not plan to pay dividends from the unremitted earnings of the Group's subsidiary in the PRC with respect to the profit generated after 31 December 2019 thus no further withholding tax provision was provided accordingly.

8. 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	
	2021	2020
Profit (Loss) for the year	**38,217**	(26,739)
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of year	**348,063**	348,657
Weighted average number of shares decreased during the year	**(1,369)**	(379)
Weighted average number of shares used in computing basic earnings per share	**346,694**	348,278
Adjustments for:		
Stock options	**830**	—
Restricted share units	**1,319**	—
Performance stock units	**169**	—
Weighted average number of shares used in computing diluted earnings per share	**349,012**	348,278

For the year ended 31 December 2020, the potential ordinary shares from stock options, restricted share units and performance stock units were not included in the calculation of loss per share as their inclusion would be anti-dilutive.

9. Property, plant and equipment

	Theatre System Components	Office and Production Equipment	Right-of-use Assets	Leasehold Improvements	Construction in Process	Total
As at 1 January 2020						
Cost	142,028	2,545	3,136	1,735	2,423	151,867
Accumulated depreciation and impairment	(42,291)	(1,638)	(885)	(1,705)	—	(46,519)
Net book amount	99,737	907	2,251	30	2,423	105,348
Year ended 31 December 2020						
Opening net book amount	99,737	907	2,251	30	2,423	105,348
Exchange differences	7,013	49	119	2	43	7,226
Additions	—	125	416	—	6,294	6,835
Transfers	6,718	—	—	—	(6,718)	—
Disposals	(125)	—	(258)	—	—	(383)
Depreciation charge	(12,694)	(364)	(1,148)	(16)	—	(14,222)
Impairment loss recognised	(52)	—	—	—	—	(52)
Closing net book amount	100,597	717	1,380	16	2,042	104,752
As at 1 January 2021						
Cost	158,203	2,842	3,022	1,869	2,042	167,978
Accumulated depreciation and impairment	(57,606)	(2,125)	(1,642)	(1,853)	—	(63,226)
Net book amount	100,597	717	1,380	16	2,042	104,752

	Theatre System Components	Office and Production Equipment	Right-of-use Assets	Leasehold Improvements	Construction in Process	Total
Year ended 31 December 2021						
Opening net book amount	100,597	717	1,380	16	2,042	104,752
Exchange differences	2,002	(6)	(25)	—	6	1,977
Additions	—	216	57	—	7,151	7,424
Transfers	5,719	—	—	—	(5,719)	—
Disposals	(172)	(5)	(79)	—	—	(256)
Depreciation charge	(12,551)	(380)	(785)	(13)	—	(13,729)
Impairment loss reversals	32	—	—	—	—	32
Closing net book amount	95,627	542	548	3	3,480	100,200
As at 31 December 2021						
Cost	166,913	3,042	2,844	1,918	3,480	178,197
Accumulated depreciation and impairment	(71,286)	(2,500)	(2,296)	(1,915)	—	(77,997)
Net book amount	95,627	542	548	3	3,480	100,200

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

	Years Ended 31 December	
	2021	2020
Cost of sales	**12,563**	12,781
Selling, general and administrative expenses	**1,166**	1,441
	13,729	14,222

During the year ended 31 December 2021, the Group recorded a loss on disposal of $0.2 million (2020: $0.1 million) related to theatre system components, office and production equipment and leasehold improvements.

10. Deferred income tax

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

Deferred tax assets	Fixed assets, inventory and other property	Share-based compensation	Accrued reserves	Others	Total
As at 1 January 2020	98	1,095	2,809	(859)	3,143
Credited (charged) to profit or loss	33	485	3,143	(195)	3,466
Exchange difference	5	272	203	—	480
As at 31 December 2020	136	1,852	6,155	(1,054)	7,089
Credited (charged) to profit or loss	19	(16)	(1,125)	798	(324)
Exchange difference	(12)	(148)	238	56	134
As at 31 December 2021	143	1,688	5,268	(200)	6,899

Deferred tax liabilities	Withholding tax on undistributed dividends
As at 1 January 2020	—
Charged to profit or loss	19,134
As at 31 December 2020	19,134
Credited to profit or loss	(1,492)
As at 31 December 2021	17,642

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

11. Financing receivables

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

	As at 31 December	
	2021	2020
Gross minimum finance lease payments receivable	**25,800**	15,845
Unearned finance income	**(257)**	(301)
Present value of minimum finance lease payments receivable	**25,543**	15,544
Allowance for expected credit losses	**(322)**	(314)
Net investment in finance leases	**25,221**	15,230
Gross financed sales receivables	**71,828**	68,815
Unearned finance income	**(14,749)**	(14,250)
Present value of financed sales receivables	**57,079**	54,565
Allowance for expected credit losses	**(3,341)**	(4,082)
Net financed sales receivables	**53,738**	50,483
Total financing receivables	**78,959**	65,713

	As at 31 December	
	2021	2020
Gross investment in finance leases may be analysed as follows:		
No later than one year	**3,446**	2,318
Later than one year and no later than five years	**10,051**	6,020
Later than five years	**12,303**	7,507
Total gross investment in finance leases	**25,800**	15,845
Gross financed sales receivables may be analysed as follows:		
No later than one year	**18,349**	18,164
Later than one year and no later than five years	**36,060**	33,597
Later than five years	**17,419**	17,054
Total financed sales receivables	**71,828**	68,815
Net investment in finance leases may be analysed as follows:		
No later than one year	**3,523**	2,267
Later than one year and no later than five years	**9,853**	5,864
Later than five years	**12,167**	7,413
Present value of investment in finance leases	**25,543**	15,544
Allowance for expected credit losses	**(322)**	(314)
Total net investment in finance leases	**25,221**	15,230
Net financed sales receivables may be analysed as follows:		
No later than one year	**14,755**	14,488
Later than one year and no later than five years	**27,335**	25,230
Later than five years	**14,989**	14,847
Present value of financed sales receivables	**57,079**	54,565
Allowance for expected credit losses	**(3,341)**	(4,082)
Total net financed sales receivables	**53,738**	50,483

As at 31 December 2021, the financed sales receivables had a weighted average effective interest rate of 8.1% (2020: 8.3%).

12. Trade and other receivables

	As at 31 December	
	2021	2020
Trade receivables:		
Trade receivables from third parties	**33,914**	30,110
Less: allowance for expected credit losses of trade receivables from third parties	**(3,938)**	(6,791)
Trade receivables from third parties — net	**29,976**	23,319
Trade receivables from IMAX Corporation	**16,266**	14,634
Accrued trade receivables	**5,698**	4,748
Less: allowance for expected credit losses of accrued trade receivables	**(577)**	(608)
Accrued trade receivables — net	**5,121**	4,140
Total trade receivables	**51,363**	42,093
Other receivables:		
Loan and interest receivables from related parties	**562**	549
Less: allowance for expected credit losses of loan and interest receivables	**(429)**	(419)
Loan and interest receivable from related parties — net	**133**	130
Total other receivables	**133**	130
Total trade and other receivables	**51,496**	42,223

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

The aging analysis of the gross trade receivables from third parties and trade receivables from IMAX Corporation, based on invoice date is as follows:

	As at 31 December	
	2021	2020
0–30 days	**4,462**	5,710
31–60 days	**4,505**	3,169
61–90 days	**6,481**	4,415
Over 90 days	**34,732**	31,450
	50,180	44,744

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

	As at 31 December	
	2021	2020
RMB	**41,042**	29,589
US$	**10,369**	12,549
Other currencies	**85**	85
	51,496	42,223

During the year ended 31 December 2021, the Group recorded a net recovery of allowance for expected credit losses of $3.0 million (2020: an allowance for expected credit losses of $6.2 million) related to trade and other receivables in the consolidated statement of comprehensive income (loss).

13. Deferred revenue

	As at 31 December	
	2021	2020
Theatre system deposits	**27,728**	30,081
Maintenance prepayments	**10,537**	9,510
	38,265	39,591
Deferred revenue, current	**18,875**	15,514
Deferred revenue, non-current	**19,390**	24,077
	38,265	39,591

The following table shows the amount of revenue recognised in the consolidate statements of comprehensive income (loss) for the years ended 31 December 2021 and 2020 relating to deferred revenue brought forward:

	Years Ended 31 December	
	2021	2020
Upfront revenue	**13,715**	5,595
Maintenance revenue	**6,696**	2,232
Total	**20,411**	7,827

The unsatisfied performance obligations out of the carrying value of the Group's backlog as at 31 December 2021 were approximately $176.6 million (2020: $186.9 million).

14. Trade and other payables

	As at 31 December	
	2021	2020
Trade payables to third parties	**1,025**	2,172
Payables to IMAX Corporation	**18,857**	17,978
Other payables	**1,225**	1,146
	21,107	21,296

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

	As at 31 December	
	2021	2020
0–30 days	**8,346**	8,120
31–60 days	**1,688**	2,905
61–90 days	**901**	476
Over 90 days	**10,172**	9,795
	21,107	21,296

As at 31 December 2021 and 2020, 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	
	2021	2020
RMB	**14,293**	13,012
US$	**6,730**	8,165
Other currencies	**84**	119
	21,107	21,296

15. Dividends

	Years Ended 31 December	
	2021	2020
Dividends recognised as distribution during the year:		
2020 Final — HK$0.155 (2019: HK$0.156) per share	**6,964**	6,983
2021 Interim — HK$0.217 (2020: HK$0.155) per share	**9,602**	6,961
	16,566	13,944

As approved by the shareholders at the Annual General Meeting held on 6 May 2021, 2020 final dividend of $0.02 per share (equivalent to approximately HK$0.155 per share) was distributed to shareholders on 1 June 2021. As approved by the Board, an interim dividend for the six months ended 30 June 2021, of $0.028 per share (equivalent to approximately HK$0.217 per share), was distributed to shareholders on 27 August 2021.

In the board meeting held on 23 February 2022, the Board recommended a final dividend of $0.027 per share (equivalent to approximately HK$0.210 per share) for the year ended 31 December 2021 to the shareholders. Subject to the approval of the shareholders at the forthcoming Annual General Meeting and subject to further announcement(s) in respect of the book closure date, record date and payment date, the proposed 2021 final dividend is expected to be distributed to shareholders on or around 10 June 2022. There will be no scrip dividend option for the 2021 final dividend. The proposed dividend has not been provided for in the consolidated financial statement for the year ended 31 December 2021.

16. Events occurring after the reporting period

In January 2022, IMAX (Shanghai) Culture & Technology Co., Ltd. a wholly-owned subsidiary of the Company signed a joint film investment agreement with Wanda Film (Horgos) Co. Ltd. to invest RMB30 million (approximately $4.7 million, representing approximately 6% of the total film investment) in the movie “Mozart from Space” which is expected to be released in 2022. IMAX (Shanghai) Culture & Technology Co., Ltd. will share the profits or losses of the film based on the investment percentage according to the agreement and has no further investment obligation if the actual movie production cost exceeds the original budget.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

History and Introduction

The IMAX business commenced operations in 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 moved from institutional to commercial theatres. As at 31 December 2021, there were 783 IMAX theatres in Greater China, including 768 in commercial locations, and an additional 215 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 Greater China, being the largest cinema market in the world by total box office revenue.

We have three primary groups, namely the (1) IMAX Technology Network, (2) IMAX Technology Sales and Maintenance and (3) New Business Initiatives and Other.

IMAX Technology Network

Our IMAX Technology Network 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) IMAX DMR films, (2) revenue sharing arrangements and (3) sales and sales-type lease arrangements.

Under IMAX DMR films, we generate revenue by sharing in a certain percentage of IMAX box office received by our studio partners for the conversion and release of Hollywood 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 smaller upfront fee to our exhibitor partners which is recorded in the IMAX Technology Sales and Maintenance. The percentage charged under a hybrid arrangement is typically less than a full revenue sharing arrangement. The revenue sharing business model enables our exhibitor partners to expand their IMAX theatre network more rapidly by reducing their upfront costs, while aligning our interests with theirs and allowing us to share in the box office they generate. These arrangements create a recurring revenue stream from the theatre side of our business for the term of the agreement without IMAX having to incur the capital expenditures required to build and operate movie theatres.

Under sales-type lease arrangements, we typically require the payment of upfront and ongoing fees, which can include a fixed minimum amount per annum and contingent rent in excess of the minimum payments. The contingent rent included in our IMAX Technology Network is recognized after the fixed minimum amount per annum is exceeded as driven by box office performance. Contingent rent on sales arrangements is estimated and recognized with the revenue in IMAX Technology Sales and Maintenance.

Prior to 2020, the majority of our IMAX Technology Network revenue was derived from Hollywood films. This was mainly due to the nature of the Hollywood films we program, big budget blockbusters that lend themselves to the IMAX experience. Since 2020, because of the COVID-19 pandemic, we saw Hollywood film release dates delayed in Greater China. We also saw certain Hollywood films not securing a release date in the PRC in 2021 under the quota system. As a result, the majority of our IMAX Technology Network revenue shifted to Chinese language films, with the percentage of Chinese language box office year over year amounting to 31.4%, 66.3% and 60.1% in FY2019, FY2020 and FY2021, respectively. While Hollywood films remain an important part of our programming schedule, the Chinese consumer's association of the IMAX brand and experience with blockbusters has extended beyond Hollywood and into Chinese language films. As local filmmakers start to develop their content into franchises, much like their Hollywood counterparts, we are actively working with local directors to create and deliver their work in the most visual way, leveraging IMAX certified cameras and exclusive aspect ratios. Films including such IMAX DNA elements are referred to as *Filmed for IMAX*. We believe such Hollywood and Chinese language films help drive higher market share for IMAX. We remain strategically focused on Chinese language films given their importance in the market and the fact that we earn a higher take rate on these films. Chinese language films continue to improve with growing production budgets and clearly resonate with local audiences, especially in lower tiered Chinese cities where we have seen significant IMAX theatre expansion. We continue to incorporate a multiple programming strategy whereby we program multiple Chinese language films within the same release window to offer our partners more flexibility in programing. Our partnership with local filmmakers has driven a deeper involvement of IMAX technology in content production and this strategic effort delivered the most ever "*Filmed for IMAX*" local films in history and record Chinese language box office in FY2021. We will continue to focus on this strategy in 2022 and the years ahead.

IMAX Technology Sales and Maintenance

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

IMAX Technology Sales and Maintenance revenue is revenue not directly tied to box office results and includes four segments: (1) IMAX systems, (2) revenue sharing arrangements, (3) IMAX maintenance and (4) other theatre.

Under IMAX Systems, we typically charge a fixed upfront sale fee and annual minimum payments. The recognition of contingent rent on sales arrangements is estimated and recognized under IMAX Technology Sales and Maintenance as well. Under revenue sharing arrangements, we charge a relatively small upfront fee under hybrid arrangements to our exhibitor partners. IMAX maintenance includes an annual maintenance fee which includes initial terms of 10 to 12 years in length plus renewal terms of 5 to 10 additional years. Under other theatre, we generate revenue from the aftermarket sales of 3D glasses, screen sheets, sound system, parts and other items.

New Business Initiatives and Other

New Business Initiatives and Other includes all revenue in connection with any other non-core business initiatives that are in the 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 Greater China, we have full access to the most advanced IMAX theatre systems based on proprietary technology produced by IMAX Corporation.

In 2014, IMAX Corporation introduced its first laser-based digital projection system, and has continued research and development aimed at creating more affordable laser-based solutions with various screen sizes for our commercial multiplex customers. Beginning in late-2021, we began offering an additional laser-based theatre system product to provide a broader array of customers with an opportunity to replace and upgrade IMAX Xenon Theatre Systems. We believe that IMAX Laser offerings deliver increased resolution, sharper and brighter images, deeper contrast as well as the widest range of colors available to filmmakers today and we believe these offerings can help facilitate the next major lease renewal and upgrade cycle for the Greater China commercial IMAX network.

Our IMAX Laser network currently stands at 79 theatres.

Our Partnerships

We have strong and successful partnerships with a number of key players across the Greater China film industry. These include approximately 80 exhibitors, including the largest exhibitor in the world, Wanda Film (formerly Wanda Cinema), as well as other established market players such as CGI Holdings Limited (formerly CJ CGV Holdings, Ltd.), Guangzhou Jinyi Media Corporation, Omnijoi Cinema Development Co., Ltd., Beijing Bona International Cineplex Investment and Management Co., Ltd., and Broadway Theatre Company Ltd. We have access to IMAX Corporation's exceptional Hollywood relationships with Disney, Warner Brothers, Universal and Sony. We also work with leading producers, directors and studios in Greater China, such as Wanda Film, Bona Film, Alibaba Pictures, China Film and Huace Pictures to convert Chinese language films into the IMAX format for the release on the IMAX theatre network. In addition, we work with large commercial real estate developers to identify potential new IMAX theatre locations.

Our Competitive Strengths

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

- A strong premium entertainment brand in the Greater China market;
- Strong slate of big production budget, blockbuster Hollywood and Chinese language films that favor the IMAX experience;
- Relationships with top filmmakers in Hollywood and Greater China that embrace the IMAX technology and platform for the production and distribution of their films;
- Unparalleled network in top locations throughout Greater China, supported by approximately 80 exhibitor partnerships;
- Leading IMAX theatre system and laser-based technology delivering a unique cinematic experience;
- Significant value creation across the film industry for exhibitors, studios, filmmakers and commercial real estate developers; and
- Experienced management team supported by prominent shareholders.

Our Business Strategies

Our goal is to deliver the unique IMAX experience to an even wider audience in Greater China through the following strategies:

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

- Strengthening our cooperation with PRC studios and filmmakers, including incorporation of IMAX DNA within local films such as using IMAX Cameras and expanded aspect ratios as done previously with certain Hollywood films and, where applicable, investing in certain selected films with filmmakers that embrace IMAX DNA and our platform;

- Expanding the IMAX theatre network in the PRC which includes the rollout of IMAX laser technology and the offer of an additional laser-based theatre system product to replace and upgrade IMAX Xenon Theatre Systems;

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

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

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

- Leveraging the global IMAX brand and relationships to develop and invest in the continued evolution of our businesses.

The management discussion and analysis is based on the Group's consolidated financial statements for FY2021 prepared in accordance with IFRS and must be read together with the consolidated financial statements and the notes which form an integral part of the consolidated financial statements.

Impact of COVID-19 Pandemic

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Group's business and the global economy. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theatres in countries around the world to temporarily close, including the IMAX theatres in those countries. As a result of the theatre closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in Greater China IMAX theatres, while several other films were released directly or concurrently to streaming platforms which we believe negatively impacted the box office of such films.

The COVID-19 pandemic resulted in significantly lower levels of revenues, profits, and operating cash flows for the Group during 2020 and, to a lesser extent, during 2021, when compared to periods prior to the onset of the pandemic primarily due to limited Hollywood film releases during these years which impacted IMAX box office receipts. Installation and maintenance activity during FY2021 approximated pre pandemic activity in Mainland China but may continue to be impacted in the event of any future COVID-19 outbreaks and theatre closures.

As a result of past theatre closures and reduced box office levels, beginning in the second quarter of 2020 through the fourth quarter of 2021, the Group provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theatres were closed and operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding, or longer, extension of the term of the underlying sale or lease arrangement. Notwithstanding the above, the Group experienced, and is likely to continue to experience, delays in collecting payments due under existing theatre sale or lease arrangements with exhibitor partners who are facing financial difficulties.

For the year ended December 31, 2021, GBO generated by IMAX films totaled US$239 million, surpassing the totals for 2020 by US$140 million (141%) and included record Chinese language films box office of US$136 million. We are encouraged by these box office results and are further encouraged by the strong pipeline of Hollywood and Chinese language films scheduled to be released for theatrical exhibition in 2022. In addition, due to the broad reopening of the IMAX theatre network in 2021, the Group reversed $4.0 million of its allowance for current expected credit losses as the theatrical exhibition industry continues to recover from the COVID-19 pandemic.

As of 31 December 2021, over 95% of IMAX theatres in Greater China had resumed operations with 75% capacity restrictions in place, however, the impact of the COVID-19 pandemic on the Group's business and financial results will continue to depend on numerous evolving factors that cannot be accurately predicted. These factors will vary by market in Greater China, including the duration and scope of the pandemic, the emergence of variants of the virus, and ongoing government responses to the pandemic, which could lead to further theatre closures, theatre capacity restrictions and/or delays in the release of films.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Box Office Success of IMAX Films

Film Slate

Our financial performance is affected by the number of films released to the IMAX network in Greater China (known as the "slate") and the box office performance of those films. We source films produced by Hollywood and local studios and filmmakers and convert those films into the IMAX format using IMAX DMR conversion technology developed by IMAX Corporation. In FY2020 and FY2021, 25 and 34 IMAX films, respectively, were released and generated revenue for us in the PRC. The number of Hollywood films released in the PRC in FY2021 was 13, as compared to 16 in FY2020 and 30 in FY2019. We believe the fewer Hollywood releases was due to the COVID-19 pandemic, Hollywood's experimentation with a hybrid distribution and the cultural importance of Chinese language films in FY2021. But even as these factors lift, some Hollywood films have still failed to secure release dates 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 FY2022. 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 that may be impacted by macro U.S. China relations, we cannot be assured that these IMAX format Hollywood films will be made available.

Securing a slate of desirable Hollywood and Chinese language films in the IMAX format is critical to driving higher total box office and average box office per screen for IMAX theatres. The strength of the film slate we choose is also important to maintaining the ticket price premium that IMAX theatres typically command. We carefully select films for conversion into the IMAX format that we believe will be best received by local audiences, and then we work closely with the studios and filmmakers to enhance the viewing experience, which in addition to conversion into the IMAX format may include unique aspect ratios and utilisation of IMAX certified cameras for image capture. As a result, the average box office per screen for IMAX theatres is significantly higher than that of conventional theatres in the PRC. The average box office per screen of IMAX theatres was US$0.33 million in FY2021 compared to the average box office per screen of approximately US$0.09 million for all screens in the PRC for FY2021, according to Top Consulting. Higher average box office per screen for IMAX theatres makes them more attractive to exhibitors, which enables us to grow the IMAX theatre network and generate revenue from new installations.

In addition, as the number of IMAX theatres under revenue sharing arrangements has grown from 482 as at 31 December 2020 to 503 as at 31 December 2021, and our backlog as at 31 December 2021 also included 144 IMAX theatre systems under revenue sharing arrangements, strong box office performance of films will continue to weigh significantly on IMAX Technology Network revenues as well as profit. While we mitigate box office highs and lows by employing a portfolio approach to our films in any given year, we believe that a key factor in the box office success of our films is not only selecting the right Hollywood and Chinese language films, but also ensuring the right balance of Hollywood and Chinese language films for our slate.

Film Release Date and Film Mix

Censorship rules and film quotas restrict the number of Hollywood films that can be shown in the PRC each year. Accordingly, balancing the release dates for IMAX films released, as well as the mix of Chinese language films and Hollywood films released in the PRC, is an important factor affecting our business. Over the past few years, the 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. However, the 2012 agreement with the United States expired in 2017 and will need to be renegotiated. The timing of any renegotiation has been delayed by the ongoing macro US China relations. The scope of any renegotiation may include the quota of Hollywood films to be released in 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 may have a positive effect on our business through a larger marketing spend on films, a larger selection of films or IMAX securing a take rate closer to that achieved elsewhere in the world. However, we cannot assure you that the Hollywood film quota or Hollywood studio take rate will increase or that any renegotiation will benefit us.

