IMAX CHINA HOLDING, INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1970)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

AND

INSIDE INFORMATION OUR CONTROLLING SHAREHOLDER IMAX CORPORATION RELEASED ITS FOURTH QUARTER AND FULL YEAR 2023 FINANCIAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 as follows.

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 27 February 2024 (New York time), announced its fourth quarter and year ended 31 December 2023 financial results and on 27 February 2024 (New York time), released its annual report and results for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(In thousands of U.S. dollars)

	Notes	**Years Ended 31 December** **2023**	2022
Revenues	*4*	**86,982**	73,330
Cost of sales	*5*	**(32,449)**	(33,633)
Gross profit	*4*	**54,533**	39,697
Selling, general and administrative expenses	*5*	**(18,138)**	(15,530)
Other operating expenses	*5*	**(3,889)**	(3,968)
Provisions of net impairment losses on financial assets	*5*	**(1,187)**	(1,319)
Other income		**721**	–
Other gains/(losses) – net		**187**	(4,470)
Operating profit		**32,227**	14,410
Interest income		**1,858**	1,040
Interest expense		**(412)**	(169)
Profit before income tax		**33,673**	15,281
Income tax expense	*6*	**(6,172)**	(4,523)
Profit for the year, attributable to owners of the Company		**27,501**	10,758
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		**(2,819)**	(19,470)
Other comprehensive loss:		**(2,819)**	(19,470)
Total comprehensive income (loss) for the year, attributable to owners of the Company		**24,682**	(8,712)
Profit per share attributable to owners of the Company – basic and diluted (expressed in U.S. dollars per share):			
From profit for the year – basic	*7*	**0.08**	0.03
From profit for the year – diluted	*7*	**0.08**	0.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of U.S. dollars)

		As at 31 December	
	Notes	**2023**	2022
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	**76,893**	86,689
Other assets		**912**	3,414
Deferred tax assets	*9*	**4,324**	6,697
Variable consideration receivables from contracts		**1,894**	2,045
Financing receivables	*10*	**50,425**	53,327
		134,448	152,172
Current assets			
Other assets		**1,523**	1,871
Contract acquisition costs		**628**	760
Film assets		**66**	82
Inventories		**6,368**	4,826
Prepayments		**3,035**	3,099
Income tax receivables		**1,149**	–
Variable consideration receivables from contracts		**664**	502
Financing receivables	*10*	**31,728**	27,852
Trade and other receivables	*11*	**75,956**	60,267
Cash and cash equivalents		**62,711**	74,972
		183,828	174,231
Total assets		**318,276**	326,403

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

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

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value where appropriate.

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

3. New accounting standards and accounting changes

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

		Effective for annual periods beginning on or after
IAS 1 (Amendments) and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
IFRS 17 (Amendments)	Initial Application of IFRS 17 and IFRS 9	1 January 2023
IAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules	1 January 2023

Certain new accounting standards and interpretations have been published that are not mandatory for the financial reporting periods commencing on or after 1 January 2023 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
IAS 7 (Amendments) and IFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IAS 21 (Amendments)	Lack of Exchangeability	1 January 2025

4. Revenue and segment information

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

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

The Group has the following reportable segments:

(i) Content Solutions, which principally includes the digital remastering of films and other content into IMAX formats for distribution to the IMAX network.

(ii) Technology Products and Services, which includes results from the sale or lease of IMAX Systems, as well as from the maintenance of IMAX Systems. To a lesser extent, the Technology Products and Services segment also earns revenue from certain ancillary theatre business activities, including after-market sales of IMAX System parts and 3D glasses.

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

Transactions between the other segments are not significant.

(a) *Operating segments*

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

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

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

	Years Ended 31 December			
	Recognised under IFRS 15		Recognised under IFRS 16	
	2023	2022	**2023**	2022
Revenue				
Content Solutions				
Film Remastering	**25,522**	14,908	**–**	–
	25,522	14,908	**–**	–
Technology Products and Services				
System Sales	**11,298**	14,391	**–**	–
System Rentals	**–**	–	**23,176**	14,944
Maintenance	**23,438**	25,539	**–**	–
Finance Income	**2,986**	3,411	**–**	–
	37,722	43,341	**23,176**	14,944
Subtotal for reportable segments	**63,244**	58,249	**23,176**	14,944
All Other	**562**	137	**–**	–
Total	**63,806**	58,386	**23,176**	14,944