Release dates for Hollywood films in the PRC generally have been set with shorter lead times than in other markets. In addition, at certain times during the year, Chinese language films are released with less competition from Hollywood films. As a result, supplying IMAX theatres with Chinese language films in the IMAX format is important to ensure that there are IMAX films showing in IMAX theatres at all times, as well as to cater to local consumer demand for Chinese language films. Chinese language films have proven to be very successful at the box office. According to Top Consulting, as at 31 December 2021, 8 out of the top 10 box office films in the PRC in calendar 2021 were Chinese language films. In 2021, the Chinese language films, *The Battle at Lake Changjin, Detective Chinatown 3, My Country, My Parents, Raging Fire, Chinese Doctors, and Cliff Walkers* were part of the top 10 performing box office films for the industry, and were all a part of our IMAX slate for 2021. We also share a higher percentage of box office for Chinese language films compared to Hollywood films primarily due to Chinese studios retaining a much higher percentage of box office than Hollywood studios. Chinese language films make up a significant share of the total PRC box office, amounting to 83.7% in FY2021 and 83.8% in FY2020, according to Top Consulting. Pre COVID-19, these percentage shares were approximately 60–65%. IMAX format Chinese language films as a percentage of our PRC box office amounted to 60.1% in FY2021 and 66.3% in FY2020.

Expansion of the IMAX Theatre Network in Greater China

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

Network Expansion

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

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

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

The ability to expand the network and complete installations, either in backlog or through new signings, may be impacted by global supply chain disruptions that impact IMAX Corporation, our supplier of IMAX theatre systems. Installations and delivery of IMAX theatre systems were not significantly impacted in FY2021. However, the Group expects such disruptions may occur in FY2022 and beyond, which would negatively impact our network expansion.

The number of IMAX theatres in Greater China increased from 745 IMAX theatres as at 31 December 2020 to 783 IMAX theatres as at 31 December 2021.

Backlog

Our ability to expand the IMAX theatre network is driven by our ability to sign new theatre agreements with exhibitor partners and replenish our backlog as theatres are installed. The installation of theatre systems in newly-built, and retrofitted, multiplexes depends primarily on the timing of the construction of these projects by exhibitors and/or commercial real estate developers, which is not under our control. Although revenue from our backlog is recognised following the installation of the relevant IMAX theatre systems and not at the time of signing, continuously replenishing our backlog underpins the continued growth of the IMAX theatre network. The number of IMAX theatre systems in our backlog decreased from 251 as at 31 December 2020 to 215 as at 31 December 2021 and the carrying value of our backlog decreased from US$177.4 million as at 31 December 2020 to US$166.1 million as at 31 December 2021 due to a larger proportion of hybrid revenue sharing arrangements. For the number of systems, approximately 33% of our backlog are sales and sales-type lease arrangements, 20% are full revenue sharing arrangements and 47% are hybrid revenue sharing arrangements.

The total value of the backlog represents all signed IMAX theatre system sale or lease agreements that are expected to be recognized as revenue in the future and includes initial fees along with the estimated present value of contractual ongoing fees due over the term, but it excludes amounts allocated to maintenance. Notwithstanding the legal obligation to do so, some of the Group's customers with which it has signed contracts may not accept delivery of IMAX theatre systems that are included in the Group's backlog. An economic downturn may exacerbate the risk of customers not accepting delivery of IMAX theatre systems. Any reduction in backlog could adversely affect the Group's future revenues and cash flows. In addition, customers with theatre system obligations in backlog sometimes request that the Group agree to modify or reduce such obligations, which the Group has agreed to do in the past under certain circumstances. Customer-requested delays in the installation of IMAX theatre systems in backlog remain a recurring and unpredictable part of the Group's business.

As part of our strategy to expand the IMAX theatre network, we have mapped out a number of "IMAX zones" across Greater China. Each zone represents an area in which, based on our analysis, an exhibitor could potentially open an IMAX theatre without negatively affecting the business and financial results of the nearest IMAX theatre. We estimate each IMAX zone will typically only contain one IMAX theatre, subject to certain exceptions based on the location of the zone and any carve-outs in the agreements we entered with exhibitors. The number of zones may continue to grow as the population and/or consumer demand in a geographical area increases to a level where it becomes commercially viable for us to add an IMAX theatre and create a new IMAX zone without negatively affecting the business and financial performance of the nearest IMAX theatre. As at 31 December 2021, we had identified approximately 1,400 IMAX zones across Greater China.

We believe continuous urbanization, rising purchasing power and increasing supply of quality content should continue to drive screen growth with premium formats being a major driver. According to the latest China Film Development Plans published by the China Film Administration, the total number of screens is targeted to exceed 100,000 by 2025. The five-year plan also advocated government support for local sci-fi and animation movie production as well as cinema technology upgrades to enhance movie-viewing experience, all of which are positive for IMAX.

Proportion of Revenue Sharing Arrangements

We generate revenue through charging fees to exhibitors for the IMAX theatre system. Under sales arrangements with exhibitor partners, most fees are paid around the time of installation of the IMAX theatre system, and substantially all our revenue from such sales were recognised at the same time. Under revenue sharing arrangements, we charge a smaller fee, or no upfront fee, at the time of the IMAX theatre system installation. 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 needs will be offset by an increase in recurring revenue we receive under all revenue sharing arrangements.

Impact on Our Profitability

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

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

Revenue sharing arrangements increased from 482 arrangements in FY2020 to 503 arrangements in FY2021. As the level of our involvement and capital commitment is much greater with a revenue sharing arrangement, we can provide more input in the exhibitor's marketing campaigns for an IMAX film or an IMAX theatre launch. Going forward, we plan to continue to promote revenue sharing arrangements to exhibitors that can roll out their theatre network quickly and that have a portfolio of quality theatres with box office potential or a proven track record of success with IMAX theatres. Notwithstanding our interest in additional revenue sharing arrangements, our exhibitor partners may have other commercial considerations and may not choose revenue sharing arrangements over sales arrangements.

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

The China market faces a number of risks, including changes in laws and regulations, currency fluctuations, increased competition, and changes in economic conditions, including the risk of an economic downturn or recession, trade embargoes, restrictions or other barriers. Any or all of these risks, and adverse developments in any of these areas could impact the Group's future revenues and cash flows and could cause the Group to fail to achieve anticipated growth. For example, in addition to the importation of Hollywood films discussed above, the Group also imports IMAX theatre systems from the Canada that may be impacted by tariffs or trade embargoes.

Continued growth in our business depends on urbanisation and rising standards of living in 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 of US$7.3 billion in 2021 grew at a compound annual growth rate (CAGR) of 14.9% from 2010 to 2021.

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. We believe the cinema industry has historically been more resilient to economic downturns than other industries and lifestyle offerings, including cinema, are important to shopping mall developers. However, 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 IMAX Technology Network, such as DMR conversion costs per film and theatre system depreciation. As a result, our ability to maintain our pricing and our profit margin is an important factor driving our results. As we expand the IMAX theatre network and cooperate with more exhibitor partners, we may be expected to offer volume discounts to existing exhibitors who increase their commitment for more IMAX theatre systems, or who contract to install many IMAX theatre systems upfront. We may strategically offer other discounts or concessions to certain exhibitors to maintain or gain market share. Given our relatively fixed cost base, any material decreases in revenue due to adjustments in pricing will have an adverse impact on our profitability.

Seasonality Effects

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

Currency Fluctuations

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

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

DESCRIPTION OF SELECTED LINE ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME ITEMS

Revenue

We derive a majority of our revenue from our three primary groups — IMAX Technology Network, IMAX Technology Sales and Maintenance and New Business Initiatives and Other.

IMAX Technology Network

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

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

- Revenue sharing arrangements, of which the Group has two types — full revenue sharing arrangements and hybrid revenue sharing arrangements. Under its full revenue sharing arrangements, the Group leases IMAX theatre systems to its exhibitor partners, and provides related services, in return for ongoing fees of contingent rent based on a percentage of the IMAX box office from the relevant IMAX theatre. Under full revenue sharing arrangements, the customer pays no upfront fee. Under hybrid revenue sharing arrangements, the Group receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theatre. The Group also receives a fixed upfront fee, which is less than a straight sale transaction, and which is recorded in IMAX Technology Sales and Maintenance segment. Contingent rent revenue from revenue sharing arrangements is recognized when reported by our exhibitor partners; and

- Sales-type lease arrangements, consist of contingent rent in excess of certain fixed minimum ongoing payments. The contingent rent is recognized after the fixed minimum amount per annum is exceeded as driven by box office performance. Contingent rent on sales-type lease arrangements is recognized when IMAX box office is reported by our exhibitor partners. Contingent rent on sales arrangements is estimated and recognized with the revenue under IMAX Technology Sales and Maintenance.

IMAX Technology Sales and Maintenance

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

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

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

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

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

New Business Initiatives and Other

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

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

	FY2021		FY2020	
	US$'000	*%*	*US$'000*	*%*
IMAX Technology Network				
IMAX DMR films	**21,750**	**19.3%**	7,721	14.7%
Revenue sharing arrangements — contingent rent	**17,623**	**15.6%**	7,461	14.3%
Sub-total	**39,373**	**34.9%**	15,182	29.0%
IMAX Technology Sales and Maintenance				
IMAX Systems	**41,413**	**36.6%**	23,953	45.8%
Revenue sharing arrangements — upfront fees	**5,150**	**4.6%**	1,285	2.5%
IMAX Maintenance	**25,581**	**22.7%**	11,156	21.3%
Other Theatre Business	**858**	**0.8%**	543	1.0%
Sub-total	**73,002**	**64.7%**	36,937	70.6%
New Business Initiatives and Other	**426**	**0.4%**	212	0.4%
Total	**112,801**	**100.0%**	52,331	100.0%

Cost of Sales

Our cost of sales are primarily comprised of the costs for the rights of all digital re-mastered films purchased under our intercompany agreement with IMAX Corporation (excluding Hollywood films which are recorded as a reduction of film revenue received from IMAX Corporation according to *IFRS 15* starting from 2018), the costs of IMAX theatre systems and related services under sales, sales-type lease and hybrid revenue sharing arrangements, depreciation of IMAX theatre systems capitalized under full revenue sharing arrangements and certain one-time costs at the time of system installation and exhibitor acceptance of the respective IMAX theatre system such as marketing costs for IMAX theatre launches, commissions and the cost for providing any maintenance service during a warranty period.

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

	FY2021		FY2020	
	US$'000	***%***	*US$'000*	*%*
IMAX Technology Network				
IMAX DMR films	**4,314**	**19.8%**	1,667	21.6%
Revenue sharing arrangements — contingent rent	**12,763**	**72.4%**	13,429	180.0%
Sub-total	**17,077**	**43.4%**	15,096	99.4%
IMAX Technology Sales and Maintenance				
IMAX Systems	**14,199**	**34.3%**	10,086	42.1%
Revenue sharing arrangements — upfront fees	**3,925**	**76.2%**	1,426	111.0%
IMAX Maintenance	**8,585**	**33.6%**	5,578	50.0%
Other Theatre Business	**624**	**72.7%**	475	87.5%
Sub-total	**27,333**	**37.4%**	17,565	47.6%
New Business Initiatives and Other	**203**	**47.7%**	323	152.4%
Total	**44,613**	**39.6%**	32,984	63.0%

Gross Profit and Gross Profit Margin

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

	FY2021		FY2020	
	US$'000	**%**	*US$'000*	%
IMAX Technology Network				
IMAX DMR films	**17,436**	**80.2%**	6,054	78.4%
Revenue sharing arrangements — contingent rent	**4,860**	**27.6%**	(5,968)	(80.0)%
Sub-total	**22,296**	**56.6%**	86	0.6%
IMAX Technology Sales and Maintenance				
IMAX Systems	**27,214**	**65.7%**	13,867	57.9%
Revenue sharing arrangements — upfront fees	**1,225**	**23.8%**	(141)	(11.0)%
IMAX Maintenance	**16,996**	**66.4%**	5,578	50.0%
Other Theatre Business	**234**	**27.3%**	68	12.5%
Sub-total	**45,669**	**62.6%**	19,372	52.4%
New Business Initiatives and Other	**223**	**52.3%**	(111)	(52.4)%
Total	**68,188**	**60.4%**	19,347	37.0%

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:

	FY2021		FY2020	
	US$'000	**%**	*US$'000*	%
Employee salaries and benefits	**8,729**	**7.4%**	6,569	12.6%
Share-based compensation expenses	**3,773**	**3.3%**	3,386	6.5%
Travel and transportation	**571**	**0.5%**	447	0.9%
Advertising and marketing	**1,444**	**1.3%**	674	1.3%
Professional fees	**1,710**	**1.5%**	1,435	2.7%
Other employee expense	**413**	**0.4%**	294	0.6%
Facilities	**320**	**0.3%**	214	0.4%
Depreciation	**1,166**	**1.0%**	1,441	2.8%
Foreign exchange and other expenses	**(1,306)**	**(1.2)%**	(79)	(0.4)%
Total	**16,820**	**14.6%**	14,381	27.5%

Reversals (provision) of impairment losses on financial assets

Net impairment reversal on financial assets in FY2021 is due to better than expected collection on trade receivables, financing receivables and variable consideration receivables. Net impairment impact on financial assets for FY2021 and FY2020 was a reversal of US$4.0 million and a loss of US$10.9 million, respectively.

Other Operating Expenses

Other operating expenses primarily include the annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements, charged at an aggregate of 5% of our revenue. Our other operating expenses for FY2021 and FY2020 were US$6.1 million and US$3.9 million, respectively.

Interest Income

Interest income represents interest earned on various term deposits. None of the deposits had a term of more than 90 days. Our interest income for FY2021 and FY2020 was US$1.6 million and US$1.3 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 is 25%. The entity incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2 million and 16.5% on any part of assessable profits over HKD2 million for the years presented. Our effective tax rate differs from the statutory tax rate and varies from year to year primarily as a result of numerous permanent differences, subsidies, and the provision for income taxes at different rates in different jurisdictions, the application of Hong Kong's territorial tax system and changes due to our recoverability assessments of deferred tax assets.

Our income tax expense for FY2021 and FY2020 was US$12.3 million and US$18.1 million, respectively.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Consolidated Statement of Comprehensive Income

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

	FY2021		FY2020	
	US$'000	**%**	*US$'000*	%
Revenues	**112,801**	**100.0%**	52,331	100.0%
Cost of sales	**(44,613)**	**(39.6)%**	(32,984)	(63.0)%
Gross profit	**68,188**	**60.4%**	19,347	37.0%
Selling, general and administrative expenses	**(16,820)**	**(14.9)%**	(14,381)	(27.5)%
Reversals (provision) of impairment losses on financial assets	**3,997**	**3.5%**	(10,892)	(20.8)%
Other operating expenses	**(6,062)**	**(5.4)%**	(3,900)	(7.5)%
Operating profit (loss)	**49,303**	**43.7%**	(9,826)	(18.8)%
Interest income	**1,643**	**1.5%**	1,330	2.5%
Interest expense	**(458)**	**(0.4)%**	(108)	(0.2)%
Profit (Loss) before income tax	**50,488**	**44.8%**	(8,604)	(16.4)%
Income tax expense	**(12,271)**	**(10.9)%**	(18,135)	(34.7)%
Profit (Loss) for the year, attributable to owners of the Company	**38,217**	**33.9%**	(26,739)	(51.1)%
Other comprehensive income (loss):				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	**3,538**	**3.1%**	14,139	27.0%
Items that may not be subsequently reclassified to profit or loss:				
Change in fair value of financial assets at fair value through other comprehensive income ("**FVOCI**")	**5,219**	**4.6%**	(2,084)	(4.0)%
Other comprehensive income:	**8,757**	**7.8%**	12,055	23.0%
Total comprehensive income (loss) for the year, attributable to owners of the Company	**46,974**	**41.6%**	(14,684)	(28.1)%

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:

	FY2021 ***US$'000***	FY2020 *US'000*
Profit (Loss) for the year	**38,217**	(26,739)
Adjustments:		
Share-based compensation	**3,773**	3,386
Tax impact on item listed above	**(876)**	(393)
Provisional tax	**547**	19,134
Adjusted profit (loss)	**41,661**	(4,612)

FY2021 COMPARED WITH FY2020

Revenue

Our revenue increased 115.7% from US$52.3 million in FY2020 to US$112.8 million in FY2021 driven by an increase of US$24.2 million in our IMAX Technology Network revenue and an increase of US$36.1 million in IMAX Technology Sales and Maintenance revenue, as explained further below.

IMAX Technology Network

Revenue from our IMAX Technology Network increased 159.3% from US$15.2 million in FY2020 to US$39.4 million in FY2021, primarily due to a US$140.2 million, or 141.3% increase in box office revenue in FY2021 compared to the prior year.

IMAX DMR Films

IMAX DMR film revenue increased 181.7% from US$7.7 million in FY2020 to US$21.8 million in FY2021 as a result of an increase in box office revenue. The box office revenue generated by IMAX films increased 141.2% from US$99.2 million in FY2020 to US$239.5 million in FY2021 due to the COVID-19 theatre re-openings ("**Theatre Reopenings**") starting from 2HFY2020.

Box office revenue per screen increased 135.7% from US$0.14 million in FY2020 to US$0.33 million in FY2021 as a result of Theatre Reopenings.

The following table sets out the number of films we released in the IMAX format in FY2021 and FY2020 in Greater China:

	FY2021	FY2020
Hollywood films	**13**	16
Hollywood films (Hong Kong and Taiwan only)	**16**	8
Chinese language films	**21**	9
Total IMAX films released	**50**	33

Revenue Sharing Arrangements — Contingent Rent

Contingent rent from revenue sharing arrangements increased 136.2% from US$7.5 million in FY2020 to US$17.6 million in FY2021 primarily due to Theatre Reopenings with higher box office revenue per screen, and also a greater number of IMAX theatres operating under revenue sharing arrangements in FY2021 compared to FY2020. This included (i) contingent rent from full revenue sharing arrangements increased 134.4% from US$6.4 million in FY2020 to US$15.0 million in FY2021; (ii) contingent rent from hybrid revenue sharing arrangements increased 136.4% from US$1.1 million in FY2020 to US$2.6 million in FY2021.

IMAX Technology Sales and Maintenance

Revenue from our IMAX Technology Sales and Maintenance increased 97.6% from US$36.9 million in FY2020 to US$73.0 million in FY2021.

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**		
	2021	2020	Growth (%)
The PRC[(1)]	**752**	715	5.2%
Hong Kong	**5**	5	—
Taiwan	**10**	9	11.1%
Macau	**1**	—	100.0%
	768	729	5.3%
Institutional[(2)]	**15**	16	(6.3)%
Total	**783**	745	5.1%

Note:

(1) Thirteen theatres in the PRC were closed in FY2021, five of which were relocated to other sites in FY2021.

(2) Institutional IMAX theatres include museums, zoos, aquaria and other destination entertainment sites that do not exhibit commercial films. One institutional IMAX theatre in Taiwan was closed in FY2021 due to complex closure.

The following table sets out the number of IMAX theatre systems installed by business arrangements in FY2021 and FY2020:

	FY2021	FY2020
Sales and sales-type lease arrangements	**26**	15
Revenue sharing arrangements	**26**	24
IMAX Laser upgrades	**5**	3
Total theatre systems installed	**57**[(1)]	42

Note:

(1) Includes 8 relocations (6 sales and sales-type lease and 2 revenue sharing) and 5 IMAX Laser upgrades (4 sales and sales-type lease and 1 revenue sharing) in FY2021. Full revenue is not received on relocation from a sales and sales type lease arrangement, however in certain of these situations, the original location was upgraded to IMAX Laser.

IMAX Systems

Revenue from sales and sales-type lease arrangements increased 72.5% from US$24.0 million in FY2020 to US$41.4 million in FY2021, primarily due to 13 more sales and sales-type lease arrangements (including 4 re-deployed system installations and 2 IMAX Laser upgrades) in FY2021 over FY2020 due to further normalization of business activities previously impacted by the COVID-19 pandemic in FY2020. We recognised sales revenue on 17 new theatre systems, (including 2 IMAX Laser upgrades) with a value of US$20.5 million in FY2020, compared to 24 new theatre systems, (including 4 IMAX Laser upgrades) in FY2021 with a total value of US$37.6 million.

Average revenue per new system under sales and sales-type lease arrangements excluding GT Laser and re-deployed system increased from US$1.4 million in FY2020 to US$1.5 million in FY2021 due to 6 additional IMAX Laser systems.

Revenue Sharing Arrangements — Upfront Fees

Upfront revenue from hybrid revenue sharing arrangements increased from US$1.3 million in FY2020 to US$5.2 million in FY2021, primarily due to 9 new hybrid revenue sharing installations in FY2021 compared to 3 new in FY2020.

IMAX Maintenance

IMAX maintenance revenue increased 128.6% from US$11.2 million in FY2020 to US$25.6 million in FY2021. Maintenance revenue increased in FY2021 as a result of: (i) a 5.1% increase in the size of the IMAX network, which increased to 783 theatres as at 31 December 2021 from 745 theatres as at 31 December 2020; and, (ii) regular maintenance services resumed in FY2021 as a result of Theatre Reopenings.

New Business Initiatives and Other

Revenue from New Business Initiatives and Other increased from US$0.2 million in FY2020 to US$0.4 million in FY2021.

Cost of Sales

Our cost of sales increased 35.2% from US$33.0 million in FY2020 to US$44.6 million in FY2021. This increase was primarily due to an increase of US$2.0 million in our IMAX Technology Network, and an increase of US$9.7 million in our IMAX Technology Sales and Maintenance, explained below.

IMAX Technology Network

The cost of sales for our IMAX Technology Network increased 13.2% from US$15.1 million in FY2020 to US$17.1 million in FY2021 due to increased costs associated with more films exhibited in FY2021. This was partially offset by the decreased depreciation costs mainly associated with additional relief period extension on depreciation starting in 2HFY2020.

IMAX DMR Films

The cost of sales for film increased 152.9% from US$1.7 million in FY2020 to US$4.3 million in FY2021 driven by the increased DMR and film marketing costs resulting from 34 films exhibited in the PRC in FY2021 compared to 25 films in FY2020.

Revenue Sharing Arrangements — Contingent Rent

The cost of sales for contingent rent from revenue sharing arrangements decreased 4.5% from US$13.4 million in FY2020 to US$12.8 million in FY2021, primarily due to decreased depreciation costs associated with additional relief period extension on depreciation starting in 2HFY2020, partially offset by a larger full revenue sharing network, currently 392 theatres as at FY2021 versus 376 theatres as at FY2020.

IMAX Technology Sales and Maintenance

The cost of sales for our IMAX Technology Sales and Maintenance increased 55.6% from US$17.6 million in FY2020 to US$27.3 million in FY2021, primarily due to 13 more IMAX theatre systems installations under sales and sales-type lease arrangements (including 4 re-deployed system installations and 2 IMAX Laser upgrades) and 6 more new hybrid revenue sharing arrangements in FY2021 as compared to FY2020, and increased theatre maintenance cost.

IMAX Systems

Cost of sales under sales and sales-type lease arrangements increased 40.6% from US$10.1 million in FY2020 to US$14.2 million in FY2021, primarily related to the costs recognised on 24 new theatre system installations (including 4 IMAX Laser upgrade and 6 re-deployed systems) in FY2021 compared to 17 new theatre system installations under sales and sales-type lease arrangement (including 2 IMAX Laser upgrades) in FY2020.

Revenue Sharing Arrangements — Upfront Fees

Cost of sales from installation of hybrid revenue sharing arrangements increased 175.2% from US$1.4 million in FY2020 to US$3.9 million in FY2021, primarily due to the costs recognised on 9 new theatre systems installations under hybrid revenue sharing arrangements in FY2021 as compared to 3 new theatre systems in FY2020.

IMAX Maintenance

Cost of sales with respect to theatre system maintenance increased 53.6% from US$5.6 million in FY2020 to US$8.6 million in FY2021 as a result of: (i) a 5.1% increase in the size of the IMAX network, which increased to 783 theatres as at 31 December 2021 from 745 theatres as at 31 December 2020; and, (ii) the resumption of regular maintenance services that were generally suspended due to the COVID-19 pandemic in FY2020.

New Business Initiatives and Other

Cost from New Business Initiatives and Other decreased from US$0.3 million in FY2020 to US$0.2 million in FY2021, respectively.

Gross Profit and Gross Profit Margin

Our gross profit was US$68.2 million in FY2021, or 60.4% of total revenue compared to US$19.3 million in FY2020, or 37.0% of total revenue. The increase in gross profit was largely attributable to an increase of US$22.2 million of our IMAX Technology Network, and an increase of US$26.3 million in our IMAX Technology Sales and Maintenance further explained below.

IMAX Technology Network

The gross profit from our IMAX Technology Network increased from US$0.1 million in FY2020 to US$22.3 million in FY2021, and the gross profit margin increased from 0.6% in FY2020 to 56.6% in FY2021. The increase was primarily due to the increase in our overall box office revenue in FY2021 due to Theatre Reopenings, and the decreased depreciation costs mainly associated with additional relief period extension on depreciation starting in 2HFY2020.

IMAX DMR Films

The gross profit for IMAX DMR films increased 188% from US$6.1 million in FY2020 to US$17.4 million in FY2021, and the gross profit margin increased from 78.4% in FY2020 to 80.2% in FY2021. The increase of gross profit was primarily due to an increase 141.3% in our overall box office revenue from US$99.2 million in FY2020 to US$239.5 million in FY2021.

Revenue Sharing Arrangements — Contingent Rent

The gross profit for contingent rent from revenue sharing arrangements increased from a loss of US$6.0 million in FY2020 to a profit of US$4.9 million in FY2021.

The gross profit for contingent rent from full revenue sharing arrangements increased 131.0% from a loss of US$7.1 million in FY2020 to a profit of US$2.3 million in FY2021. Gross profit margin increased primarily due to much higher overall box office revenue as a result of Theatre Reopenings and a decrease in depreciation costs associated with additional relief period extension on depreciation starting in 2HFY2020.

The gross profit for contingent rent from hybrid revenue sharing arrangements increased 136.4% from US$1.1 million in FY2020 to US$2.6 million in FY2021, mainly driven by higher box office revenue per screen as a result of Theatre Reopenings.

IMAX Technology Sales and Maintenance

The gross profit increased 135.6% from US$19.4 million in FY2020 to US$45.7 million in FY2021. During the same period, our gross profit margin increased from 52.4% to 62.6%. The increase in gross profit and gross profit margin were primarily driven by the installations of 13 more systems under sales and sales-type lease arrangements (including 4 re-deployed system installations and 2 IMAX Laser upgrades), 6 more new system under hybrid revenue sharing arrangements, and higher maintenance service revenue due primarily to Theatre Reopenings.

IMAX Systems

The gross profit from sales of new IMAX theatre systems increased 96.3% from US$13.9 million in FY2020 to US$27.2 million in FY2021 primarily due to the installation of 13 more systems (including 4 re-deployed system installations and 2 IMAX Laser upgrades). Our gross profit margin increased from 57.9% in FY2020 to 65.7% in FY2021, primarily due to a larger portion of IMAX Laser installations in FY2020 and 4 more re-deployed system installations with higher margin in FY2021.

Revenue Sharing Arrangements — Upfront Fees

The gross profit from upfront fees derived from hybrid revenue sharing arrangements increased from a loss of US$0.1 million in FY2020 to a profit of US$1.2 million in FY2021, primarily due to 6 more new installations under hybrid revenue sharing arrangements and higher gross profit margin of 23.8% in FY2021 compared to a negative gross margin of 11.0% in FY2020 due to 3 more installations in FY2020 coming from a larger scale client with a higher ongoing percentage of box office fee.

IMAX Maintenance

The gross profit for our theatre system maintenance increased 203.6% from US$5.6 million in FY2020 to US$17.0 million in FY2021 and our gross profit margin increased from 50.0% in FY2020 to 66.4% in FY2021 as a result of: (i) a 5.1% increase in the size of the IMAX network, which increased to 783 theatres as at 31 December 2021 from 745 theatres as at 31 December 2020; and, (ii) a resumption of regular maintenance services that were generally suspended due to the COVID-19 pandemic in FY2020.

New Business Initiatives and Other

The gross profit for New Business Initiatives and Other increased from a loss of US$0.1 million in FY2020 to a profit of US$0.2 million in FY2021.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 16.7% from US$14.4 million in FY2020 to US$16.8 million in FY2021, primarily due to: (i) a US$2.5 million increase related to employee salaries and benefits and share-based compensation expenses as a result of increased salary and bonus compared to FY2020; (ii) a US$0.8 million increase in advertising and marketing expenses due to the resumption of more normalized marketing operations in FY2021; (iii) a US$0.3 million increase in professional fees; and, (iv) a US$0.1 million increase in travel and transportation, partially offset by a US$1.2 million higher foreign exchange gain related to cash collected in FY2021 for old aged receivables.

Reversals (Provision) of Impairment Losses on Financial Assets

Net impairment impact on financial assets for FY2021 and FY2020 were a reversal of US$4.0 million and a loss of US$10.9 million, respectively. Net impairment reversal on financial assets in FY2021 is due to better than expected collection on trade receivables, financing receivables and variable consideration receivables.

Other Operating Expenses

Other operating expenses increased 55.4% from US$3.9 million in FY2020 to US$6.1 million in FY2021, primarily due to an increase in annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements as a result of increased revenue in FY2021 versus FY2020.

Interest Income

Interest income increased 23.1% from US$1.3 million in FY2020 to US$1.6 million in FY2021 due to more interest income earned on higher bank balance in cash during the year.

Income Tax Expense

Our income tax expense decreased 32.0% from US$18.1 million in FY2020 to US$12.3 million in FY2021. The decrease in income tax expense was primarily due to a decrease in provisional tax from US$18.5 million in FY2020 to US$0.5 million in FY2021 for applicable withholding taxes associated with historical earnings of one subsidiary in the PRC. This was offset by the increase of our operating profit before income tax of US$59.1 million from a loss of US$8.6 million in FY2020 to a profit of US$50.5 million in FY2021.

Profit (Loss) for the Year

We reported a profit for the year of US$38.2 million in FY2021 as compared to a loss of US$26.7 million in FY2020 due to an increase in box office, more installations, and maintenance related revenue — all driven by further normalization of business activities previously impacted by the COVID-19 pandemic in FY2020.

Other Comprehensive Income (Loss) for the Year

We reported a comprehensive income for the year of US$47.0 million in FY2021 as compared to a comprehensive loss of US$14.7 million in FY2020.

The increase was primarily due to a increase in our profit for the year of US$64.9 million from a loss of US$26.7 million in FY2020 to a profit of US$38.2 million in FY2021, partially offset by a decrease in other comprehensive income of US$3.3 million from a profit of US$12.1 million in FY2020 to a profit of US$8.8 million in FY2021.

The decrease in other comprehensive income of US$3.3 million was mainly related to a decrease in foreign currency translation profit of US$10.6 million from a profit of US$14.1 million (6.5% depreciation of the RMB relative to USD) in FY2020 to a profit of US$3.5million in FY2021 (2.3% depreciation of RMB relative to USD), partially offset by an increase in fair value of financial assets at FVOCI of $7.3 million from a loss of US$2.1 million in FY2020 to a profit of $5.2 million in FY2021, which were both due to fair value change of investment in Maoyan.

Comprehensive profit for the year in FY2021 included a US$3.8 million charge (US$3.4 million in FY2020) for share-based compensation.

Adjusted Profit (Loss)

Adjusted profit (loss), which consists of profit for the year adjusted for the impact of share-based compensation and the related tax impact, and provisional tax, was an income of US$41.7 million in FY2021 as compared to a loss of US$4.6 million in FY2020.

LIQUIDITY AND CAPITAL RESOURCES

	As at 31 December	
	2021	2020
	US$'000	*US$'000*
Current assets		
Other assets	**633**	150
Contract acquisition costs	**518**	1,374
Film assets	**76**	180
Inventories	**5,857**	5,968
Prepayments	**3,566**	2,902
Variable consideration receivable from contracts	**516**	434
Financing receivables	**18,278**	16,755
Trade and other receivables	**51,496**	42,223
Cash and cash equivalents	**97,737**	88,472
Total Current Assets	**178,677**	158,458
Current liabilities		
Trade and other payables	**21,394**	21,296
Accruals and other liabilities	**9,382**	10,735
Income tax liabilities	**5,585**	4,293
Borrowings	**3,612**	7,643
Deferred revenue	**18,875**	15,514
Total Current Liabilities	**58,848**	59,481
Net Current Assets	**119,829**	98,977

As at 31 December 2021, we had net current assets of US$119.8 million compared to net current assets of US$99.0 million as at 31 December 2020. The increase in net current assets in FY2021 was mainly attributable to a US$9.3 million increase in trade and other receivables, a US$9.3 million increase in cash and cash equivalents, a US$4.0 million decrease in borrowings, a US$1.4 million decrease in accruals and other liabilities and a US$1.5 million increase in financing receivables, partially offset by a US$3.4 million increase in deferred revenue, and a US$1.3 million increase in income tax liabilities.

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	
	2021	2020
Cash and cash equivalents denominated in US$	**$ 4,423**	$ 9,803
Cash and cash equivalents denominated in RMB (in thousands)	**¥ 591,844**	¥ 507,999
Cash denominated in Hong Kong dollars HK$ (in thousands)	**$ 3,881**	$ 5,838

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 provided by (used in) investing activities and net cash used in financing activities for the years indicated:

	FY2021 ***US$'000***	FY2020 *US$'000*
Net cash provided by operating activities	**30,136**	9,228
Net cash provided by (used in) investing activities	**10,187**	(4,720)
Net cash used in financing activities	**(33,374)**	(9,415)
Effects of exchange rate changes on cash	**2,316**	4,071
Increase (decrease) in cash and cash equivalents during year	**9,265**	(836)
Cash and cash equivalents, beginning of year	**88,472**	89,308
Cash and cash equivalents, end of year	**97,737**	88,472

Cash Provided by Operating Activities

FY2021

Our net cash provided by operations was approximately US$30.1 million in FY2021. We had profit before income tax for the year of US$50.5 million in FY2021 and positive adjustments for depreciation of property, plant and equipment of US$13.7 million, amortisation of film assets of US$4.0 million, equity settled and other non-cash compensation of US$3.8 million, reduced by changes in working capital of US$25.3 million, taxes paid of US$12.7 million, and reversals of expected credit loss of US$4.0 million. Changes in working capital primarily consisted of: (i) an increase in financing receivables of US$11.1 million primarily the result of the total 24 sales and sales-type lease installations in FY2021; (ii) an increase in trade and other receivables of US$6.1 million; (iii) a increase in film assets of US$3.9 million, (iv) a decrease in deferred revenue of US$2.9 million; and, (v) a decrease in accruals and other liabilities of US$0.7 million.

FY2020

Our net cash provided by operations was approximately US$9.2 million in FY2020. We had loss before income tax for the year of US$8.6 million in FY2020 and positive adjustments for depreciation of property, plant and equipment of US$14.2 million, allowance for expected credit loss of US$10.9 million, settlement of equity, other non-cash compensation of US$3.4 million, amortisation of film assets of US$3.0 million, and write-downs of US$1.1 million, reduced by changes in working capital of US$7.3 million, taxes paid of US$4.6 million and our net investment in film assets of US$3.0 million. Changes in working capital primarily consisted of: (i) an increase in financing receivables of US$7.9 million primarily the result of the total 15 sales and sales-type lease installations in FY2020 and the temporary relief provided to exhibitor partners by waiving minimum payment during periods when theatres are closed and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding extension of the term of the underlying sales and sales-type lease arrangement; (ii) a decrease in deferred revenue of US$2.8 million; (iii) a decrease in accruals and other liabilities of US$1.5 million; and, (iv) an increase in prepayments of US$1.0 million; partially offset by (i) an increase in trade and other payables of US$4.4 million; and, (ii) a decrease in trade and other receivables of US$1.7 million.

Cash Provided by (Used in) Investing Activities

FY2021

Our net cash provided by investing activities was approximately US$10.2 million for FY2021, primarily related to the proceeds on disposal of investment in Maoyan of US$17.8 million, partially offset by investments in IMAX theatre equipment amounting to US$7.3 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

FY2020

Our net cash used in investing activities was approximately US$4.7 million for FY2020, primarily related to investments in IMAX theatre equipment amounting to US$4.6 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

Cash Used in Financing Activities

FY2021

Our net cash used in financing activities was approximately US$33.4 million for FY2021 primarily due to: (i) dividend paid to owners of the Group amounting to US$16.6 million; (ii) payments for shares bought back of US$10.1 million; (iii) repayment of borrowings of US$7.6 million; (iv) settlement of restricted share units and options of US$1.8 million; and, (v) principal element of lease payments of US$0.9 million, partially offset by proceeds from borrowings of US$3.6 million.

FY2020

Our net cash used in financing activities was approximately US$9.4 million for FY2020 primarily due to: (i) dividend paid to owners of the Group amounting to US$13.9 million; (ii) payments for shares bought back of US$1.5 million; (iii) principal element of lease payments of US$0.9 million; and, (iv) settlement of restricted share units and options of US$0.6 million, partially offset by proceeds from borrowings of US$7.6 million.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Lease Commitments

We have lease commitments within one year amounting to US$0.1 million related primarily to leased office in Shanghai.

Capital Commitments

As at 31 December 2021, we had capital expenditures contracted but not provided for of US$25.6 million (2020: US$25.1 million), and capital expenditures authorised but not contracted for of US$ nil (2020: US$nil million).

CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

Capital Expenditures

Our capital expenditures primarily relate to the acquisition of IMAX theatre systems. During FY2021 and FY2020, our capital expenditures were US$7.6 million and US$4.7 million, respectively.

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

Contingent Liabilities

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

As at 31 December 2021, we had drawn down RMB23 million (approximately US$3.6 million) on our bank borrowing facility with interest rate of 4.15%–4.35% per annum, and RMB2.8 million (approximately US$0.4 million) on our letter of guarantee facility. Except as disclosed above or as otherwise disclosed herein, as at 31 December 2021, 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 2021.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operating activities and a working capital loan. Cash flow generated from operating activities was US$30.1 million in FY2021 versus the cash flow generated from operating activities of US$9.2 million in FY2020 significantly impacted from the COVID-19 theatre closures. As the IMAX technology network recovers from the COVID-19 pandemic and continues to grow, we believe our cash flow from operating activities will continue to increase and fund existing business operations and any initial capital expenditures required under revenue sharing arrangements.

In July 2021, we renewed an unsecured revolving facility for up to RMB200 million (approximately US$31.4 million) to fund ongoing working capital requirements. The total amounts drawn and available under the working capital loan at 31 December 2021 were RMB23 million and RMB167 million for bank borrowing facility, and RMB2.8 million and RMB7.2 million for letter of guarantee facility, respectively.

STATEMENT OF INDEBTEDNESS

As at 31 December 2021:

- Except for the drawdown of RMB23 million on the bank borrowing facility for up to RMB190 million, and the drawdown of RMB2.8 million on the letter of guarantee facility for up to RMB10 million, we did not have any bank borrowings or committed bank facilities;

- we did not have any borrowing from IMAX Corporation or any related parties; and

- we did not have any hire purchase commitments or bank overdrafts.

Since 31 December 2021, being the latest date of our audited financial statements, there has been no material adverse change to our indebtedness.

RECENT DEVELOPMENTS

In January 2022, IMAX (Shanghai) Culture & Technology Co., Ltd. a wholly-owned subsidiary of the Company signed a joint film investment agreement with Wanda Film (Horgos) Co. Ltd. to invest RMB30 million (approximately US$4.7 million, representing approximately 6% of the total film investment) in the movie "Mozart from Space" which is expected to be released in 2022. IMAX (Shanghai) Culture & Technology Co., Ltd. will share the profits or losses of the film based on the investment percentage according to the agreement and has no further investment obligation if the actual movie production cost exceeds the original budget. The Group made the investment based on certain investment criteria, including the box office potential of the film, how tailored big production science fiction films are for IMAX, how the director and producers have embraced using IMAX certified cameras for the production and the IMAX platform to differentiate the film. The Group intends to make future local language film investments based on similar investment criteria.

OFF BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements as at 31 December 2021.

KEY FINANCIAL RATIOS

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

	2021	2020
Gearing ratio(1)	**37.8%**	44.6%
Adjusted profit (loss) margin(2)	**36.9%**	(8.8)%

Notes:

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

(2) Adjusted profit (loss) 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 44.6% as at 31 December 2020 to 37.8% as at 31 December 2021, primarily due to an increase in equity of US$22.3 million, a decrease in borrowings of US$4.0 million, a decrease in accruals and other liabilities of US$1.8 million, a decrease in deferred income tax liabilities of US$1.5 million and a decrease in deferred revenue of US$1.3 million, partially offset by an increase in income tax liabilities of US$1.3 million.

Adjusted Profit (Loss) Margin

Our adjusted profit (loss) margin increased from negative 8.8% as at 31 December 2020 to a profit of 36.9% as at 31 December 2021, primarily due to increase in gross profit margin from 37.0% in 2020 to 60.4% in 2021, which was largely attributable to growth of the IMAX theatre network and higher box office revenue as of result of Theatre Reopenings.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Pursuant to the Company's dividend policy in effect, in recommending or declaring dividends, the Company should maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder's value. The proposal of payment and the amount of our dividends will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, statutory and regulatory restrictions and other factors that our Board considers relevant. On 4 March 2021, the Board approved and updated the dividend policy. Under the updated dividend policy, dividends to be distributed by the Company each year will be approximately 50% of the net profit attributable to owners of the Company for the previous financial year, subject to the relevant laws and regulations of the Cayman Islands and the Company's articles of association (the "**Articles of Association**"). Our Board recommended the payment of a final dividend, for the 2021 fiscal year, of US$0.027 per share (equivalent to approximately HK$0.210 per share). Distribution of any final dividend shall also be subject to the approval of our Shareholders in a Shareholders' meeting.

In addition, as our Company is a holding company registered in the Cayman Islands and our operations are conducted through our subsidiaries, four 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 2021, the Company had a total equity of US$3.7 million. Under the Companies Law of the Cayman Islands, subject to the provisions of memorandum of association of the Company or the Articles of Association, the Company's share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

DIVIDEND

During the year ended 31 December 2021, the Company declared and paid a final dividend for financial year 2020 of US$0.02 per share (equivalent to approximately HK$0.155 per share) and an interim dividend for the first half of financial year 2021 of US$0.028 per share (equivalent to approximately HK$0.217 per share).

During the board meeting held on 23 February 2022, the Board recommended a final dividend of US$0.027 per share (equivalent to approximately HK$0.210 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 2021 final dividend is expected to be distributed to shareholders on or around 10 June 2022. There will be no scrip dividend option for the 2021 final dividend.

MATERIAL ACQUISITIONS OR DISPOSALS

We have not undertaken any material acquisition or disposal for the year ended 31 December 2021.

SIGNIFICANT INVESTMENTS

We are entitled to IMAX Hong Kong Holding's share of any distributions and dividends paid by TCL-IMAX Entertainment in respect of profit from Greater China as a result of a preferred share we hold in IMAX Hong Kong Holding, which holds 50% of TCL-IMAX Entertainment, a 50:50 joint venture between IMAX Hong Kong Holding (which is indirectly wholly owned by IMAX Corporation) and Sino Leader (Hong Kong) Limited (which is wholly owned by TCL Multimedia Technology Holdings Limited).

The purpose of the investment was to enable the Group to share in any profit earned in Greater China by TCL-IMAX Entertainment. We do not have any management or operational role, responsibilities or rights in TCL-IMAX Entertainment, nor are we subject to any funding obligations (either in respect of capital funding or bearing of losses) in relation to TCL-IMAX Entertainment. As at 31 December 2021, the fair value of TCL-IMAX Entertainment was nil (31 December 2020: nil).

In February 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of the Company, purchased 7,949,000 shares (representing approximately 0.706% equity at the time) in Maoyan Entertainment ("**Maoyan**") with the amount of US$15.1 million at the final offer price pursuant to the global offering of the share capital of Maoyan. We did not receive any distributions or dividends from Maoyan during the period ended 31 December 2021.

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

In February 2021, IMAX China (Hong Kong), Limited sold out all of its 7,949,000 shares of Maoyan for gross proceeds of US$17.8 million. No shares of Maoyan are currently held by IMAX China (Hong Kong), Limited as of the date of these financial statements.

There was no plan authorised by the Board for any material investments or divestments at the date of this report.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the year ended 31 December 2021, the Company conducted share repurchases of 6,664,700 listed Shares on the Stock Exchange pursuant to a general mandate granted by the Shareholders to the Directors during the Annual General Meeting held on 6 May 2021 and resolutions of the Board adopted on 27 July 2021. The following table outlines details of the shares repurchased on a monthly basis.

Month	Number of shares repurchased	Highest price per share HK$	Lowest price paid per share HK$	Average price paid per share HK$	Aggregate price paid HK$
July 2021	254,500	11.00	10.38	10.77	2,741,458.35
August 2021	2,239,000	11.34	9.92	10.58	23,692,210.50
September 2021	1,075,500	11.84	11.22	11.59	12,466,345.59
November 2021	2,251,500	13.02	11.70	12.53	28,219,725.16
December 2021	844,200	12.90	12.48	12.71	10,733,147.88
	6,664,700				77,852,887.48

In addition, 149,481 listed Shares, 149,482 listed Shares, 182,384 listed Shares, 206,910 listed Shares, 155,300 listed Shares, 46,600 listed Shares, 90,900 listed Shares and 44,900 listed Shares were purchased through Computershare Hong Kong Trustees Limited, the trustee engaged by the Company for administering its restricted share unit scheme, on 11 March 2021 at an average price per share of HK$16.4006, on 15 March 2021 at an average price per share of HK$17.4695, on 14 May 2021 at an average price per share of HK$14.4385, on 15 June 2021 at an average price per share of HK$12.2711, on 16 December 2021 at an average price per share of HK$12.0761, on 17 December 2021 at an average price per share of HK$11.9997, on 20 December 2021 at an average price per share of HK$12.0923, and on 21 December 2021 at an average price per share of HK$12.2231, respectively, for satisfying, or preparing for the satisfaction of, the vesting of the relevant restricted share units.

Save for the above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021 (the "**Reporting Period**").

CORPORATE GOVERNANCE PRACTICES

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

Mr. Richard Gelfond, the Chairman of the Company, was unable to attend the Annual General Meeting of the Company convened on 6 May 2021 due to other important business commitments. Mr. Gelfond appointed Mr. Jim Athanasopoulos, an Executive Director and the Chief Financial Officer and Chief Operating Officer of the Company, to be his delegate as the Chair of the Board and as the Chair of the Nomination Committee to attend, chair and answer questions at the Annual General Meeting. Saved as disclosed above, during the Reporting Period, the Company has complied with all the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Company has set up an audit committee on 27 May 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and of the CG Code. The terms of reference were updated on 30 November 2018. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group, maintain an appropriate relationship with the Company's 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 2021.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the Shares.

ANNUAL REPORT

The Company will publish its annual report for the year ended 31 December 2021 in March 2022 on the Company's and the Stock Exchange's websites and such annual report will contain all the information required by Appendix 16 of the Listing Rules.

LITIGATION

The Group did not have any material litigation outstanding as at 31 December 2021.

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 71.11% of the issued share capital of the Company.

On 23 February 2022 (New York time), IMAX Corporation made an announcement regarding its financial results for the fourth quarter and full year ended 31 December 2021 (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 SEC, please visit: https://www.sec.gov/Archives/edgar/data/921582/000156459022006311/imax-ex991_6.htm. Unless otherwise provided therein, all dollar amounts in the Earnings Release and Earnings Call are denominated in United States dollars.

On 23 February 2022 (New York time), IMAX Corporation filed its audited Annual Report on the Form 10-K for the year ended 31 December 2021 with the SEC, 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. 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 adopted by the Company, as a company listed on the Main Board of the Stock Exchange, to prepare and present financial information. As such, the financial results 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 results of IMAX Corporation:

(1) ANNUAL REPORT EXTRACTS

"PART I

Item 1. Business

The Company is a Canadian corporation that was formed in March 1994 as a result of an amalgamation between WGIM Acquisition Corp. and the former IMAX Corporation ("**Predecessor IMAX**"). Predecessor IMAX was incorporated in 1967.

As of December 31, 2021, the Company indirectly owns 71.11% of IMAX China Holding, Inc. ("**IMAX China**"), whose shares trade on the Hong Kong Stock Exchange. IMAX China is a consolidated subsidiary of the Company.

IMPACT OF COVID-19 PANDEMIC

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Company's business and the global economy. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theaters in countries around the world to temporarily close, including the IMAX theaters in those countries. As a result of these theater closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many of the films scheduled to be shown in IMAX theaters, while several other films were released directly or concurrently to streaming platforms. Beginning in the third quarter of 2020, stay-at-home orders and capacity restrictions were lifted in many key markets and movie theaters throughout the IMAX network gradually reopened. However, following the emergence of the Omicron variant and the rise of COVID-19 cases in late 2021 and early 2022, some governments reinstituted capacity restrictions and safety protocols on large public gatherings, leading to the temporary closure of theaters or the imposition of capacity restrictions in certain markets. As of December 31, 2021, 95% of the theaters in the global IMAX commercial multiplex network were open at various capacities. For additional information regarding the impact of the COVID-19 pandemic on the Company's business, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 Pandemic" and Note 2 of Notes to Consolidated Financial Statements in Part II, Item 8.

(See "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part I, Item 1A, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 Pandemic" and Note 2 of Notes to Consolidated Financial Statements in Part II, Item 8.)

IMAX NETWORK

The Company believes the IMAX network is one of the most extensive premium networks in the world with 1,683 IMAX Theater Systems operating in 87 countries and territories, including 1,599 commercial multiplexes, 12 commercial destinations and 72 institutional locations as of December 31, 2021. (See the table below under "IMAX Network and Backlog" in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", for additional information on the composition of the IMAX network.)

The Company currently believes that over time its commercial multiplex network could grow to approximately 3,318 IMAX theaters worldwide from the 1,599 operating as of December 31, 2021. The Company believes that the majority of its future growth will come from international markets. As of December 31, 2021, 74% of IMAX Theater Systems in operation were located within international markets (defined as all countries other than the United States and Canada), compared to 73% as of December 31, 2020. Accordingly, the box office results and revenues derived from international markets continue to exceed those derived from the United States and Canada. Risks associated with the Company's international business are outlined in "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" in Part I, Item 1A.

Greater China is the Company's largest market, measured by revenues, with approximately 44% and 38% of consolidated revenues generated from its Greater China operations in the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021, the Company had 783 theaters operating in Greater China and an additional 215 theaters in backlog. The Company's backlog in Greater China represents 44% of its total current backlog, including upgrades in system type. The Company's largest single international partnership is in China with Wanda Film ("**Wanda**"). As of December 31, 2021, through the Company's partnership with Wanda, there are 369 IMAX Theater Systems operational in Greater China, of which 355 are under the parties' joint revenue sharing arrangement.

(See "Risk Factors — The Company faces risks in connection with its significant presence in China and the continued expansion of its business there", "Risk Factors — General political, social and economic conditions can affect the Company's business by reducing both revenues generated from existing IMAX Theater Systems and the demand for new IMAX Theater Systems", and "Risk Factors — The Company may not convert all of its backlog into revenue and cash flows" in Part I, Item 1A.)

(See "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part I, Item 1A.)

IMAX DMR

IMAX films also benefit from enhancements made by individual filmmakers exclusively for the IMAX release of the film. Collectively, the Company refers to these enhancements as "IMAX DNA". Filmmakers and movie studios have sought IMAX-specific enhancements in recent years to generate interest in and excitement for their films. Such enhancements include shooting films with IMAX cameras to increase the audience's immersion in the film and to take advantage of the unique dimensions of the IMAX screen by projecting the film in a larger aspect ratio that delivers up to 26% more image onto a standard IMAX movie screen. In select IMAX theaters worldwide, movies filmed with IMAX cameras have an IMAX-exclusive 1.43 film aspect ratio, with up to 67% more image.

In 2021, 63 IMAX films were released to the Company's global theater network, including films such as *Spider-Man: No Way Home, No Time to Die, Dune, F9, The Battle at Lake Changjin, Detective Chinatown 3, Godzilla vs. Kong, Shang-Chi and the Legend of the Ten Rings, The Eternals,* and *Black Widow*. The films released in 2021 include 10 with IMAX DNA and 32 local language films released in China (21), Japan (9), Russia (1) and South Korea (1). In 2020, 31 IMAX films were released to the Company's global theater network, including five with IMAX DNA, and 17 local language films released in China (10), Russia (3), Japan (3), and South Korea (1). In 2019, 60 IMAX films were released to the Company's global theater network, including six with IMAX DNA, and 18 local language films released in China (14), Japan (1), South Korea (1), India (1) and Russia (1).

Management believes that growth in international box office remains an important driver of growth for the Company. To support continued growth in international markets, the Company has sought to bolster its international film strategy, supplementing its slate of Hollywood films with appealing local language IMAX films released in select markets, particularly in China. The Company expects to announce additional local language IMAX films to be released to its global theater network in 2022.

To date, in 2022, eight titles have been released to the global IMAX theater network, including one released in connection with a live performance/interactive event, and the Company has announced the following 18 titles to be released later in 2022:

Title	**Studio**	**Scheduled Release Date**(1)	**IMAX DNA**
The Batman	Warner Bros. Pictures	March 2022	None
Notre-Dame Brûle	Pathe	March 2022	Filmed in IMAX
Morbius	Sony Pictures	April 2022	None
Ambulance	Universal Pictures	April 2022	None
Fantastic Beasts: The Secrets of Dumbledore	Warner Bros. Pictures	April 2022	TBD
Doctor Strange In The Multiverse of Madness	Walt Disney Studios	May 2022	Filmed in IMAX
Top Gun: Maverick	Paramount Pictures	May 2022	Filmed in IMAX
Jurassic World: Dominion	Universal Pictures	June 2022	None
Lightyear	Walt Disney Studios	June 2022	Expanded Aspect Ratio
Minions: The Rise Of Gru	Universal Pictures	July 2022	None
Thor: Love & Thunder	Walt Disney Studios	July 2022	Filmed in IMAX
Nope	Universal Pictures	July 2022	Filmed in IMAX
Black Adam	Warner Bros. Pictures	July 2022	TBD
Spider-Man: Into the Spiderverse Sequel	Sony Pictures	October 2022	TBD
The Flash	Warner Bros. Pictures	November 2022	TBD
Black Panther 2: Wakanda Forever	Walt Disney Studios	November 2022	TBD
Creed 3	MGM	November 2022	Filmed in IMAX
Avatar 2	Walt Disney Studios	December 2022	TBD

(1) The scheduled release dates in the table above are subject to change, including as a result of the impact of the COVID-19 pandemic, may vary by territory, and may not reflect the date(s) of limited premiere events. See "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part I, Item 1A.

The Company remains in active negotiations with all major Hollywood studios for additional films to fill out its short and long-term film slate for the IMAX network.

MARKETING AND CUSTOMERS

The Company markets IMAX 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 provides detailed information about the IMAX network by theater type and geographic location as of December 31, 2021 and 2020:

	December 31, 2021				December 31, 2020			
	Commercial Multiplex	**Commercial Destination**	**Institutional**	**Total**	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	**363**	**4**	**27**	**394**	367	4	30	401
Canada	**39**	**1**	**7**	**47**	39	1	7	47
Greater China[1]	**768**	**—**	**15**	**783**	729	—	16	745
Western Europe	**116**	**4**	**8**	**128**	115	4	8	127
Asia (excluding Greater China)	**122**	**2**	**2**	**126**	123	2	2	127
Russia & the CIS	**70**	**—**	**—**	**70**	68	—	—	68
Latin America[2]	**51**	**1**	**11**	**63**	51	1	11	63
Rest of the World	**70**	**—**	**2**	**72**	70	—	2	72
Total[3]	**1,599**	**12**	**72**	**1,683**	1,562	12	76	1,650

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

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

(3) Period-to-period changes in the table above are reported net of the effect of permanently closed theaters.

(For information on revenue breakdown by geographic area, see Note 21 of Notes to Consolidated Financial Statements in Part II, Item 8. 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 its significant presence in China and the continued expansion of its business there" in Item 1A. As of December 31, 2021, the Company's largest customer, Wanda, is based in China and represents 22% of the Company's network of theaters, 4% of the Company's theater system backlog and 10% of its revenues. As of December 31, 2020, Wanda and AMC, which was then controlled by Wanda, represented 35% of the Company's network of theaters, 19% of the Company's theater backlog and 16% of its revenue. Wanda sold its controlling interest in AMC in 2021.)

Item 1A. Risk Factors

Before you make an investment decision with respect to the Company's common stock, you should carefully consider all of the information included in this Form 10-K and the Company's subsequent periodic filings with the SEC. In particular, you should carefully consider the risk factors described below and the risks and uncertainties related to "Forward Looking Statements," any of which could have a material adverse effect on the Company's business, results of operations, financial condition and the actual outcome of matters as to which forward looking statements are made in this annual report. The following risk factors, which are not ranked in any particular order, should be read in conjunction with the balance of this annual report, including the Consolidated Financial Statements and related notes. The risks described below are not the only ones the Company faces. Additional risks that the Company deems immaterial or that are currently unknown to the Company may also impair its business or operations.

RISKS RELATED TO THE COMPANY'S BUSINESS AND OPERATIONS

The Company has experienced a significant decrease in its revenues, earnings, and cash flows due to the COVID-19 pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods.

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Company's business and the global economy. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theaters in countries around the world to temporarily close, including the IMAX theaters in those countries. As a result of these theater closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in IMAX theaters, while several other films were released directly or concurrently to streaming platforms. Beginning in the third quarter of 2020, stay-at-home orders and capacity restrictions were lifted in many key markets and movie theaters throughout the IMAX network gradually reopened. However, following the emergence of the Omicron variant and the rise of COVID-19 cases in late 2021 and early 2022, some governments reinstituted capacity restrictions and safety protocols on large public gatherings, leading to the temporary closure of theaters or the imposition of capacity restrictions in certain markets. As such, there is no assurance that movie theaters will remain open if there is a continued rise of or resurgence in COVID-19 cases in certain jurisdictions. As of December 31, 2021, 95% of the theaters in the global IMAX commercial multiplex network were open at various capacities, spanning 75 countries. This included 99% of Domestic theaters (i.e., in the United States and Canada), 95% of the theaters in Greater China and 91% of the theaters in Rest of World markets.

The COVID-19 pandemic resulted in significantly lower levels of revenues, earnings, and operating cash flows for the Company during 2020 and, to a lesser extent, during 2021, when compared to periods prior to the onset of the pandemic, as gross box office ("**GBO**") results from theaters in the IMAX network declined, the installation of certain theater systems was delayed, and maintenance fees were generally not recognized for theaters that were closed or operating with reduced capacities. Given the uncertainty around when movie-going will return to historical levels, there is no guarantee that the effects of the COVID-19 pandemic will end even after theaters are reopened.

The timing and extent of a recovery of consumer behavior and willingness to spend discretionary income on movie-going may delay the Company's ability to generate significant revenue from GBO generated by its exhibitor customers until consumer behavior normalizes and consumer spending recovers.

In 2020 and 2021, the Company applied for and received wage subsidies, tax credits and other financial support under COVID-19 relief legislation that has been enacted in the countries in which it operates. There are no guarantees that the Company will apply for or receive such benefits in the future or that the Company will receive any additional material financial support through these or other programs that may be created, expanded, or implemented by governments in the countries in which the Company operates.

As a result of the financial difficulties faced by certain of the Company's exhibition customers arising out of pandemic-related theater closures, the Company has experienced and may continue to experience delays in collecting payments due under existing theater sale or lease arrangements. In response, beginning in the second quarter of 2020 through the fourth quarter of 2021, the Company provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theaters were closed or operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement. However, certain of the Company's exhibitor partners that had reopened theaters have temporarily suspended operations of their theater network in certain jurisdictions and other exhibitor partners have reduced their theaters' operating hours, which may exacerbate existing financial difficulties. The Company's exhibitor partners may continue to experience operational and/or financial difficulties if the COVID-19 pandemic continues or consumers change their behavior and consumption patterns in response to the prolonged suspension of movie-going, or for other reasons, which would further increase the risks associated with payments due under existing agreements with the Company. The ability of such partners to make payments cannot be guaranteed and is subject to changing economic circumstances. Further, the Company has had to delay certain theater system installations from backlog and may be required to further delay or cancel such installations in the future. As a result, the Company's future revenues and cash flows may be adversely affected.

Given the dynamic nature of the circumstances, while the Company has been negatively impacted as of the date of filing of this report, it is difficult to predict the full extent of the adverse impact of the COVID-19 pandemic on the Company's financial condition, liquidity, business and results of operations in future reporting periods. The extent and duration of such impact on the Company will depend on future developments, including, but not limited to, the duration and scope of the pandemic, the emergence, spread and severity of variants of the virus, the progress made on administering vaccines and developing treatment and the effectiveness of such vaccines and treatments, the progress towards the resumption of normal operations of movie theaters worldwide and their return to historical levels of attendance, the timing of when new films are released, consumer behavior, the solvency of the Company's exhibitor partners, their ability to make timely payments, any potential construction or installation delays involving our exhibitor partners, the continuing impact of the pandemic on global economic conditions and ongoing government responses to the pandemic. Such events are highly uncertain and cannot be accurately forecast. Moreover, there can be no guarantees that the Company's liquidity needs will not increase materially as the COVID-19 pandemic continues. In addition, liquidity needs as well as other changes to the Company's business and operations may impact the Company's ability to maintain compliance with certain covenants under the Company's credit agreement with Wells Fargo Bank (see Note 14 of Notes to Consolidated Financial Statements in Part II, Item 8). The Company may also be subject to impairment losses based on long-term estimated projections. These estimates and the likelihood of future changes in these estimates depend on a number of underlying variables and a range of possible outcomes. Actual results may differ materially from management's estimates, especially due to the uncertainties associated with the COVID-19 pandemic. If business conditions deteriorate further, or should they remain depressed for a more prolonged period of time, management's estimates of operating results and future cash flows for reporting units may be insufficient to support the goodwill assigned to them, thus requiring impairment charges. Estimates related to future expected credit losses and deferred tax assets, as well as the recoverability of equipment supporting joint revenue sharing arrangements and the realization of variable consideration assets, could also be materially impacted by changes in estimates in the future.

The COVID-19 pandemic and public health measures implemented to contain it may also have the effect of heightening many of the other risks described in this Form 10-K, including, but not limited to, risks relating to harm to the Company's key personnel, diverting management's resources and time to addressing the impacts of COVID-19, which may negatively affect the Company's ability to implement its business plan and pursue certain opportunities, potential impairments, the effectiveness of the Company's internal control of financial reporting, cybersecurity and data privacy risks due to employees working from home, and risks of increased indebtedness under the Company's revolving credit facility with Wells Fargo Bank, including the Company's ability to seek waivers of covenants or to refinance any of the Company's borrowings, among others (see Note 14 of Notes to Consolidated Financial Statements in Part II, Item 8). The longer the COVID-19 pandemic and associated protective measures persist, the more severe the extent of the adverse impact of the pandemic on the Company is likely to be.

General political, social and economic conditions can affect the Company's business by reducing both revenues generated from existing IMAX Theater Systems and the demand for new IMAX Theater Systems.

The Company's success depends in part on general political, social and economic conditions and the willingness of consumers to purchase tickets to IMAX movies. If movie-going becomes less popular globally, the Company's business could be adversely affected, especially if such a decline occurs in Greater China. In addition, the Company's operations could be adversely affected if consumers' discretionary income globally or in a particular geography falls as a result of an economic downturn resulting from the COVID-19 pandemic or otherwise, as a result of increased inflation, or for any other reason. Such adverse impact on consumer's discretionary income could result in a shift in consumer demand away from movie-going. In recent years, the majority of the Company's revenue has been directly derived from the box office results of its exhibitor partners. Accordingly, a decline in attendance at commercial IMAX theaters could materially and adversely affect several sources of key revenue streams for the Company.

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

The success of the IMAX network is directly related to the availability and success of IMAX DMR films, and other films released to the IMAX network, as well as the continued purchase or lease of IMAX Theater Systems and other support by movie exhibitors, for which there can be no guarantee.

An important factor affecting the growth and success of the IMAX network is the availability and strategic selection of films for IMAX theaters and the box office performance of such films. The Company itself produces only a small number of such films and, as a result, the Company relies principally on films produced by third-party filmmakers and studios, including both Hollywood and local language features converted into the Company's format. In 2021, 63 IMAX films were released to the Company's global theater network. There is no guarantee that filmmakers and studios will continue to release films to the IMAX network, or that the films selected for release to the IMAX network will be commercially successful. The Company is directly impacted by the commercial success and box office results of the films released to the IMAX network through its joint revenue sharing arrangements, as well as through the percentage of the box office receipts the Company receives from the studios releasing IMAX films, and the Company's continued ability to secure films, find suitable partners for joint revenue sharing arrangements and to sell IMAX Theater Systems. The commercial success of films released to IMAX theaters depends on a number of factors outside of the Company's control, including whether the film receives critical consumer acclaim, the timing of its release, the success of the marketing efforts of the studio releasing the film, consumer preferences and trends in cinema attendance. Moreover, films can be subject to delays in production or changes in release schedule, which can negatively impact the number, timing and quality of IMAX films released to the Company's global theater network.

In addition, as the Company's international network has expanded, the Company has signed deals with studios in other countries to convert their films to the Company's format and release them to IMAX theaters. The Company may be unable to select films which will be successful in international markets or may be unsuccessful in selecting the right mix of Hollywood and local language films for a particular country or region, notably Greater China, the Company's largest market. Also, conflicts in international release schedules may make it difficult to release every IMAX film in certain markets.

The Company depends principally on commercial movie exhibitors to purchase or lease IMAX Theater Systems, to supply box office revenue under joint revenue sharing arrangements and under its sales and sales-type lease agreements and to supply venues in which to exhibit IMAX films. The Company can make no assurances that exhibitors will continue to do any of these things.

The Company is unable to predict the pace at which exhibitors will purchase or lease IMAX Theater Systems or enter into joint revenue sharing arrangements with the Company, or whether any of the Company's existing exhibitor customers will continue to do any of the foregoing. If exhibitors choose to reduce their levels of expansion, negotiate less favorable economic terms, or decide not to enter into transactions with the Company, the Company's revenues would not increase at an anticipated rate and motion picture studios may be less willing to convert their films into the Company's format for exhibition in commercial IMAX theaters. As a result, the Company's future revenues and cash flows could be adversely affected.

RISKS RELATED TO THE COMPANY'S INTERNATIONAL OPERATIONS

The Company conducts business internationally, which exposes it to uncertainties and risks that could negatively affect its operations, sales, and future growth prospects.

A significant portion of the GBO generated by the Company's exhibitor customers and its revenues are generated by customers located outside the United States and Canada. Approximately 70%, 77%, and 66% of the Company's revenues were derived outside of the United States and Canada in 2021, 2020 and 2019, respectively. As of December 31, 2021, approximately 74% of IMAX Theater Systems in backlog are scheduled to be installed in international markets. The Company's network spanned 87 different countries as of December 31, 2021, and the Company expects its international operations to continue to account for an increasingly significant portion of its future revenues. There are a number of risks associated with operating in international markets that could negatively affect the Company's operations, sales and future growth prospects. These risks include:

- new restrictions on access to markets, both for IMAX Theater Systems and films;
- unusual or burdensome foreign laws or regulatory requirements or unexpected changes to those laws or requirements, including censorship of content that may restrict what films the Company's theaters can present;
- fluctuations in the value of various foreign currencies versus the U.S. Dollar and potential currency devaluations;
- new tariffs, trade protection measures, import or export licensing requirements, trade embargoes, sanctions, and other trade barriers;
- difficulties in obtaining competitively priced key commodities, raw materials, and component parts from various international sources that are needed to manufacture quality products on a timely basis;
- imposition of foreign exchange controls in foreign jurisdictions;
- dependence on foreign distributors and their sales channels;
- reliance on local partners, including in connection with joint revenue sharing arrangements;
- difficulties in staffing and managing foreign operations;
- inability to complete installations of IMAX Theater Systems, including as a result of material disruptions or delays in the Company's supply chains, or collect full payment on installations thereof;

- local business practices that can present challenges to compliance with applicable anti-corruption and bribery laws;
- difficulties in establishing market-appropriate pricing;
- less accurate and/or less reliable box office reporting;
- adverse changes in foreign government monetary and/or tax policies, and/or difficulties in repatriating cash from foreign jurisdictions (including with respect to China, where approval of the State Administration of Foreign Exchange is required);
- poor recognition of intellectual property rights;
- difficulties in enforcing contractual rights;
- inflation;
- requirements to provide performance bonds and letters of credit to international customers to secure system component deliveries;
- harm to the IMAX brand from operating in countries with records of controversial government action, including human rights abuses; and
- political, economic and social instability, which could result in adverse consequences for the Company's interests in different regions of the world (including with respect to Russia, in connection with its conflict with Ukraine).

In addition, changes in United States or Canadian foreign policy can present additional risks or uncertainties as the Company continues to expand its international operations. Opening and operating theaters in markets that have experienced geopolitical or sociopolitical unrest or controversy, including through partnerships with local entities, exposes the Company to the risks listed above, as well as additional risks of operating in a volatile region. Such risks may negatively impact the Company's business operations in such regions and may also harm the Company's brand. Moreover, a deterioration of the diplomatic relations between the United States or Canada and a given country may impede the Company's ability to operate theaters in such countries and have a negative impact on the Company's financial condition and future growth prospects.

The Company faces risks in connection with its significant presence in China and the continued expansion of its business there.

Greater China is the Company's largest market by revenue, with approximately 44% of overall revenues generated from its Greater China operations in 2021. As of December 31, 2021, the Company had 783 theaters operating in Greater China with an additional 215 theaters in backlog, which represent 44% of the Company's current backlog. Of the IMAX Theater Systems currently scheduled to be installed in Greater China, 67% are under joint revenue sharing arrangements, which further increases the Company's ongoing exposure to box office performance in this market.

The China market faces a number of risks, including changes in laws and regulations, currency fluctuations, increased competition, and changes in economic conditions, including the risk of an economic downturn or recession, trade embargoes, restrictions or other barriers, as well as other conditions that may impact the Company's exhibitor and studio partners, and consumer spending. The worsening of U.S.-China political tensions could exacerbate any or all of these risks, and adverse developments in any of these areas could impact the Company's future revenues and cash flows and could cause the Company to fail to achieve anticipated growth.

The Company does not believe that it is currently required to obtain any permission or approval from the China Securities Regulatory Commission, the Cyberspace Administration of China or any other regulatory authority in the People's Republic of China ("**PRC**") for its operations, but there can be no assurance that such permissions or approvals would not be required in the future and, if required, that they would be granted in a timely manner, on acceptable terms, or at all. Furthermore, PRC regulators, including the Cyberspace Administration of China, the Ministry of Industry and Information Technology, and the Ministry of Public Security, have been increasingly focused on regulation in data security and data protection. Regulatory requirements concerning data protection and cybersecurity in the PRC, as well as other requirements concerning operations of foreign businesses in the PRC, are evolving, and their enactment timetable, interpretation and implementation involve significant uncertainties. To the extent any PRC laws and regulations become applicable to the Company, it may be subject to the risks and uncertainties associated with the legal system in the PRC, including with respect to the enforcement of laws and the possibility of changes of rules and regulations with little or no advance notice.

Certain risks and uncertainties of doing business in China are solely within the control of the Chinese government, and Chinese law regulates both the scope of the Company's continued expansion in China and the business conducted by it within China. For instance, the Chinese government regulates the number, timing, and terms of Hollywood films released to the China market. A number of prominent Hollywood films were denied release dates in China in 2020 and 2021, including several films released in IMAX format in other markets. The Company cannot provide assurance that the Chinese government will continue to permit the release of Hollywood IMAX films in China or that the timing or number of IMAX releases will be favorable to the Company. There are also uncertainties regarding the interpretation and application of laws and regulations and the enforceability of intellectual property and contract rights in China. If the Company were unable to navigate China's regulatory environment, or if the Company were unable to enforce its intellectual property or contract rights in China, the Company's business could be adversely impacted.

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 with its customers, which ultimately affect the ability to negotiate cost-effective arrangements and, therefore, the Company's results of operations. In addition, because IMAX films generate box office revenue in 87 different countries, unfavorable exchange rates between applicable local currencies and the U.S. Dollar could affect the GBO generated by exhibitors and the Company's reported revenues, further impacting the Company's results of operations.

RISK RELATED TO THE COMPANY'S INDUSTRY AND COMPETITIVE ENVIRONMENT

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 and 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, including AMC's acquisition of Carmike Cinemas and Odeon & UCI Cinemas Group, which includes Nordic Cinema Group, in 2016. In recent years, the industry has continued to consolidate, as evidenced by Cineworld Group's acquisition of Regal Entertainment Group in 2018. Exhibitor concentration has resulted in certain exhibitor chains constituting a material portion of the Company's network and revenue. For instance, although Wanda sold its controlling interest in AMC in 2021, it continues to be the Company's largest exhibitor customer, representing approximately 10% of the Company's total revenues in 2021. As of December 31, 2021, through the Company's partnership with Wanda, there are 369 IMAX Theater Systems operational in Greater China and Wanda represented approximately 22% of the commercial network and 4% of the Company's backlog. The share of the Company's revenue that is generated by Wanda is expected to continue to grow as the number of Wanda theater systems currently in backlog are opened. No assurance can be given that significant customers such as Wanda will continue to purchase IMAX Theater Systems and/or enter into joint revenue sharing arrangements with the Company and if so, whether contractual terms will be affected. If the Company does business with Wanda or other large exhibitor chains less frequently or on less favorable terms than currently, the Company's business, financial condition or results of operations may be adversely affected. In addition, an adverse economic impact on a significant customer's business operations could have a corresponding material adverse effect on the Company.

The Company also receives revenues from studios releasing IMAX films. Hollywood studios have also experienced consolidation, as evidenced by the Walt Disney Company's acquisition of certain studio assets from Twenty First Century Fox in 2019. Studio consolidation could result in individual studios comprising a greater percentage of the Company's film slate and overall IMAX DMR revenue, and could expose the Company to the same risks described above in connection with exhibitor consolidation.

The Company may not be able to adequately protect its intellectual property, and competitors could misappropriate its technology or brand, which could weaken its competitive position.

The Company depends on its proprietary knowledge regarding IMAX Theater Systems and digital and film technology. The Company relies principally upon a combination of copyright, trademark, patent and trade secret laws, restrictions on disclosures and contractual provisions to protect its proprietary and intellectual property rights. These laws and procedures may not be adequate to prevent unauthorized parties from attempting to copy or otherwise obtain the Company's processes and technology or deter others from developing similar processes or technology, which could weaken the Company's competitive position and require the Company to incur costs to secure enforcement of its intellectual property rights. The protection provided to the Company's proprietary technology by the laws of foreign jurisdictions may not protect it as fully as the laws of Canada or the United States. The lack of protection afforded to intellectual property rights in certain international jurisdictions may be increasingly problematic given the extent to which future growth of the Company is anticipated to come from foreign jurisdictions. Finally, some of the underlying technologies of the Company's products and system components are not covered by patents or patent applications.

The Company owns patents issued and patent applications pending, including those covering its digital projector, digital conversion technology and laser illumination technology. The Company's patents are filed in the United States, often with corresponding patents or filed applications in other jurisdictions, such as Canada, China, Belgium, Japan, France, Germany, and the United Kingdom. The patent applications pending may not be issued or the patents may not provide the Company with any competitive advantage. The patent applications may also be challenged by third parties. Several of the Company's issued patents for improvements to IMAX projection system components expire between 2022 and 2038. If the Company's patent claims are rendered invalid or unenforceable, or narrowed in scope, the patent coverage afforded the Company's products and services could be impaired, which could negatively affect its competitive position. In addition, competitors and other third parties may be able to circumvent or design around the Company's patents and may develop and obtain patent protection for more effective technologies. If these developments were to occur, it could have an adverse effect on the Company's sales or market position.

Any claims or litigation initiated by the Company to protect its proprietary technology could be time consuming, costly, and divert the attention of its technical and management resources. If the Company chooses to go to court to stop a third party from infringing its intellectual property, that third party may ask the court to rule that the Company's intellectual property rights are invalid and/or should not be enforced against that third party.

The Company relies upon trade secrets and other confidential and proprietary know how to develop and maintain the Company's competitive position. While it is the Company's policy to enter into agreements imposing nondisclosure and confidentiality obligations upon its employees and third parties to protect the Company's intellectual property, these obligations may be breached, may not provide meaningful protection for the Company's trade secrets or proprietary know how, or adequate remedies may not be available in the event of an unauthorized access, use or disclosure of the Company's trade secrets and know how. Furthermore, despite the existence of such nondisclosure and confidentiality agreements, or other contractual restrictions, the Company may not be able to prevent the unauthorized disclosure or use of its confidential proprietary information or trade secrets by consultants, vendors and employees. In addition, others could obtain knowledge of the Company's trade secrets through independent development or other legal means.

The IMAX brand stands for the highest quality and most immersive entertainment experiences. Protecting the IMAX brand is a critical element in maintaining the Company's relationships with studios and its exhibitor clients and building and maintaining brand loyalty and recognition. Though the Company relies on a combination of trademark and copyright law as well as its contractual provisions to protect the IMAX brand, those protections may not be adequate to prevent erosion of the brand over time, particularly in foreign jurisdictions. Erosion of the brand could threaten the demand for the Company's products and services and impair its ability to grow future revenue streams. In addition, if any of the Company's registered or unregistered trademarks, trade names or service marks is challenged, infringed, circumvented or declared generic or determined to be infringing on other marks, it could have an adverse effect on the Company's sales or market position.

RISKS RELATED TO THE COMPANY'S REVENUES, EARNINGS, AND FINANCIAL POSITION

The Company may not convert all of its backlog into revenue and cash flows.

As of December 31, 2021, the Company's backlog included 489 IMAX Theater Systems, consisting of 173 IMAX Theater Systems under sales or lease arrangements and 316 IMAX Theater Systems under joint revenue sharing arrangements. The Company lists signed contracts for IMAX Theater Systems for which revenue has not been recognized as backlog prior to the time of revenue recognition. The total value of the backlog represents all signed IMAX Theater System sale or lease agreements that are expected to be recognized as revenue in the future and includes initial fees along with the estimated present value of contractual ongoing fees due over the term, and a variable consideration estimate for the IMAX Theater Systems under sales arrangements, but it excludes amounts allocated to maintenance and extended warranty revenues. Notwithstanding the legal obligation to do so, some of the Company's customers with which it has signed contracts may not accept delivery of IMAX Theater Systems that are included in the Company's backlog. An economic downturn may exacerbate the risk of customers not accepting delivery of IMAX Theater Systems. Any reduction in backlog could adversely affect the Company's future revenues and cash flows. In addition, customers with theater system obligations in backlog sometimes request that the Company agree to modify or reduce such obligations, which the Company has agreed to do in the past under certain circumstances. Customer-requested delays in the installation of IMAX Theater Systems in backlog remain a recurring and unpredictable part of the Company's business.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Issuer Purchases of Equity Securities

In 2021, IMAX China's shareholders granted its Board of Directors a general mandate authorizing the Board, subject to applicable laws, to repurchase shares of IMAX China not to exceed 10% of the total number of issued shares as of May 6, 2021 (34,835,824 shares). This program will be valid until the 2022 Annual General Meeting of IMAX China. The repurchases may be made in the open market or through other means permitted by applicable laws. IMAX China has no obligation to repurchase its shares and the share repurchase program may be suspended or discontinued by IMAX China at any time. During the three months ended December 31, 2021, IMAX China repurchased 3,095,700 common shares at an average price of HKD12.58 per share (U.S. $1.61 per share) for a total of HKD38.9 million or U.S. $5.0 million.

The total number of shares purchased during the year ended December 31, 2021, under both the Company and IMAX China's repurchase plans, does not include any shares purchased in the administration of employee share-based compensation plans.

(See Note 14 of Notes to Consolidated Financial Statements for a summary of the material terms and conditions of the Company's revolving credit facility, which include a limitation of the amount of permitted share repurchases.)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

IMPACT OF COVID-19 PANDEMIC

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Company's business and the global economy. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theaters in countries around the world to temporarily close, including the IMAX theaters in those countries. As a result of these theater closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many of the films scheduled to be shown in IMAX theaters, while several other films were released directly or concurrently to streaming platforms. Beginning in the third quarter of 2020, stay-at-home orders and capacity restrictions were lifted in many key markets and movie theaters throughout the IMAX network gradually reopened. However, following the emergence of the Omicron variant and the rise of COVID-19 cases in late 2021 and early 2022, some governments reinstituted capacity restrictions and safety protocols on large public gatherings, leading to the temporary closure of theaters or the imposition of capacity restrictions in certain markets. As of December 31, 2021, 95% of the theaters in the global IMAX commercial multiplex network were open at various capacities, spanning 75 countries. This included 99% of Domestic theaters (i.e., in the United States and Canada), 95% of the theaters in Greater China and 91% of the theaters in Rest of World markets.

The COVID-19 pandemic resulted in significantly lower levels of revenues, earnings, and operating cash flows for the Company during 2020 and, to a lesser extent, during 2021, when compared to periods prior to the onset of the pandemic, as GBO results from the theaters in the IMAX network declined, the installation of certain theater systems was delayed, and maintenance fees were generally not recognized for theaters that were closed or operating with reduced capacities. In addition, as a result of the financial difficulties faced by certain of the Company's exhibition customers arising out of pandemic-related theater closures, although improving, the Company has experienced and may continue to experience delays in collecting payments due under existing theater sale or lease arrangements. In response, beginning in the second quarter of 2020 through the fourth quarter of 2021, the Company provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theaters were closed or operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement.

As a result of the uncertainties associated with the pandemic, the Company took significant steps in 2020 and 2021 to preserve cash by eliminating non-essential costs, temporarily furloughing certain employees, reducing the working hours of other employees, and reducing all non-essential capital expenditures to minimum levels. The Company also implemented an active cash management process, which, among other things, required senior management approval of all outgoing payments.

Also, in the first quarter of 2021, the Company issued $230.0 million of Convertible Notes. The net proceeds from the issuance of the Convertible Notes were approximately $223.7 million, after deducting the initial purchasers' discounts and commissions, which were used in part to repay a portion of outstanding borrowings under the Credit Facility provided by the Company's Credit Agreement with Wells Fargo. In addition, during 2021, the Company entered into amendments to its Credit Agreement which, among other things, suspend the Senior Secured Net Leverage Ratio financial covenant in the Credit Agreement through the first quarter of 2022 and once re-established, permits the Company to use EBITDA from the third and fourth quarters of 2019 in lieu of EBITDA for the corresponding quarters of 2021. As of December 31, 2021, the Company was in compliance with all of its requirements under the Credit Agreement, as amended. (Each defined term used, but not defined in this paragraph is defined in Note 14 of Notes to Consolidated Financial Statements. See Note 14 of Notes to Consolidated Financial Statements for a summary of the amendments to the Credit Agreement that the Company entered into in 2021.)

In 2020 and 2021, the Company recognized a total of $10.9 million in wage subsidies, tax credits, and other financial support under COVID-19 relief legislation that has been enacted in the countries in which it operates, primarily under the Canada Emergency Wage Subsidy ("**CEWS**") program. For the years ended December 31, 2021 and 2020, these benefits were recognized in the Consolidated Statements of Operations as reductions to Selling, General and Administrative Expenses ($2.9 million and $6.0 million, respectively), Costs and Expenses Applicable to Revenues ($0.9 million and $1.0 million, respectively), and Research and Development ($nil and $0.1 million, respectively). The CEWS program expired in October 2021.

For the year ended December 31, 2021, GBO generated by IMAX films totaled $638.2 million, surpassing the total for 2020 by $379.0 million (146%), whereas conventional theaters saw an estimated 78% increase in box office. Moreover, during the fourth quarter of 2021, GBO generated by IMAX films totaled $277.5 million, surpassing the pre-pandemic total of $241.2 million for the fourth quarter of 2019, due to the performance of films such as *Spider-Man: No Way Home*, *No Time to Die*, and *Dune*. Included in this fourth quarter GBO performance is an all-time Company record for the month of October. Management is encouraged by these box office results and believes they indicate that moviegoers are returning to theaters, and in particular IMAX theaters, where and when theaters are open and they feel safe. Management is further encouraged by the return of the prevalence of exclusive theatrical windows and the strong pipeline of Hollywood movies scheduled to be released for theatrical exhibition in 2022. However, the impact of the COVID-19 pandemic on the Company's business and financial results will continue to depend on numerous evolving factors that cannot be accurately predicted and that will vary by jurisdiction and market, including the duration and scope of the pandemic, the emergence of new and the spread of existing variants of the virus, the progress made on administering vaccines and developing treatments and the effectiveness of such vaccines and treatments, the continuing impact of the pandemic on global economic conditions and ongoing government responses to the pandemic, which could lead to further theater closures, theater capacity restrictions and/or delays in the release of films.

(See "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part I, Item 1A, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 Pandemic" and Note 2 of Notes to Consolidated Financial Statements in Part II, Item 8.)

SOURCES OF REVENUE

For the presentation of MD&A, the Company has organized its reportable segments into the following four categories: (i) IMAX Technology Network; (ii) IMAX Technology Sales and Maintenance; (iii) Film Distribution and Post-Production; and (iv) New Business Initiatives. Within these four categories are the Company's following reportable segments: (i) IMAX DMR; (ii) Joint Revenue Sharing Arrangements; (iii) IMAX Systems; (iv) IMAX Maintenance; (v) Other Theater Business; (vi) Film Distribution; (vii) Film Post-Production; and (viii) New Business Initiatives.

IMAX Technology Network

The IMAX Technology Network category earns revenue based on contingent box office receipts. Included in the IMAX Technology Network category are the IMAX DMR segment and contingent rent from the Joint Revenue Sharing Arrangement ("**JRSA**"), which are each described in more detail below.

IMAX DMR

IMAX DMR is a proprietary technology that digitally remasters films into IMAX formats. In a typical IMAX DMR film arrangement, the Company receives a percentage of the box office receipts from a movie studio in exchange for converting a commercial film into IMAX DMR format and distributing it through the IMAX network. The fee earned by the Company in a typical IMAX DMR arrangement averages approximately 12.5% of box office receipts (i.e., GBO receipts less applicable sales taxes), except for within Greater China, where the Company receives a lower percentage of net box office receipts for certain Hollywood films.

IMAX DMR digitally enhances the image resolution of 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 addition, the original soundtrack of a film to be exhibited in IMAX theaters is remastered for IMAX digital sound systems. Unlike the soundtracks played in conventional theaters, IMAX remastered soundtracks are uncompressed and full fidelity. IMAX sound systems use proprietary loudspeaker systems and proprietary surround sound configurations that ensure every theater seat is in an optimal listening position.

IMAX films also benefit from enhancements made by individual filmmakers exclusively for the IMAX release of the film. Collectively, the Company refers to these enhancements as "IMAX DNA". Filmmakers and movie studios have sought IMAX-specific enhancements in recent years to generate interest in and excitement for their films. Such enhancements include shooting films with IMAX cameras to increase the audience's immersion in the film and to take advantage of the unique dimensions of the IMAX screen by projecting the film in a larger aspect ratio that delivers up to 26% more image onto a standard IMAX movie screen. In select IMAX theaters worldwide, movies filmed with IMAX cameras have an IMAX-exclusive 1.43 film aspect ratio, with up to 67% more image.

In 2021, 63 IMAX films were released to the Company's global theater network, including films such as *Spider-Man: No Way Home*, *No Time to Die*, *Dune*, *F9*, *The Battle at Lake Changjin*, *Detective Chinatown 3*, *Godzilla vs. Kong*, *Shang-Chi and the Legend of the Ten Rings*, *The Eternals*, and *Black Widow*. The films released in 2021 include 10 with IMAX DNA and 32 local language films released in China (21), Japan (9), Russia (1) and South Korea (1). In 2020, 31 IMAX films were released to the Company's global theater network, including five with IMAX DNA, and 17 local language films released in China (10), Russia (3), Japan (3), and South Korea (1). In 2019, 60 IMAX films were released to the Company's global theater network, including six with IMAX DNA, and 18 local language films released in China (14), Japan (1), South Korea (1), India (1) and Russia (1).

Management believes that growth in international box office remains an important driver of growth for the Company. To support continued growth in international markets, the Company has sought to bolster its international film strategy, supplementing its slate of Hollywood films with appealing local language IMAX films released in select markets, particularly in China. The Company expects to announce additional local language IMAX films to be released to its global theater network in 2022.

To date, in 2022, eight titles have been released to the global IMAX theater network, including one released in connection with a live performance/interactive event, and the Company has announced the following 18 titles to be released later in 2022:

Title	Studio	Scheduled Release Date(1)	IMAX DNA
The Batman	Warner Bros. Pictures	March 2022	None
Notre-Dame Brûle	Pathe	March 2022	Filmed in IMAX
Morbius	Sony Pictures	April 2022	None
Ambulance	Universal Pictures	April 2022	None
Fantastic Beasts: The Secrets of Dumbledore	Warner Bros. Pictures	April 2022	TBD
Doctor Strange In The Multiverse of Madness	Walt Disney Studios	May 2022	Filmed in IMAX
Top Gun: Maverick	Paramount Pictures	May 2022	Filmed in IMAX
Jurassic World: Dominion	Universal Pictures	June 2022	None
Lightyear	Walt Disney Studios	June 2022	Expanded Aspect Ratio
Minions: The Rise Of Gru	Universal Pictures	July 2022	None
Thor: Love & Thunder	Walt Disney Studios	July 2022	Filmed in IMAX
Nope	Universal Pictures	July 2022	Filmed in IMAX
Black Adam	Warner Bros. Pictures	July 2022	TBD
Spider-Man: Into the Spiderverse Sequel	Sony Pictures	October 2022	TBD
The Flash	Warner Bros. Pictures	November 2022	TBD
Black Panther 2: Wakanda Forever	Walt Disney Studios	November 2022	TBD
Creed 3	MGM	November 2022	Filmed in IMAX
Avatar 2	Walt Disney Studios	December 2022	TBD

(1) The scheduled release dates in the table above are subject to change, including as a result of the impact of the COVID-19 pandemic, may vary by territory, and may not reflect the date(s) of limited premiere events. See "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part I, Item 1A.

The Company remains in active negotiations with all major Hollywood studios for additional films to fill out its short and long-term film slate for the IMAX network.

IMAX NETWORK AND BACKLOG

IMAX Network

The following table provides detailed information about the IMAX network by theater type and geographic location as of December 31, 2021 and 2020:

	December 31, 2021				December 31, 2020			
	Commercial Multiplex	**Commercial Destination**	**Institutional**	**Total**	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	**363**	**4**	**27**	**394**	367	4	30	401
Canada	**39**	**1**	**7**	**47**	39	1	7	47
Greater China[1]	**768**	**—**	**15**	**783**	729	—	16	745
Western Europe	**116**	**4**	**8**	**128**	115	4	8	127
Asia (excluding Greater China)	**122**	**2**	**2**	**126**	123	2	2	127
Russia & the CIS	**70**	**—**	**—**	**70**	68	—	—	68
Latin America[2]	**51**	**1**	**11**	**63**	51	1	11	63
Rest of the World	**70**	**—**	**2**	**72**	70	—	2	72
Total[3]	**1,599**	**12**	**72**	**1,683**	1,562	12	76	1,650

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

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

(3) Period-to-period changes in the table above are reported net of the effect of permanently closed theaters.

The Company currently believes that over time its commercial multiplex network could grow to approximately 3,318 IMAX theaters worldwide from the 1,599 operating as of December 31, 2021. The Company believes that the majority of its future growth will come from international markets. As of December 31, 2021, 74% of IMAX Theater Systems in operation were located within international markets (defined as all countries other than the United States and Canada), compared to 73% as of December 31, 2020. Accordingly, the GBO and revenues derived from international markets continue to exceed the GBO and revenues derived from the United States and Canada. Risks associated with the Company's international business are outlined in "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" in Part I, Item 1A.

Greater China is the Company's largest market, measured by revenues, with approximately 44% and 38% of consolidated revenues generated from its Greater China operations in the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021, the Company had 783 theaters operating in Greater China with an additional 215 theaters in backlog. The Company's backlog in Greater China represents 44% of its total current backlog, including upgrades in system type. The Company's largest single international partnership is in China with Wanda. As of December 31, 2021, through the Company's partnership with Wanda, there are 369 IMAX Theater Systems operational in Greater China, of which 355 are under the parties' joint revenue sharing arrangement.

(See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 Pandemic")

(See "Risk Factors — The Company faces risks in connection with its significant presence in China and the continued expansion of its business there", "Risk Factors — General political, social and economic conditions can affect the Company's business by reducing both revenues generated from existing IMAX Theater Systems and the demand for new IMAX Theater Systems", and "Risk Factors — The Company may not convert all of its backlog into revenue and cash flows" in Part I, Item 1A.)

(See "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part I, Item 1A.)

The following tables provide detailed information about the commercial multiplex theaters in operation within the IMAX network by arrangement type and geographic location as of December 31, 2021 and 2020:

	December 31, 2021 Commercial Multiplex Theaters in IMAX Network			
	Traditional JRSA	**Hybrid JRSA**	**Sale/ Sales-type Lease**	**Total**
Domestic Total (United States & Canada)	**274**	**5**	**123**	**402**
International:				
Greater China	**392**	**111**	**265**	**768**
Asia (excluding Greater China)	**33**	**2**	**87**	**122**
Western Europe	**47**	**28**	**41**	**116**
Russia & the CIS	**—**	**—**	**70**	**70**
Latin America	**1**	**—**	**50**	**51**
Rest of the World	**16**	**—**	**54**	**70**
International Total	**489**	**141**	**567**	**1,197**
Worldwide Total[(1)]	**763**	**146**	**690**	**1,599**

	December 31, 2020 Commercial Multiplex Theaters in IMAX Network			
	Traditional JRSA	Hybrid JRSA	Sale/ Sales-type Lease	Total
Domestic Total (United States & Canada)	276	5	125	406
International:				
Greater China	376	106	247	729
Asia (excluding Greater China)	33	2	88	123
Western Europe	48	27	40	115
Russia & the CIS	—	—	68	68
Latin America	1	—	50	51
Rest of the World	16	—	54	70
International Total	474	135	547	1,156
Worldwide Total(1)	750	140	672	1,562

(1) Period-to-period changes in the tables above are reported net of the effect of permanently closed theaters.

Backlog

The following tables provide detailed information about the Company's backlog by arrangement type and geographic location as of December 31, 2021 and 2020:

	December 31, 2021 IMAX Theater System Backlog			
	Traditional JRSA	**Hybrid JRSA**	**Sale/ Sales-type Lease**	**Total**
Domestic Total (United States & Canada)	**120**	**3**	**6**	**129**
International:				
Greater China	**44**	**100**	**71**	**215**
Asia (excluding Greater China)	**3**	**15**	**31**	**49**
Western Europe	**11**	**12**	**6**	**29**
Russia & the CIS	**—**	**1**	**16**	**17**
Latin America	**3**	**—**	**10**	**13**
Rest of the World	**3**	**1**	**33**	**37**
International Total	**64**	**129**	**167**	**360**
Worldwide Total	**184**	**132**	**173**	**489**(1)

	December 31, 2020			
	IMAX Theater System Backlog			
	Traditional JRSA	Hybrid JRSA	Sale/ Sales-type Lease	Total
Domestic Total (United States & Canada)	122	3	8	133
International:				
Greater China	50	114	87	251
Asia (excluding Greater China)	5	15	30	50
Western Europe	12	13	5	30
Russia & the CIS	—	1	15	16
Latin America	3	—	7	10
Rest of the World	3	1	33	37
International Total	73	144	177	394
Worldwide Total	195	147	185	527[(2)]

(1) Includes 158 new IMAX Laser Theater Systems and 92 upgrades of existing locations to IMAX Laser Theater Systems.

(2) Includes 157 new IMAX Laser Theater Systems and 97 upgrades of existing locations to IMAX Laser Theater Systems.

Approximately 74% of IMAX Theater System arrangements in backlog as of December 31, 2021 are scheduled to be installed in international markets (2020 — 75%).

(See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 Pandemic" and "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part I, Item 1A.)

RESULTS OF OPERATIONS

The Company's business and future prospects are evaluated by Richard L. Gelfond, its Chief Executive Officer ("**CEO**"), using a variety of factors and financial and operational metrics including: (i) IMAX box office performance and the securing of new IMAX DMR films and other events to be exhibited in IMAX theaters; (ii) the signing, installation, and financial performance of theater system arrangements, particularly those involving laser-based projection systems; (iii) the success of the Company's investments in business evolution and brand extensions, including the distribution of live events to the IMAX network and IMAX Enhanced, (iv) revenues and gross margins earned by the Company's segments, as discussed below; (v) consolidated earnings from operations, as adjusted for unusual items; (vi) the continuing ability to invest in and improve the Company's technology to enhance the differentiation of *The* IMAX *Experience* versus other out-of-home experiences; (vii) the overall execution, reliability, and consumer acceptance of *The* IMAX *Experience*; and (viii) short- and long-term cash flow projections.

The CEO is the Company's Chief Operating Decision Maker ("**CODM**"), as such term is defined under U.S. GAAP. The CODM, along with other members of management, assess segment performance based on segment revenues and gross margins. Selling, general and administrative expenses, research and development costs, the amortization of intangible assets, provisions for (recoveries of) current expected credit losses, certain write-downs, interest income, interest expense, and income tax (expense) benefit are not allocated to the Company's segments.

The Company's reportable segments are organized into the following four categories: (i) IMAX Technology Network; (ii) IMAX Technology Sales and Maintenance; (iii) Film Distribution and Post-Production; and (iv) New Business Initiatives. Within these categories are the Company's following reportable segments: (i) IMAX DMR; (ii) Joint Revenue Sharing Arrangements; (iii) IMAX Systems, (iv) IMAX Maintenance; (v) Other Theater Business; (vi) Film Distribution; (vii) Film Post-Production; and (viii) New Business Initiatives, each of which are described above under "Sources of Revenue." This categorization is consistent with how the CODM reviews the financial performance of the Company and makes strategic decisions regarding resource allocation and investments to meet long-term business goals. Management believes that a discussion and analysis based on the four categories listed above is significantly more relevant and useful to readers, as the Company's Consolidated Statements of Operations captions combine results from several segments.

The discussion of the Company's results of operations below compares results for the years ended December 31, 2021 and 2020. A discussion of the Company's results of operations comparing results for the years ended December 31, 2020 and 2019 is included under the section entitled "Results of Operations" in Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and is incorporated by reference into this Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Results of Operations for the Years Ended December 31, 2021 and 2020

For the year ended December 31, 2021, the Company reported a net loss attributable to common shareholders of $(22.3) million, or $(0.38) per diluted share, as compared to a net loss attributable to common shareholders of $(143.8) million, or $(2.43) per diluted share, for the year ended December 31, 2020.

For the year ended December 31, 2021, the Company reported an adjusted net loss attributable to common shareholders* of $(8.4) million, or $(0.14) per diluted share*, as compared to an adjusted net loss attributable to common shareholders* of $(112.1) million, or $(1.89) per diluted share*, for the year ended December 31, 2020.

* See "Non-GAAP Financial Measures" below for a description of this non-GAAP financial measure and a reconciliation to the most comparable GAAP amount.

Revenues and Gross Margin

The following table presents the Company's revenue and gross margin (margin loss) by category and reportable segment for the years ended December 31, 2021 and 2020:

	Revenue		Gross Margin (Margin Loss)	
(In thousands of U.S. Dollars)	**2021**	2020	**2021**	2020
IMAX Technology Network				
IMAX DMR	**$ 70,659**	$ 28,265	**$ 44,782**	$ 13,731
Joint Revenue Sharing Arrangements, contingent rent	**46,184**	17,841	**21,761**	(9,500)
	116,843	46,106	**66,543**	4,231
IMAX Technology Sales and Maintenance				
IMAX Systems (1)	**65,660**	54,055	**34,981**	24,816
Joint Revenue Sharing Arrangements, fixed fees	**5,406**	2,056	**1,343**	529
IMAX Maintenance	**53,339**	21,999	**27,572**	3,068
Other Theater Business (2)	**2,363**	1,666	**398**	(438)
	126,768	79,776	**64,294**	27,975
Film Distribution and Post-Production	**5,724**	8,719	**848**	(10,198)
New Business Initiatives	**3,704**	2,226	**3,399**	1,878
Sub-total for reportable segments	**253,039**	136,827	**135,084**	23,886
Other	**1,844**	176	**(678)**	(2,346)
Total	**$ 254,883**	$ 137,003	**$ 134,406**	$ 21,540

(1) The revenue from this segment includes the initial upfront payments and the present value of fixed minimum payments from sale and sales-type lease arrangements of IMAX Theater Systems, as well as the present value of estimated variable consideration from sales of IMAX Theater Systems. To a lesser extent, the revenue from this segment also includes finance income associated with these revenue streams.

(2) The revenue from this segment principally includes after-market sales of IMAX projection system parts and 3D glasses.

Due to the COVID-19 pandemic, substantially all of the theaters in the IMAX network were closed for a significant portion of the first half of 2020, with the theaters in Greater China closed beginning in late-January and substantially all of the Company's remaining theaters closed beginning in mid-to-late March. Beginning in the third quarter of 2020, stay-at-home orders and capacity restrictions were lifted in many key markets and movie theaters throughout the IMAX network gradually reopened. As a result, Hollywood and local language studios returned to a more normal cadence of film releases. In 2021, 63 new films were released to the IMAX global network, as compared to 31 in 2020, which led to a $379.0 million (146%) increase in GBO generated by IMAX films, whereas conventional theaters saw an estimated 78% increase in box office. The box office results for IMAX films in 2021 were particularly strong in the fourth quarter when GBO totaled $277.5 million, surpassing the pre-pandemic total of $241.2 million in the fourth quarter of 2019, due to the performance of films such as *Spider-Man: No Way Home*, *No Time to Die*, and *Dune*.

As a result of the factors discussed above, the Company's consolidated results of operations and segment results improved significantly in 2021, when compared to the prior year, with total revenues and gross margin increasing by $117.9 million (86%) and $112.9 million, respectively. See the captioned sections below for a more detailed discussion of the Company's segment results.

IMAX Technology Network

IMAX Technology Network results are influenced by the level of commercial success and box office performance of the films released to the network, as well as other factors including the timing of the films released, the length of the theatrical distribution window, the take rates under the Company's DMR and joint revenue sharing arrangements, and the level of marketing spend associated with the films released in the year. Other factors impacting IMAX Technology Network results include fluctuations in the value of foreign currencies versus the U.S. Dollar.

For the year ended December 31, 2021, IMAX Technology Network revenues and gross margin increased by $70.7 million (153%) and $62.3 million, respectively, when compared to the prior year primarily due to the broader reopening of the IMAX theater network and the continued progress towards the resumption of normal operations as the theatrical exhibition industry continues to recover from the COVID-19 pandemic. See below for separate discussions of IMAX DMR and JRSA contingent rent results for the year.

IMAX DMR

For the year ended December 31, 2021, IMAX DMR revenues and gross margin increased by $42.4 million (150%) and $31.1 million, respectively, when compared to the prior year. These increases are primarily due to a $379.0 million (146%) increase in GBO generated by IMAX films, from $259.2 million in 2020 to $638.2 million in 2021. The box office results for IMAX films in 2021 were particularly strong in the fourth quarter when GBO totaled $277.5 million, surpassing the pre-pandemic total of $241.2 million in the fourth quarter of 2019, due to the performance of films such as *Spider-Man: No Way Home*, *No Time to Die*, and *Dune*.

For the year ended December 31, 2021, GBO was generated by the exhibition of 69 films (63 new and 6 carryovers) and the re-release of classic titles. During the year ended December 31, 2020, GBO was generated by the exhibition of 35 films (31 new and 4 carryovers) and the re-release of classic titles.

In addition to the level of revenues, IMAX DMR gross margin is also influenced by the costs associated with the films exhibited in the period, and can vary from period-to-period, particularly with respect to marketing expenses. For the year ended December 31, 2021, marketing expenses were $8.2 million, as compared to $3.4 million in the prior year.

Joint Revenue Sharing Arrangements — Contingent Rent

For the year ended December 31, 2021, JRSA contingent rent revenue and gross margin increased by $28.3 million (159%) and $31.3 million, respectively, when compared to the prior year. These increases are primarily due to a $208.1 million (159%) increase in GBO generated by theaters under joint revenue sharing arrangements, from $131.0 million in 2020 to $339.1 million in 2021.

In addition to the level of revenues, JRSA contingent rent margin is also influenced by the level of costs associated with such arrangements, such as depreciation expense related to the underlying theater systems and costs incurred to upgrade the network from IMAX Xenon Theater Systems to IMAX Laser Theater Systems, as well as advertising, marketing, and commission costs primarily for the launch of new theaters. The level of depreciation expense in a period relative to the prior year is generally a function of the growth of the theater network and the mix of theater system configurations in the network. For the year ended December 31, 2021, JRSA gross margin included depreciation expense of $22.3 million, which represents a $2.6 million (10%) decrease when compared to the prior year. The lower level of depreciation expense in the current year is due, in part, to the effect of lease term extensions entered into with exhibitor customers during the COVID-19 pandemic, partially offset by incremental depreciation expense associated with a 2% increase in the number of theaters operating under joint revenue sharing arrangements. For the year ended December 31, 2021, JRSA gross margin includes advertising, marketing, and commission costs of $1.5 million, as compared to $1.4 million in the prior year.

Credit Loss (Reversal) Expense, Net

For the year ended December 31, 2021, the Company recorded a net reversal of current expected credit losses of $4.0 million principally due to the reversal of previously recorded credit loss expense as a result of an improving outlook for theater operators as the theatrical exhibition industry continues to recover from the COVID-19 pandemic, as well as improved collection experience with respect to foreign studio receivable balances, partially offset by new provisions recorded in the period.

For the year ended December 31, 2020, the Company recorded a provision for current expected credit loss of $18.6 million which reflected judgments made by management regarding the potential effects of the COVID-19 pandemic on the credit quality of Company's theater and studio related receivable balances.

Management's judgments regarding expected credit losses are based on the facts available to management at the time that the Consolidated Financial Statements are prepared and involve estimates about the future. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Company's customers and their ability to meet their financial obligations to the Company is difficult to predict. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect. (See Notes 2 and 5 of Notes to Consolidated Financial Statements in Part II, Item 8.)

Realized and Unrealized Investment Gains (Losses)

In the first quarter of 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of IMAX China, entered into a cornerstone investment agreement with Maoyan Entertainment ("**Maoyan**") and purchased equity securities for $15.2 million. In February 2021, IMAX China (Hong Kong), Limited sold all of its 7,949,000 shares of Maoyan for gross proceeds of $17.8 million, which represents a $2.6 million gain relative to the Company's acquisition cost and a $5.2 million gain compared to the fair value of the investment as of December 31, 2020. Prior to this sale, the Company accounted for its investment in Maoyan at fair value with any changes in fair value recorded to the Consolidated Statements of Operations. For the year ended December 31, 2020, the fair value of the Company's investment in Maoyan experienced an unrealized loss of $2.1 million.

Income Taxes

For the year ended December 31, 2021, the Company recorded income tax expense of $20.6 million (2020 — $26.5 million). The Company's effective tax rate for year ended December 31, 2021 of 187.2% differs from the Canadian statutory tax rate of 26.5%, primarily due to the fact that the Company recorded an additional $17.2 million valuation allowance against deferred tax assets where management cannot reliably forecast that sufficient future tax liabilities will arise in specific jurisdictions, which includes the long-term impact of the COVID-19 pandemic. The $17.2 million increase in the valuation allowance recorded in 2021 is reflected within Income Tax Expense in the Company's Consolidated Statements of Operations ($14.7 million) and Shareholders' Equity on the Company's Consolidated Balance Sheets ($2.5 million). Accordingly, the tax benefit associated with the current year losses in these jurisdictions is not ultimately reflected in the Company's Consolidated Statements of Operations. Also impacting the Company's effective tax rate for the year ended December 31, 2021 are jurisdictional tax rate differences, including a difference related to the gain on the sale of the Maoyan investment (see "Realized and Unrealized Investment Gains (Losses)" above) and a change in the estimated contingent liabilities related to the potential resolution of various tax examinations.

In 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Company's capital resources globally. Based on the results of this reassessment, management concluded that the historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As a result, the Company recognized a deferred tax liability of $19.1 million in 2020 for the estimated applicable foreign withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings. In 2021, the deferred tax liability for the applicable foreign withholding taxes was increased by $0.5 million due to an increase in the amount of distributable historical earnings. During the year ended December 31, 2021, $20.4 million of historical earnings from a subsidiary in China were distributed and, as a result, $2.0 million of foreign withholding taxes were paid to the relevant tax authorities. The remaining deferred tax liability on the Company's Consolidated Balance Sheets as of December 31, 2021 is $17.6 million.

(See Note 12 of Notes to Consolidated Financial Statements in Part II, Item 8.)

Non-Controlling Interests

The Company's Consolidated Financial Statements include the non-controlling interest in the net income (loss) of IMAX China as well as the impact of non-controlling interests in the activity of its Original Film Fund subsidiary. For the year ended December 31, 2021, the net income attributable to non-controlling interests of the Company's subsidiaries was $12.8 million (2020 — net loss of $(13.7) million).

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2021, the Company's principal sources of liquidity included: (i) its balances of cash and cash equivalents ($189.7 million); (ii) the anticipated collection of trade accounts receivable, which includes amounts owed under joint revenue sharing arrangements and DMR agreements with movie studios; (iii) the anticipated collection of financing receivables due in the next 12 months under sales and sales-type lease arrangements for theaters currently in operation; and (iv) installment payments expected in the next 12 months under sales and sales-type lease arrangements in backlog. Under the terms of the Company's typical sale and sales-type lease agreements, the Company receives substantial cash payments before it completes the performance of its contractual obligations.

In addition, as of December 31, 2021, the Company also had $300.0 million in available borrowing capacity under its Fifth Amended and Restated Credit Agreement, with Wells Fargo Bank, National Association (the "**Credit Agreement**") and $26.2 million in available borrowing capacity under IMAX (Shanghai) Multimedia Technology Co., Ltd.'s revolving facility (the "**Working Capital Facility**"). (See Note 14 of Notes to Consolidated Financial Statements in Part II Item 8 for a description of the material terms of the Credit Agreement, as well as its related amendments, and the Working Capital Facility.)

The Company's $189.7 million balance of cash and cash equivalents as of December 31, 2021 includes $102.1 million in cash held outside of Canada (December 31, 2020 — $89.9 million), of which $76.3 million was held in the PRC (December 31, 2020 — $77.2 million). In 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Company's capital resources globally. Based on the results of this reassessment, management concluded that the historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. In 2021, $20.4 million of historical earnings from a subsidiary in China were distributed and, as a result, $2.0 million of foreign withholding taxes were paid to the relevant tax authorities. As of December 31, 2021, the Company's Consolidated Balance Sheets include a deferred tax liability of $17.6 million for the applicable foreign withholding taxes associated with the remaining balance of unrepatriated historical earnings that will not be indefinitely reinvested outside of Canada. These taxes will become payable upon the repatriation of any such earnings.

NON-GAAP FINANCIAL MEASURES

GAAP refers to generally accepted accounting principles in the United States of America. In this report, the Company presents financial measures in accordance with GAAP and also on a non-GAAP basis under the SEC regulations. Specifically, the Company presents the following non-GAAP financial measures as supplemental measures of its performance:

- Adjusted net loss attributable to common shareholders;
- Adjusted net loss attributable to common shareholders per basic and diluted share;
- EBITDA; and
- Adjusted EBITDA per Credit Facility.

Adjusted net loss attributable to common shareholders and adjusted net loss attributable to common shareholders per basic and diluted share exclude, where applicable: (i) share-based compensation; (ii) COVID-19 government relief benefits, net; (iii) legal judgment and arbitration awards; (iv) realized and unrealized investment gains or losses, as well as the related tax impact of these adjustments, and (v) income taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries.

The Company believes that these non-GAAP financial measures are important supplemental measures that allow management and users of the Company's financial statements to view operating trends and analyze controllable operating performance on a comparable basis between periods without the after-tax impact of share-based compensation and certain unusual items included in net loss attributable to common shareholders. Although share-based compensation is an important aspect of the Company's employee and executive compensation packages, it is a non-cash expense and is excluded from certain internal business performance measures.

A reconciliation of net loss attributable to common shareholders and the associated per share amounts to adjusted net loss attributable to common shareholders and adjusted net loss attributable to common shareholders per diluted share are presented in the table below.

(In thousands of U.S. Dollars, except per share amounts)	**Years Ended December 31, 2021**		2020	
	Net Loss	**Per Share**	Net Loss	Per Share
Net loss attributable to common shareholders	**$ (22,329)**	**$ (0.38)**	$ (143,775)	$ (2.43)
Adjustments[(1)]:				
Share-based compensation	**24,815**	**0.42**	20,558	0.35
COVID-19 government relief benefits, net	**(3,839)**	**(0.06)**	(7,115)	(0.12)
Legal judgment and arbitration awards	**(1,770)**	**(0.03)**	4,105	0.07
Realized and unrealized investment (gains) losses	**(3,769)**	**(0.06)**	1,450	0.02
Tax impact on items listed above	**(1,909)**	**(0.03)**	(630)	(0.01)
Income taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries	**381**	**0.01**	13,344	0.23
Adjusted net loss[(1)]	**$ (8,420)**	**$ (0.14)**	$ (112,063)	$ (1.89)
Weighted average shares outstanding — basic and diluted		**59,126**		59,237

(1) Reflects amounts attributable to common shareholders.

In addition to the non-GAAP financial measures discussed above, management also uses "EBITDA," as such term is defined in the Credit Agreement, and which is referred to herein as "Adjusted EBITDA per Credit Facility." As allowed by the Credit Agreement, Adjusted EBITDA per Credit Facility includes adjustments in addition to the exclusion of interest, taxes, depreciation and amortization. Accordingly, this non-GAAP financial measure is presented to allow a more comprehensive analysis of the Company's operating performance and to provide additional information with respect to the Company's compliance against its Credit Agreement requirements, when applicable. In addition, the Company believes that Adjusted EBITDA per Credit Facility presents relevant and useful information widely used by analysts, investors and other interested parties in the Company's industry to evaluate, assess and benchmark the Company's results.

EBITDA is defined as net income or loss excluding: (i) income tax expense or benefit; (ii) interest expense, net of interest income; (iii) depreciation and amortization, including film asset amortization; and (iv) amortization of deferred financing costs. Adjusted EBITDA per Credit Facility is defined as EBITDA excluding: (i) share-based and other non-cash compensation; (ii) realized and unrealized investment gains or losses; (iii) write-downs, net of recoveries, including asset impairments and credit loss expense; and (iv) legal judgment and arbitration awards.

A reconciliation of net loss attributable to common shareholders, which is the most directly comparable GAAP measure, to EBITDA and Adjusted EBITDA per Credit Facility are presented in the table below.

	For the Twelve Months Ended December 31, 2021 (1)		
(In thousands of U.S. Dollars)	**Attributable to Non-controlling Interests and Common Shareholders**	**Less: Attributable to Non-controlling Interests**	**Attributable to Common Shareholders**
Reported net loss	**$ (9,577)**	**$ 12,752**	**$ (22,329)**
Add (subtract):			
Income tax expense	**20,564**	**4,049**	**16,515**
Interest expense, net of interest income	**2,362**	**(356)**	**2,718**
Depreciation and amortization, including film asset amortization	**56,082**	**5,255**	**50,827**
Amortization of deferred financing costs(2)	**2,513**	**—**	**2,513**
EBITDA	**71,944**	**21,700**	**50,244**
Share-based and other non-cash compensation	**26,079**	**1,114**	**24,965**
Realized and unrealized investment gains	**(5,340)**	**(1,571)**	**(3,769)**
(Recoveries) write-downs, including asset impairments and credit loss expense	**(2,187)**	**(1,159)**	**(1,028)**
Legal judgment and arbitration awards	**(1,770)**	**—**	**(1,770)**
Adjusted EBITDA per Credit Facility	**$ 88,726**	**$ 20,084**	**$ 68,642**

(1) The Senior Secured Net Leverage Ratio in the Company's Credit Agreement is calculated using Adjusted EBITDA per Credit Facility determined on a trailing twelve-month basis. During the first quarter of 2021, the Company entered into the Second Amendment to the Credit Facility Agreement which, among other things, suspends the Senior Secured Net Leverage Ratio financial covenant in the Credit Agreement through the first quarter of 2022 and, once re-established, permits the Company to use EBITDA from the third and fourth quarters of 2019 in lieu of EBITDA for the corresponding quarters of 2021. For more information see Note 14 of Notes to Consolidated Financial Statements in Part II, Item 8.

(2) The amortization of deferred financing costs is recorded within Interest Expense in the Consolidated Statements of Operations.

The Company cautions users of its financial statements that these non-GAAP financial measures may not be comparable to similarly titled measures reported by other companies. Additionally, the non-GAAP financial measures used by the Company should not be considered in isolation, or as a substitute for, or superior to, the comparable GAAP amounts.

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 Chinese Renminbi ("**RMB**"). 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 87 different countries, and therefore unfavorable exchange rates between applicable local currencies and the U.S. Dollar could have an impact on the GBO generated by the Company's exhibitor customers and its 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. In Japan, the Company has ongoing Yen-denominated operating expenses related to its Japanese operations. Net RMB 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 RMB, Japanese Yen, Euros and Canadian Dollars.

The Company manages its exposure to foreign exchange rate risks through its regular operating and financing activities and, when appropriate, through the use of derivative financial instruments. These derivative financial instruments are utilized to hedge economic exposures as well as reduce earnings and cash flow volatility resulting from shifts in market rates.

Certain of the Company's PRC subsidiaries held approximately RMB484.7 million ($76.0 million) in cash and cash equivalents as of December 31, 2021 (December 31, 2020 — RMB500.3 million or $76.7 million) and are required to transact locally in RMB. 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 Administration of Foreign Exchange to complete. Any developments relating to the Chinese economy and any actions taken by the Chinese 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. (See "Risk Factors — The Company faces risks in connection with its significant presence in China and the continued expansion of its business there" in Part I, Item 1A.)

IMAX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. Dollars except share amounts)

	As of December 31, 2021	2020
Assets		
Cash and cash equivalents	**$ 189,711**	$ 317,379
Accounts receivable, net of allowance for credit losses	**110,050**	56,300
Financing receivables, net of allowance for credit losses	**141,049**	131,810
Variable consideration receivable, net of allowance for credit losses	**44,218**	40,526
Inventories	**26,924**	39,580
Prepaid expenses	**11,802**	10,420
Film assets, net of accumulated amortization	**4,241**	5,777
Property, plant and equipment, net of accumulated depreciation	**260,353**	277,397
Investment in equity securities	**1,087**	13,633
Other assets	**17,799**	21,673
Deferred income tax assets, net of valuation allowance	**13,906**	17,983
Other intangible assets, net of accumulated amortization	**23,080**	26,245
Goodwill	**39,027**	39,027
Total assets	**$ 883,247**	$ 997,750
Liabilities		
Accounts payable	**$ 15,943**	$ 20,837
Accrued and other liabilities	**111,896**	99,354
Revolving credit facility borrowings, net of unamortized debt issuance costs	**2,472**	305,676
Convertible notes, net of unamortized discounts and debt issuance costs (see Note 14)	**223,641**	—
Deferred revenue	**81,281**	87,982
Deferred income tax liabilities	**17,642**	19,134
Total liabilities	**452,875**	532,983
Commitments and contingencies (see Notes 15 and 16)		
Non-controlling interests	**758**	759
Shareholders' equity		
Capital stock common shares — no par value. Authorized — unlimited number. 58,653,642 issued and outstanding (December 31, 2020 — 58,921,731 issued and 58,921,008 outstanding)	**409,979**	407,031
Less: Treasury stock, nil shares at cost (December 31, 2020 — 723)	**—**	(11)
Other equity (see Note 3(a))	**174,620**	188,845
Statutory surplus reserve	**3,932**	—
Accumulated deficit	**(234,975)**	(202,849)
Accumulated other comprehensive income	**2,527**	988
Total shareholders' equity attributable to common shareholders	**356,083**	394,004
Non-controlling interests (see Note 3(a))	**73,531**	70,004
Total shareholders' equity	**429,614**	464,008
Total liabilities and shareholders' equity	**$ 883,247**	$ 997,750

(See the accompanying notes, which 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, 2021	2020	2019
Revenues			
Technology sales	**$ 66,153**	$ 49,728	$ 118,245
Image enhancement and maintenance services	**131,148**	59,318	188,547
Technology rentals	**46,790**	17,841	77,961
Finance income	**10,792**	10,116	10,911
	254,883	137,003	395,664
Costs and expenses applicable to revenues			
Technology sales	**37,039**	33,170	63,627
Image enhancement and maintenance services	**58,062**	53,598	88,175
Technology rentals	**25,376**	28,695	29,690
	120,477	115,463	181,492
Gross margin	**134,406**	21,540	214,172
Selling, general and administrative expenses	**117,322**	108,485	123,456
Research and development	**6,944**	5,618	5,203
Amortization of intangibles	**4,877**	5,394	4,955
Credit loss (reversal) expense, net	**(3,951)**	18,608	2,430
Asset impairments	**—**	1,151	—
Legal judgment and arbitration awards (see Note 16)	**(1,770)**	4,105	—
Exit costs, restructuring charges and associated impairments	**—**	—	850
Income (loss) from operations	**10,984**	(121,821)	77,278
Realized and unrealized investment gains (losses)	**5,340**	(2,081)	(517)
Retirement benefits non-service expense	**(463)**	(600)	(737)
Interest income	**2,218**	2,388	2,105
Interest expense	**(7,092)**	(7,010)	(2,793)
Income (loss) before taxes	**10,987**	(129,124)	75,336
Income tax expense	**(20,564)**	(26,504)	(16,768)
Equity in (losses) income of investees, net of tax	**—**	(1,858)	3
Net (loss) income	**(9,577)**	(157,486)	58,571
Net (income) loss attributable to non-controlling interests	**(12,752)**	13,711	(11,705)
Net (loss) income attributable to common shareholders	**$ (22,329)**	$ (143,775)	$ 46,866
Net (loss) income per share attributable to common shareholders — basic and diluted:			
Net (loss) income per share — basic and diluted	**$ (0.38)**	$ (2.43)	$ 0.76

(See the accompanying notes, which are an integral part of these Consolidated Financial Statements)

IMAX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands of U.S. Dollars)

	Years Ended December 31,		
	2021	2020	2019
Net (loss) income	**$ (9,577)**	$ (157,486)	$ 58,571
Other comprehensive income, before tax			
Unrealized defined benefit plan actuarial gain (loss)	**132**	(897)	157
Unrealized postretirement benefit plans actuarial gain (loss)	**140**	(351)	(153)
Prior service cost arising during the period	**—**	—	(456)
Amortization of prior service cost	**185**	87	—
Unrealized net gain from cash flow hedging instruments	**468**	500	552
Realized net (gain) loss from cash flow hedging instruments	**(1,707)**	604	1,183
Reclassification of unrealized gain from ineffective cash flow hedging instruments	**(318)**	—	—
Foreign currency translation adjustments	**3,364**	5,992	(729)
Total other comprehensive income, before tax	**2,264**	5,935	554
Income tax benefit (expense) related to other comprehensive income	**286**	55	(378)
Other comprehensive income, net of tax	**2,550**	5,990	176
Comprehensive (loss) income	**(7,027)**	(151,496)	58,747
Comprehensive (income) loss attributable to non-controlling interests	**(13,763)**	11,899	(11,483)
Comprehensive (loss) income attributable to common shareholders	**$ (20,790)**	$ (139,597)	$ 47,264

(See the accompanying notes, which 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, 2021	2020	2019
Operating Activities			
Net (loss) income	**$ (9,577)**	$ (157,486)	$ 58,571
Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities:			
Depreciation and amortization	**56,082**	52,704	62,978
Amortization of deferred financing costs	**2,513**	902	509
Credit loss (reversal) expense, net	**(3,951)**	18,608	2,430
Write-downs	**1,764**	17,729	4,376
Deferred income tax expense	**2,996**	23,618	6,762
Share-based and other non-cash compensation	**26,079**	22,038	23,570
Unrealized foreign currency exchange loss (gain)	**256**	(1,355)	32
Realized and unrealized investment (gains) losses	**(5,340)**	2,081	517
Equity in losses (income) of investees	**—**	1,858	(3)
Changes in assets and liabilities:			
Accounts receivable	**(52,453)**	33,597	(8,621)
Inventories	**11,451**	1,637	1,942
Film assets	**(14,810)**	(7,665)	(23,437)
Deferred revenue	**(6,591)**	(6,637)	(12,242)
Changes in other operating assets and liabilities	**(2,354)**	(24,640)	(27,008)
Net cash provided by (used in) operating activities	**6,065**	(23,011)	90,376
Investing Activities			
Purchase of property, plant and equipment	**(3,590)**	(697)	(7,421)
Investment in equipment for joint revenue sharing arrangements	**(10,094)**	(6,654)	(40,489)
Acquisition of other intangible assets	**(4,092)**	(1,904)	(2,931)
Proceeds from sale of (investment in) equity securities	**17,769**	—	(15,153)
Net cash used in investing activities	**(7)**	(9,255)	(65,994)
Financing Activities			
Proceeds from issuance of convertible notes, net	**223,675**	—	—
Debt issuance costs related to convertible notes	**(1,161)**	—	—
Purchase of capped calls related to convertible notes	**(19,067)**	—	—
Revolving credit facility borrowings	**3,600**	287,610	35,000
Repayments of revolving credit facility borrowings	**(307,609)**	—	(55,000)
Credit facility amendment fees paid	**(527)**	(1,073)	—
Repurchase of common shares, IMAX Corporation	**(13,905)**	(36,624)	(2,659)
Repurchase of common shares, IMAX China	**(10,060)**	(1,534)	(19,162)
Treasury stock purchased for future settlement of restricted share units	**—**	(3,086)	(13,833)
Taxes withheld and paid on employee stock awards vested	**(3,660)**	(512)	(590)
Common shares issued — stock options exercised	**883**	—	2,404
Issuance of subsidiary shares to non-controlling interests (net of return on capital)	**—**	—	1,106
Dividends paid to IMAX China non-controlling interests	**(4,889)**	(4,214)	(4,384)
Net cash (used in) provided by financing activities	**(132,720)**	240,567	(57,118)
Effects of exchange rate changes on cash	**(1,006)**	(406)	630
(Decrease) increase in cash and cash equivalents during year	**(127,668)**	207,895	(32,106)
Cash and cash equivalents, beginning of year	**317,379**	109,484	141,590
Cash and cash equivalents, end of year	**$ 189,711**	$ 317,379	$ 109,484

(See the accompanying notes, which are an integral part of these Consolidated Financial Statements)

IMAX CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands of U.S. Dollars except share amounts)

	Years Ended December 31, 2021	2020	2019
Adjustments to capital stock:			
Balance, beginning of year	**$ 407,020**	$ 419,348	$ 421,539
Change in shares held in treasury	**11**	4,027	(3,122)
Restricted share units vested	**9,833**	1,448	—
Employee stock options exercised, net of shares withheld for employee tax obligations	**883**	—	1,752
Grant date fair value of stock options exercised	**271**	—	104
Average carrying value of repurchased and retired common shares	**(8,039)**	(17,803)	(925)
Balance, end of year	**409,979**	407,020	419,348
Adjustments to other equity:			
Balance, beginning of year	**188,845**	180,225	179,079
Amortization of share-based payment expense — stock options	**1,267**	2,426	8,813
Amortization of share-based payment expense — restricted share units	**17,116**	13,532	13,481
Amortization of share-based payment expense — performance stock units	**5,733**	2,708	—
Restricted share units vested	**(14,740)**	(9,370)	(10,295)
Grant date fair value of stock options exercised	**(271)**	—	(104)
Change in ownership interest related to IMAX China common share repurchases	**(4,263)**	(676)	(9,642)
Purchase of capped calls related to convertible notes	**(19,067)**	—	—
Cash received from the issuance of common shares in excess of par value	**—**	—	454
Stock options exercised from treasury shares purchased on open market	**—**	—	(1,561)
Balance, end of year	**174,620**	188,845	180,225
Adjustments to statutory surplus reserve:			
Balance, beginning of period	**—**	—	—
Establishment of statutory surplus reserve, IMAX China	**3,932**	—	—
Balance, end of period	**3,932**	—	—
Adjustments to accumulated deficit:			
Balance, beginning of year	**(202,849)**	(40,253)	(85,385)
Net (loss) income attributable to common shareholders	**(22,329)**	(143,775)	46,866
Statutory surplus reserve deducted from retained earnings, IMAX China	**(3,932)**	—	—
Common shares repurchased and retired	**(5,865)**	(18,821)	(1,734)
Balance, end of year	**(234,975)**	(202,849)	(40,253)
Adjustments to accumulated other comprehensive income (loss):			
Balance, beginning of year	**988**	(3,190)	(3,588)
Other comprehensive income, net of tax	**1,539**	4,178	398
Balance, end of year	**2,527**	988	(3,190)
Adjustments to non-controlling interests:			
Balance, beginning of year	**70,004**	81,057	81,273
Net income (loss) attributable to non-controlling interests	**12,753**	(8,572)	13,343
Other comprehensive income (loss), net of tax	**1,011**	1,812	(223)
Share-based compensation attributable to non-controlling interests	**449**	779	568
Establishment of statutory surplus reserve, IMAX China	**1,699**	—	—
Statutory surplus reserve deducted from IMAX China retained earnings	**(1,699)**	—	—
Dividends paid to non-controlling shareholders of IMAX China	**(4,889)**	(4,214)	(4,384)
Change in ownership interest related to IMAX China common share repurchases	**(5,797)**	(858)	(9,520)
Balance, end of year	**73,531**	70,004	81,057
Total Shareholders' Equity (see Note 3 (a))	**$ 429,614**	$ 464,008	$ 637,187
Common shares issued and outstanding:			
Balance, beginning of year	**58,921,008**	61,175,852	61,433,589
Employee stock options exercised	**41,613**	—	19,088
Restricted share units and stock option exercises settled from treasury shares purchased on open market	**723**	187,020	44,579
Restricted share units settled with new treasury shares	**531,629**	42,982	—
Repurchase of common shares	**(841,331)**	(2,484,123)	(134,384)
Shares held in treasury	**—**	(723)	(187,020)
Balance, end of year	**58,653,642**	58,921,008	61,175,852

(See the accompanying notes, which are an integral part of these Consolidated Financial Statements)

1. Description of the Business

IMAX Corporation is a Canadian corporation that was formed in March 1994 as a result of an amalgamation between WGIM Acquisition Corp. and the former IMAX Corporation ("**Predecessor IMAX**"). Predecessor IMAX was incorporated in 1967. As of December 31, 2021, IMAX Corporation indirectly owns 71.11% of IMAX China Holding, Inc. ("**IMAX China**"), whose shares trade on the Hong Kong Stock Exchange. IMAX China is a consolidated subsidiary of the Company.

2. Impact of COVID-19 Pandemic

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Company's business and the global economy. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theaters in countries around the world to temporarily close, including the IMAX theaters in those countries. As a result of these theater closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many of the films scheduled to be shown in IMAX theaters, while several other films were released directly or concurrently to streaming platforms. Beginning in the third quarter of 2020, stay-at-home orders and capacity restrictions were lifted in many key markets and movie theaters throughout the IMAX network gradually reopened. However, following the emergence of the Omicron variant and the rise of COVID-19 cases in late 2021 and early 2022, some governments reinstituted capacity restrictions and safety protocols on large public gatherings, leading to the temporary closure of theaters or the imposition of capacity restrictions in certain markets. As of December 31, 2021, 95% of the theaters in the global IMAX commercial multiplex network were open at various capacities, spanning 75 countries. This included 99% of Domestic theaters (i.e., in the United States and Canada), 95% of the theaters in Greater China and 91% of the theaters in Rest of World markets.

The COVID-19 pandemic resulted in significantly lower levels of revenues, earnings, and operating cash flows for the Company during 2020 and, to a lesser extent, during 2021, when compared to periods prior to the onset of the pandemic, as box office results from the theaters in the IMAX network declined, the installation of certain theater systems was delayed, and maintenance fees were generally not recognized for theaters that were closed or operating with reduced capacities. In addition, as a result of the financial difficulties faced by certain of the Company's exhibition customers arising out of pandemic-related theater closures, although improving, the Company has experienced and may continue to experience delays in collecting payments due under existing theater sale or lease arrangements. In response, beginning in the second quarter of 2020 through the fourth quarter of 2021, the Company provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theaters were closed or operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement.

As a result of the uncertainties associated with the pandemic, the Company took significant steps in 2020 and 2021 to preserve cash by eliminating non-essential costs, temporarily furloughing certain employees, reducing the working hours of other employees, and reducing all non-essential capital expenditures to minimum levels. The Company also implemented an active cash management process, which, among other things, required senior management approval of all outgoing payments.

Also, in the first quarter of 2021, the Company issued $230.0 million of Convertible Notes. The net proceeds from the issuance of the Convertible Notes were approximately $223.7 million, after deducting the initial purchasers' discounts and commissions, which were used in part to repay a portion of outstanding borrowings under the Credit Facility provided by the Company's Credit Agreement with Wells Fargo. In addition, during 2021, the Company entered into amendments to the Credit Agreement which, among other things, suspend the Senior Secured Net Leverage Ratio financial covenant in the Credit Agreement through the first quarter of 2022 and once re-established, permits the Company to use EBITDA from the third and fourth quarters of 2019 in lieu of EBITDA for the corresponding quarters of 2021. As of December 31, 2021, the Company was in compliance with all of its requirements under the Credit Agreement, as amended. (Each defined term used, but not defined in this paragraph is defined in Note 14.)

In 2020 and 2021, the Company recognized a total of $10.9 million in wage subsidies, tax credits, and other financial support under COVID-19 relief legislation that has been enacted in the countries in which it operates, primarily under the Canada Emergency Wage Subsidy ("**CEWS**") program. For the years ended December 31, 2021 and 2020, these benefits were recognized in the Consolidated Statements of Operations as reductions to Selling, General and Administrative Expenses ($2.9 million and $6.0 million, respectively), Costs and Expenses Applicable to Revenues ($0.9 million and $1.0 million, respectively), and Research and Development ($nil and $0.1 million, respectively). The CEWS program expired in October 2021.

The impact of the COVID-19 pandemic on the Company's business and financial results will continue to depend on numerous evolving factors that cannot be accurately predicted and that will vary by jurisdiction and market, including the duration and scope of the pandemic, the emergence of variants of the virus, the progress made on administering vaccines and developing treatments, the continuing impact of the pandemic on global economic conditions and ongoing government responses to the pandemic, which could lead to further theater closures, theater capacity restrictions and/or delays in the release of films.

3. Summary of Significant Accounting Policies

The Company prepares its Consolidated Financial Statements in accordance with U.S. GAAP and pursuant to the rules and regulations of the Securities and Exchange Commission. The significant accounting policies used by the Company are summarized below.

(a) Revision of prior year amounts and other reclassifications

In the current year's Consolidated Balance Sheets and Consolidated Statements of Shareholders' Equity, the Company revised the December 31, 2020 and December 31, 2019 balances of Total Shareholders' Equity Attributable to Common Shareholders and Non-Controlling Interests. The revisions were principally made to properly reflect changes in the Company's ownership interest in IMAX China as a result of common share repurchases and the amortization of share-based compensation related to IMAX China. The revisions resulted in a $0.5 million reclassification between the January 1, 2019 balances of Other Equity and Non-Controlling Interests, as well as reclassifications of $8.5 million and $8.4 million, respectively, between the balances of Other Equity and Non-Controlling Interests as of December 31, 2020 and 2019. There is no change in Total Shareholders' Equity as a result of the revisions.

12. Income Taxes

(a) Income (Loss) Before Taxes by Jurisdiction

Income (loss) before taxes by tax jurisdiction for the years ended December 31, 2021, 2020, and 2019 consists of the following:

	Years Ended December 31,		
(In thousands of U.S. Dollars)	**2021**	2020	2019
Canada	**$ (55,480)**	$ (104,166)	$ 884
United States	**3,218**	(6,437)	(234)
China	**53,792**	(8,253)	51,809
Ireland	**829**	(7,473)	17,630
Other	**8,628**	(2,795)	5,247
	$ 10,987	$ (129,124)	$ 75,336

(b) Income Tax (Expense) Benefit

Income tax (expense) benefit for the years ended December 31, 2021, 2020, and 2019 consists of the following:

	Years Ended December 31,		
(In thousands of U.S. Dollars)	**2021**	2020	2019
Income tax (expense) benefit – current:			
Canada	**$ (915)**	$ 555	$ 2,369
United States	**(1,038)**	488	595
China	**(11,045)**	(1,980)	(11,789)
Ireland	**(1,358)**	(1,462)	(762)
Other	**(3,212)**	(487)	(419)
Sub-total	**(17,568)**	(2,886)	(10,006)
Income tax (expense) benefit – deferred:			
Canada(1)	**(231)**	(10,801)	(3,913)
United States	**(1,268)**	867	(949)
China(2)	**(381)**	(15,756)	(18)
Ireland	**(997)**	2,161	(1,923)
Other	**(119)**	(89)	41
Sub-total	**(2,996)**	(23,618)	(6,762)
Total(3)	**$ (20,564)**	$ (26,504)	$ (16,768)

(1) A valuation allowance is recorded in jurisdictions where management has determined, based on the weight of all available evidence, both positive and negative, that a valuation allowance for deferred tax assets is needed. For the year ended December 31, 2021, the Company recorded a $17.2 million valuation allowance against its deferred tax assets in Canada primarily as a result of uncertainties related to the long-term impact of the COVID-19 pandemic (2020 — $28.6 million). The $17.2 million increase in the valuation allowance recorded in 2021 is reflected within Income Tax Expense in the Company's Consolidated Statements of Operations ($14.7 million) and Shareholders' Equity on the Company's Consolidated Balance Sheets ($2.5 million).

(2) In 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Company's capital resources globally. Based on the results of this reassessment, management concluded that the historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As a result, the Company recognized a deferred tax liability of $19.1 million in 2020 for the estimated applicable foreign withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings. In 2021, the deferred tax liability for the applicable foreign withholding taxes was increased by $0.5 million due to an increase in the amount of distributable historical earnings. During the year ended December 31, 2021, $20.4 million of historical earnings from a subsidiary in China were distributed and, as a result, $ 2.0 million of foreign withholding taxes were paid to the relevant tax authorities. The remaining deferred tax liability on the Company's Consolidated Balance Sheets as of December 31, 2021 is $17.6 million.

(3) For the year ended December 31, 2021, Income Tax (Expense) Benefit excludes a tax benefit of $0.3 million included in Other Comprehensive Income (2020 — benefit of $0.1 million; 2019 — expense of $(0.4) million).

(f) Change on Indefinitely Reinvested Assertion

Income taxes are accrued for the earnings of non-Canadian affiliates and associated companies unless management determines that such earnings will be indefinitely reinvested outside of Canada.

In 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Company's capital resources globally. Based on the results of this reassessment, management concluded that the historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As a result, the Company recognized a deferred tax liability of $19.1 million in 2020 for the estimated applicable foreign withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings. In 2021, the deferred income tax liability for the applicable foreign withholding taxes was increased by $0.5 million due to an increase in the amount of distributable historical earnings. During the year ended December 31, 2021, $20.4 million of historical earnings from a subsidiary in China were distributed and, as a result, $2.0 million of foreign withholding taxes were paid to the relevant tax authorities (2020 — $nil). The remaining deferred tax liability on the Company's Consolidated Balance Sheets as of December 31, 2021 is $17.6 million.

14. Debt

Working Capital Facility

On July 1, 2021, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai**"), one of the Company's majority-owned subsidiaries in China, renewed its unsecured revolving facility for up to 200.0 million Chinese Renminbi ("**RMB**") (approximately $31.4 million), including RMB10.0 million (approximately $1.6 million) for letters of guarantee, to fund ongoing working capital requirements (the "**Working Capital Facility**"). The Working Capital Facility expires in July 2022.

As of December 31, 2021, outstanding Working Capital Facility borrowings were RMB23.0 million ($3.6 million) and outstanding letters of guarantee were RMB2.8 million ($0.5 million). As of December 31, 2020, outstanding Working Capital Facility borrowings were RMB49.9 million ($7.6 million) and no letters of guarantee were issued.

As of December 31, 2021, the amount available for future borrowings under the Working Capital Facility was RMB167.0 million ($26.2 million) and the amount available for letters of guarantee was RMB7.2 million ($1.1 million). The amount available for future borrowings under the Working Capital Facility is not subject to a standby fee. The effective interest rate for the year ended December 31, 2021 was 4.31% (2020 — 4.31%).

17. Capital Stock

(c) Share-Based Compensation

The Company issues share-based compensation to eligible employees, directors, and consultants under the IMAX LTIP and the China LTIP, as summarized below. On June 3, 2020, the Company's shareholders approved the IMAX LTIP at its Annual and Special Meeting.

China Long-Term Incentive Plan

Each stock option ("**China Option**"), RSU, or PSU issued under the China LTIP represents an opportunity to participate economically in the future growth and value creation of IMAX China.

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, China LTIP Performance Stock Units ("**China PSUs**"), and China LTIP Restricted Share Units ("**China RSUs**").

For the years ended December 31, 2021, 2020, and 2019, share-based compensation expense related to China Options, China RSUs and China PSUs was as follows:

	Years Ended December 31,		
(In thousands of U.S. Dollars)	**2021**	2020	2019
Expense			
China Options	**$ 285**	$ 875	$ 320
China RSUs	**2,810**	2,093	—
China PSUs	**578**	208	1,664
Total	**$ 3,673**	$ 3,176	$ 1,984

In 2021, IMAX China modified the terms of certain fully vested stock options to extend their contractual life by one year (2020 — two years) and recorded an associated expense of $0.1 million (2020 — $0.7 million).

Issuer Purchases of Equity Securities

In 2021, IMAX China's shareholders granted its Board of Directors a general mandate authorizing the Board, subject to applicable laws, to repurchase shares of IMAX China not to exceed 10% of the total number of issued shares as of May 6, 2021 (34,835,824 shares). This program will be valid until the 2022 Annual General Meeting of IMAX China. The repurchases may be made in the open market or through other means permitted by applicable laws. IMAX China has no obligation to repurchase its shares and the share repurchase program may be suspended or discontinued by IMAX China at any time. In 2021, IMAX China repurchased 6,664,700 (2020 — 906,400) common shares at an average price of HKD11.68 per share (U.S. $1.50 per share) for a total of HKD77.8 million or U.S. $10.0 million (2020 — HKD13.07 per share or U.S. $1.68 per share, for a total of HKD11.9 million or U.S. $1.5 million). The change in non-controlling interest as a result of common shares repurchased by IMAX China is recorded within Non-Controlling Interest in the Consolidated Balance Sheets and the Consolidated Statements of Shareholders' Equity. The difference between the consideration paid and the ownership interest obtained as a result of IMAX China share repurchases is recorded within Other Equity in the Consolidated Balance Sheets and the Consolidated Statements of Shareholders' Equity. (See Note 3(a).)

(e) Statutory Surplus Reserve

Pursuant to the corporate law of the People's Republic of China (the "**PRC**"), entities registered in the PRC are required to maintain certain statutory reserves, which are appropriated from after-tax profits, after offsetting accumulated losses from prior years, before dividends can be declared or paid to equity holders.

The Company's PRC subsidiaries are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their after-tax profits. The Company's PRC subsidiaries may discontinue the appropriation of statutory surplus reserves when the aggregate sum of the statutory surplus reserve is more than 50% of their registered capital. The statutory surplus reserve is non-distributable other than during liquidation and may only be used to fund losses from prior years, to expand production operations, or to increase the capital of the subsidiaries. In addition, the subsidiaries may make further contribution to the discretional surplus reserve using post-tax profits in accordance with resolutions of the Board of Directors.

During the year ended December 31, 2021, one of the Company's PRC subsidiaries declared and paid dividends of RMB131.6 million ($20.4 million). In 2021, upon passage of the requisite resolution of the Board of Directors, a statutory surplus reserve of RMB36.4 million ($5.6 million) was recorded within Shareholders' Equity as an appropriation of the PRC subsidiaries' retained earnings, of which $3.9 million is attributable to the Company's common shareholders and $1.7 million is attributable to non-controlling shareholders. The statutory surplus reserve of RMB36.4 million ($5.6 million) has reached 50% of its PRC subsidiaries' registered capital.

21. Segment Reporting

The Company's Chief Executive Officer ("**CEO**") is its Chief Operating Decision Maker ("**CODM**"), as such term is defined under U.S. GAAP. The CODM, along with other members of management, assess segment performance based on segment revenues and gross margins. Selling, general and administrative expenses, research and development costs, the amortization of intangible assets, provision for (reversal of) current expected credit losses, certain write-downs, interest income, interest expense, and income tax (expense) benefit are not allocated to the Company's segments.

The Company has the following reportable segments: (i) IMAX DMR; (ii) Joint Revenue Sharing Arrangements; (iii) IMAX Systems, (iv) IMAX Maintenance; (v) Other Theater Business; (vi) Film Distribution; (vii) Film Post-Production; and (viii) New Business Initiatives. The Company organizes its reportable segments into the following four categories, identified by the nature of the product sold or service provided:

(i) IMAX Technology Network, which earns revenue based on contingent box office receipts and includes the IMAX DMR segment and contingent rent from the Joint Revenue Sharing Arrangements ("**JRSA**") segment;

(ii) IMAX Technology Sales and Maintenance, which includes results from the IMAX Systems, IMAX Maintenance and Other Theater Business segments, as well as fixed revenues from the JRSA segment;

(iii) Film Distribution and Post-Production, which includes activities related to the distribution of large-format documentary films, primarily to institutional theaters, and the distribution of exclusive experiences ranging from live performances to interactive events with leading artists and creators (through the Film Distribution segment) and the provision of film post-production and quality control services (through the Film Post-Production segment); and

(iv) New Business Initiatives, which is a segment that includes activities related to the expansion of the IMAX brand across new lines of business and initiatives.

The Company presents its segment information at a disaggregated level to provide more relevant information to the users of its financial statements.

Transactions between the IMAX DMR segment and the Film Post-Production segment are valued at exchange value. Inter-segment profits are eliminated upon consolidation, as well as for the disclosures below.

(a) *Segment Financial Information*

The following table presents the Company's revenue and gross margin (margin loss) by category and reportable segment for the years ended December 31, 2021, 2020, and 2019:

	Years Ended December 31,					
		Revenue[1]			Gross Margin (Margin Loss)	
(In thousands of U.S. Dollars)	**2021**	2020	2019	**2021**	2020	2019
IMAX Technology Network						
IMAX DMR	**$ 70,659**	$ 28,265	$ 120,765	**$ 44,782**	$ 13,731	$ 78,592
Joint Revenue Sharing Arrangements, contingent rent	**46,184**	17,841	76,673	**21,761**	(9,500)	48,446
	116,843	46,106	197,438	**66,543**	4,231	127,038
IMAX Technology Sales and Maintenance						
IMAX Systems[2]	**65,660**	54,055	107,321	**34,981**	24,816	58,168
Joint Revenue Sharing Arrangements, fixed fees	**5,406**	2,056	11,014	**1,343**	529	2,613
IMAX Maintenance[3]	**53,339**	21,999	53,151	**27,572**	3,068	23,010
Other Theater Business[4]	**2,363**	1,666	8,390	**398**	(438)	2,624
	126,768	79,776	179,876	**64,294**	27,975	86,415
Film Distribution and Post-Production						
Film Distribution[5]	**1,464**	4,841	4,818	**(1,121)**	(9,840)	(2,942)
Post-Production	**4,260**	3,878	7,392	**1,969**	(358)	1,680
	5,724	8,719	12,210	**848**	(10,198)	(1,262)
New Business Initiatives	**3,704**	2,226	2,754	**3,399**	1,878	2,106
Sub-total for reportable segments	**253,039**	136,827	392,278	**135,084**	23,886	214,297
Other	**1,844**	176	3,386	**(678)**	(2,346)	(125)
Total	**$ 254,883**	$ 137,003	$ 395,664	**$ 134,406**	$ 21,540	$ 214,172

The following table presents the Company's assets by category and reportable segment, reconciled to consolidated assets, as of December 31, 2021 and 2020:

(In thousands of U.S. Dollars)	As of December 31, 2021	2020
IMAX Technology Network		
IMAX DMR	**$ 48,299**	$ 29,672
Joint Revenue Sharing Arrangements, contingent rent	**196,789**	195,822
IMAX Technology Sales and Maintenance		
IMAX Systems	**249,672**	240,972
Joint Revenue Sharing Arrangements, fixed fees	**27,930**	27,778
IMAX Maintenance	**38,530**	36,949
Other Theater Business	**82**	106
Film Distribution and Post-Production		
Film Distribution	**7,185**	5,984
Post-Production	**31,575**	35,526
New Business Initiatives	**1,420**	1,196
Sub-total for reportable segments	**601,482**	574,005
Corporate and other non-segment specific assets	**281,765**	423,745
Total	**$ 883,247**	$ 997,750

The following table presents the Company's amortization by category and reportable segment, and on a consolidated basis, for the years ended December 31, 2021, 2020, and 2019:

(In thousands of U.S. Dollars)	Years Ended December 31, 2021	2020	2019
IMAX Technology Network			
IMAX DMR	**$ 15,917**	$ 10,269	$ 16,117
Joint Revenue Sharing Arrangements, contingent rent	**24,208**	26,076	25,036
IMAX Technology Sales and Maintenance			
IMAX Systems	**2,076**	3,548	3,878
IMAX Maintenance	**—**	213	299
Film Distribution and Post-Production			
Film Distribution	**600**	1,213	3,894
Post-Production	**924**	1,281	1,301
New Business Initiatives	**—**	11	58
Sub-total for reportable segments	**43,725**	42,611	50,583
Corporate and other non-segment specific assets(6)	**12,357**	10,093	12,395
Total	**$ 56,082**	$ 52,704	$ 62,978

The following table presents the Company's write-downs, including asset impairments and credit loss (reversal) expense, by category and reportable segment, and on a consolidated basis, for the years ended December 31, 2021, 2020, and 2019:

(In thousands of U.S. Dollars)	Years Ended December 31, **2021**	2020	2019
IMAX Technology Network			
IMAX DMR	**$ 151**	$ 1,057	$ —
Joint Revenue Sharing Arrangements, contingent rent	**364**	1,784	2,207
IMAX Technology Sales and Maintenance			
IMAX Systems	**837**	2,872	276
IMAX Maintenance	**53**	510	170
Film Distribution and Post-Production			
Film Distribution	**—**	9,997	1,379
Post-Production	**—**	—	—
New Business Initiatives	**—**	52	96
Sub-total for reportable segments	**1,405**	16,272	4,128
Corporate and other non-segment specific assets[7]	**(3,592)**	20,065	2,678
Total	**$ (2,187)**	$ 36,337	$ 6,806

The following table presents the Company's purchases of Property, Plant and Equipment by category and reportable segment for the years ended December 31, 2021, 2020, and 2019:

(In thousands of U.S. Dollars)	Years Ended December 31, **2021**	2020	2019
IMAX Technology Network			
IMAX DMR	**$ —**	$ —	$ 99
Joint Revenue Sharing Arrangements, contingent rent	**10,094**	6,654	40,489
IMAX Technology Sales and Maintenance			
IMAX Systems	**621**	50	452
IMAX Maintenance	**25**	—	311
Film Distribution and Post-Production			
Film Distribution	**1,599**	—	—
Post-Production	**609**	456	1,210
New Business Initiatives	**—**	—	—
Sub-total for reportable segments	**12,948**	7,160	42,561
Corporate and other non-segment specific assets	**736**	191	5,349
Total	**$ 13,684**	$ 7,351	$ 47,910

(1) The Company's largest customer represents 10% of total Revenues as of December 31, 2021 (2020 — 16%; 2019 — 17%). No single customer comprises more than 10% of the Company's total Accounts Receivable as of December 31, 2021 and 2020.

(2) The revenue from this segment includes the initial upfront payments and the present value of fixed minimum payments from sales and sales-type lease arrangements of IMAX Theater Systems, as well as the present value of estimated variable consideration from sales of IMAX Theater Systems. To a lesser extent, the revenue from this segment also includes finance income associated with these revenue streams.

(3) Due to the global reopening of the IMAX theater network and the substantial resumption of normal operations throughout the theatrical exhibition industry, as evidenced by box office totals for the fourth quarter of 2021 exceeding pre-pandemic levels, the Company ended the temporary relief program for its exhibitor customers and, as a result, recognized maintenance revenue of $6.3 million that had been due to the potential for the waiver or reduction of maintenance fees during the COVID-19 pandemic, including $2.5 million that had been deferred from 2020 with the remainder from the first nine months of 2021.

(4) The revenue from this segment principally includes after-market sales of IMAX projection system parts and 3D glasses.

(5) During the year ended December 31, 2020, Film Distribution segment results were significantly influenced by impairment losses of $10.0 million, to write-down the carrying value of certain documentary and alternative content film assets due to a decrease in projected box office totals and related revenues based on management's regular quarterly recoverability assessments (2019 — $1.4 million). No such impairment losses were incurred in 2021.

(6) Prior period comparatives have been revised to exclude the amortization of deferred financing costs of $0.9 million and $0.5 million, respectively, for the years ended December 31, 2020 and 2019.

(7) During the year ended December 31, 2021, includes the net reversal of current expected credit losses of $4.0 million, which is excluded from the measurement of the Company's segment performance (2020 — provision of $18.6 million; 2019 — provision of $2.4 million). (See Note 5.)

(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 remastered 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.

The following table summarizes the Company's revenues by geographic area for the years ended December 31, 2021, 2020, and 2019:

	Years Ended December 31,		
(In thousands of U.S. Dollars)	**2021**	2020	2019
Greater China	**$ 112,801**	$ 52,331	$ 124,294
United States	**73,499**	30,157	121,264
Asia (excluding Greater China)	**23,682**	20,090	48,386
Western Europe	**20,942**	13,683	46,911
Russia & the CIS	**7,308**	2,927	16,124
Latin America	**3,601**	6,114	9,438
Canada	**3,266**	1,365	9,220
Rest of the World	**9,784**	10,336	20,027
Total	**$ 254,883**	$ 137,003	$ 395,664

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.

The following table presents the breakdown of Property, Plant and Equipment by geography as of December 31, 2021 and 2020:

(In thousands of U.S. Dollars)	As of December 31, **2021**	2020
Greater China	**$ 100,182**	$ 104,731
United States	**91,856**	100,495
Canada	**32,643**	31,624
Western Europe	**21,684**	25,487
Asia (excluding Greater China)	**9,463**	9,930
Rest of the World	**4,525**	5,130
Total	**$ 260,353**	$ 277,397

22. Financial Instruments

(d) Investments in Equity Securities

On January 17, 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of IMAX China, as an investor entered into a cornerstone investment agreement with Maoyan Entertainment ("**Maoyan**") (as the issuer) and Morgan Stanley Asia Limited (as a sponsor, underwriter and the underwriters' representative). Pursuant to this agreement, IMAX China (Hong Kong), Limited agreed to invest $15.2 million to subscribe for a certain number of shares of Maoyan at the final offer price pursuant to the global offering of the share capital of Maoyan, and this investment would be subject to a lock-up period of six months following the date of the global offering. On February 4, 2019, Maoyan completed its global offering, upon which, IMAX China (Hong Kong), Limited became a less than 1% shareholder in Maoyan. In February 2021, IMAX China (Hong Kong), Limited sold all of its 7,949,000 shares of Maoyan for gross proceeds of $17.8 million, which represents a $2.6 million gain relative to the Company's acquisition cost and a $5.2 million gain compared to the fair value of the investment as of December 31, 2020. Prior to this sale, the Company accounted for its investment in Maoyan at fair value with any changes in fair value recorded to the Consolidated Statements of Operations. For the year ended December 31, 2020, the Company recorded a net unrealized loss of $2.1 million. As of December 31, 2020, the value of the Company's investment in Maoyan was $12.6 million.

24. Non-Controlling Interests

(a) IMAX China Non-Controlling Interest

As of December 31, 2021, the Company indirectly owns 71.11% of IMAX China, whose shares trade on the Hong Kong Stock Exchange (December 31, 2020 — 69.89%). IMAX China remains a consolidated subsidiary of the Company. The balance of non-controlling interest in IMAX China as of December 31, 2021 is $73.5 million (December 31, 2020 — $70.0 million). The net income attributable to non-controlling interest of IMAX China for the year ended December 31, 2021 is $12.8 million (December 31, 2020 — loss of $(8.6) million; December 31, 2019 — income of $13.3 million)."

(2) EARNINGS RELEASE EXTRACTS

"In the fourth quarter alone, IMAX turned in a dominating performance at the global box office, launched a major streaming partnership with Disney+, and created a series of exclusive events connecting theatrical and streaming in a way that few brands can," said Richard L. Gelfond, CEO of IMAX Corporation. "World-class creators of all types are choosing our technology and platform to connect with fans around the globe — opening a world of opportunity to reimagine and grow *The IMAX Experience*®."

"Our results for the fourth quarter underscore that IMAX is a premier, global technology platform for entertainment and events. The fact that IMAX is driving results at or above what we achieved in 2019 — which was by many measures, our best year ever — reaffirms that we are not an exhibitor and have moved beyond recovery mode. With a strong balance sheet that affords us security and capital allocation flexibility, we are well-positioned to capitalize on our momentum and continue to evolve and grow our business."

"Our full-year results are highlighted by a dramatic, positive swing in profitability of more than $80 million in Adjusted EBITDA(1). Furthermore, IMAX captured a greater share of the global box office than ever in 2021. These achievements demonstrate our ability to quickly capitalize on improving market trends, and underscore how well-positioned IMAX remains for the highly-anticipated 2022 film slate, which boasts more expected IMAX DNA than ever."

"Global audiences are choosing IMAX, and we're meeting that demand with our most dynamic, diverse content portfolio ever. We're delivering more 'IMAX DNA' in the biggest Hollywood blockbusters; a rapidly expanding slate of local language films from studios and filmmakers across China, Japan, India, Russia, and France; exclusive events and experiences with creators and artists ranging from Kanye West to The Beatles; and a growing library of IMAX Enhanced™ content to streaming platforms and consumer devices."

<u>**Fourth Quarter and December Year-to-Date Financial Highlights**</u>

IMAX Technology Network

- IMAX Technology Network revenues increased to $51.3 million in the fourth quarter of 2021, compared to $17.7 million in the prior-year period. The strong performance of Hollywood releases drove the increase in gross box office and revenue.

- Gross margin for the IMAX Technology Network of $36.8 million in the fourth quarter of 2021, compared to $7.3 million in the prior-year period as improved box office performance drove higher revenue and margin expansion.

IMAX Technology Sales and Maintenance

- IMAX Technology Sales and Maintenance revenues increased to $53.4 million in the fourth quarter of 2021, compared with $36.4 million in the prior year period due to the continued global reopening of the IMAX® theater network and the resumption of normal operations, which led to a higher level of IMAX Theater System installations. Also, due to the recovery of the theatrical exhibition industry and the strength of the fourth quarter IMAX Network GBO, which exceeded pre-COVID fourth quarter of 2019 levels, the Company ended the temporary relief program for its exhibitor customers and, as a result, recognized maintenance revenue of $6.3 million that had been deferred due to uncertainties associated with the COVID-19 global pandemic, including $2.5 million that had been deferred from 2020 with the remainder from the first nine months of 2021.

- Gross margin for IMAX Technology Sales and Maintenance increased to $26.2 million compared to $13.6 million in the prior-year period. The increase in gross margin was the result of higher maintenance and IMAX System installation revenue.

NON-GAAP FINANCIAL MEASURES

(in thousands of U.S. dollars)

In this release, the Company presents adjusted net income (loss) attributable to common shareholders and adjusted net income (loss) attributable to common shareholders per basic and diluted share, EBITDA, Adjusted EBITDA per Credit Facility, Adjusted EBITDA margin, and free cash flow as supplemental measures of the Company's performance, which are not recognized under U.S. GAAP. Adjusted net income (loss) attributable to common shareholders and adjusted net income (loss) attributable to common shareholders per basic and diluted share exclude, where applicable: (i) share-based compensation; (ii) COVID-19 government relief benefits, net, (iii) legal judgment and arbitration awards; (iv) realized and unrealized investment gains or losses, as well as the related tax impact of these adjustments, and (v) income taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries.

The Company believes that these non-GAAP financial measures are important supplemental measures that allow management and users of the Company's financial statements to view operating trends and analyze controllable operating performance on a comparable basis between periods without the after-tax impact of share-based compensation and certain unusual items included in net income (loss) attributable to common shareholders. Although share-based compensation is an important aspect of the Company's employee and executive compensation packages, it is a non-cash expense and is excluded from certain internal business performance measures.

A reconciliation from net income (loss) attributable to common shareholders and the associated per share amounts to adjusted net income (loss) attributable to common shareholders and adjusted net income (loss) attributable to common shareholders per diluted share is presented in the table below. Net income (loss) attributable to common shareholders and the associated per share amounts are the most directly comparable GAAP measures because they reflect the earnings relevant to the Company's shareholders, rather than the earnings attributable to non-controlling interests.

EBITDA is defined as net income or loss excluding (i) income tax expense or benefit; (ii) interest expense, net of interest income; (iii) depreciation and amortization, including film asset amortization; and (iv) amortization of deferred financing costs. Adjusted EBITDA per Credit Facility is defined as EBITDA excluding: (i) share-based and other non-cash compensation; (ii) realized and unrealized investment gains or losses; (iii) write-downs, net of recoveries, including asset impairments and credit loss expense; (iv) legal judgment and arbitration awards; and (v) the gain or loss from equity accounted investments.

These non-GAAP measures may not be comparable to similarly titled amounts reported by other companies. Additionally, the non-GAAP financial measures used by the Company should not be considered as a substitute for, or superior to, the comparable GAAP amounts.

Adjusted Net Income (Loss) Attributable to Common Shareholders and Adjusted Diluted Per Share Calculations

(In thousands of U.S. dollars, except per share amounts)	**Year Ended December 31, 2021**		Year Ended December 31, 2020	
	Net Loss	**Diluted EPS**	Net Loss	Diluted EPS
Net loss attributable to common shareholders	**$ (22,329)**	**$ (0.38)**	$ (143,775)	$ (2.43)
Adjustments[1]:				
Share-based compensation	**24,815**	**0.42**	20,558	0.35
COVID-19 government relief benefits, net	**(3,839)**	**(0.06)**	(7,115)	(0.12)
Legal judgment and arbitration awards	**(1,770)**	**(0.03)**	4,105	0.07
Realized and unrealized investment (gains) losses	**(3,769)**	**(0.06)**	1,450	0.02
Tax impact on items listed above	**(1,909)**	**(0.03)**	(630)	(0.01)
Income taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries	**381**	**0.01**	13,344	0.23
Adjusted net loss[1]	**$ (8,420)**	**$ (0.14)**	$ (112,063)	$ (1.89)
Weighted average shares outstanding — basic and diluted		**59,126**		59,237

(1) Reflects amounts attributable to common shareholders.

DEFINITIONS USED IN THIS ANNOUNCEMENT

"Annual Report"	the annual report of IMAX Corporation dated 23 February 2022
"Board" or "Board of Directors"	the board of directors of the Company
"CG Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
"Company" or "IMAX China"	IMAX China Holding, Inc., a company incorporated under the laws of the Cayman Islands with limited liability on 30 August 2010
"controlling shareholder" and "subsidiary"	shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires
"Directors"	the directors of the Company and "Director" shall be construed accordingly as a director of the Company
"Earnings Call"	the earnings call held by IMAX Corporation on 23 February 2022 New York time
"Earnings Release"	the earnings announced by IMAX Corporation on 23 February 2022 New York time
"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"	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"	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 Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Macau"	Macau Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"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
"RMB"	Renminbi, the lawful currency of the PRC
"RSUs"	restricted share units
"SEC"	the United States Securities and Exchange Committee
"Share(s)"	Ordinary share(s) with a nominal value of US$0.0001 each in the share capital of the Company and a "**Share**" means any of them
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"TCL-IMAX Entertainment"	TCL-IMAX Entertainment Co., Limited, a company incorporated in Hong Kong with limited liability on 3 January 2014, being the joint venture company jointly owned by IMAX Hong Kong Holding and Sino Leader (Hong Kong) Limited, which is wholly owned by TCL Multimedia Technology Holdings Limited
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"USD", "US$", "$" or "United States dollars"	U.S. dollars, the lawful currency of the United States of America

GLOSSARY

This glossary contains explanations of certain terms used in this 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 film"	a motion picture approved for theatrical release in the PRC which was produced by one or more PRC producer(s) or jointly produced by one or more PRC producer(s) and one or more foreign producer(s) and 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 film"	an imported motion picture for theatrical release in the PRC which has been produced by one or more foreign producer(s) and the importation and release of such motion picture has been permitted in accordance with the relevant laws and regulations of the PRC
"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.
Yifan (Yvonne) He
Joint Company Secretary

Hong Kong, 24 February 2022

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

Executive Directors:
Edwin Tan
Jim Athanasopoulos
Mei-Hui (Jessie) Chou

Non-Executive Directors:
Richard Gelfond
Megan Colligan
Jiande Chen

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

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