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

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

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

Significant Customers

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

Customer A

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

Customer B

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

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

Supplemental Information

(b) Depreciation and amortisation

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

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

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

5. Expenses by nature

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

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

6. Income tax expense

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

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

	Years Ended 31 December	
	2023	2022
Profit before tax	**33,673**	15,281
Tax calculated at domestic tax rates applicable to profits in all respective countries	**7,692**	3,794
Tax effects of:		
Income not subject to tax	**(326)**	(1,174)
Expenses not deductible for tax purposes	**423**	565
Recognition of tax losses not previously recognised	**(1,259)**	–
Unrecognised tax losses	**–**	1,274
Withholding taxes	**40**	259
Other	**(673)**	(273)
Adjustment in respect of prior years	**275**	78
Tax charge	**6,172**	4,523

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

The applicable tax charge reflects the impact of the income tax subsidy of $0.9 million for the year ended 31 December 2023 (2022: $0.5 million).

7. Profit per share

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

	Years Ended 31 December	
	2023	2022
Profit for the year	**27,501**	10,758
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of year	**338,553**	341,743
Weighted average number of shares increased (decreased) during the year	**653**	(1,555)
Weighted average number of shares used in computing basic earnings per share	**339,206**	340,188
Adjustments for:		
Restricted share units	**1,783**	1,605
Performance stock units	**535**	393
Weighted average number of shares used in computing diluted earnings per share	**341,524**	342,186

8. Property, plant and equipment

	Theatre System Components	Office and Production Equipment	Right-of-use Assets	Leasehold Improvements	Construction in Process	Total
As at 1 January 2022						
Cost	166,913	3,042	2,844	1,918	3,480	178,197
Accumulated depreciation and impairment	(71,286)	(2,500)	(2,296)	(1,915)	–	(77,997)
Net book amount	95,627	542	548	3	3,480	100,200
Year ended 31 December 2022						
Opening net book amount	95,627	542	548	3	3,480	100,200
Exchange differences	(7,534)	(52)	(53)	(1)	(47)	(7,687)
Additions	–	58	2,090	28	6,054	8,230
Transfers	4,620	144	–	–	(4,764)	–
Disposals	(90)	–	–	–	–	(90)
Depreciation charge	(13,010)	(206)	(745)	(3)	–	(13,964)
Closing net book amount	79,613	486	1,840	27	4,723	86,689
As at 1 January 2023						
Cost	156,346	2,978	2,064	1,766	4,723	167,877
Accumulated depreciation and impairment	(76,733)	(2,492)	(224)	(1,739)	–	(81,188)
Net book amount	79,613	486	1,840	27	4,723	86,689
Year ended 31 December 2023						
Opening net book amount	79,613	486	1,840	27	4,723	86,689
Exchange differences	(387)	5	10	–	(34)	(406)
Additions	–	124	1,696	–	4,695	6,515
Transfers	3,422	–	–	–	(3,422)	–
Reclassification	(9)	9	–	–	–	–
Transfer out	(478)	–	–	–	–	(478)
Disposals	(447)	(3)	(1,033)	–	–	(1,483)
Depreciation charge	(13,206)	(197)	(752)	(16)	–	(14,171)
Impairment loss recognised	(144)	–	–	–	–	(144)
Impairment loss write-off	371	–	–	–	–	371
Closing net book amount	68,735	424	1,761	11	5,962	76,893
As at 31 December 2023						
Cost	155,652	2,971	2,716	1,733	5,962	169,034
Accumulated depreciation and impairment	(86,917)	(2,547)	(955)	(1,722)	–	(92,141)
Net book amount	68,735	424	1,761	11	5,962	76,893

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

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

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

9. Deferred income tax

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

Deferred tax assets	**Fixed assets, inventory and other property**	**Share-based compensation**	**Accrued reserves**	**Others**	**Total**
As at 1 January 2022	143	1,688	5,268	(200)	6,899
Credited (charged) to profit or loss	55	(658)	881	–	278
Exchange differences	(20)	(61)	(399)	–	(480)
As at 31 December 2022	178	969	5,750	(200)	6,697
Credited (charged) to profit or loss	74	(329)	(3,374)	1,322	(2,307)
Exchange differences	(3)	(45)	(17)	(1)	(66)
As at 31 December 2023	249	595	2,359	1,121	4,324

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

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

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

During the year ended 31 December 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Group's capital resources. Based on the results of this reassessment, management concluded that the historical earnings of one subsidiary in the PRC until the year ended 31 December 2019 were in excess of amounts required to sustain business operations and would no longer be indefinitely reinvested. As a result, the Group recognised a deferred tax liability related to dividend withholding tax on historical profits, which will become payable upon the repatriation of any such earnings. The Company does not plan to pay dividends from the unremitted earnings of the Group's subsidiary in the PRC with respect to the profit generated after 31 December 2019 thus no further deferred tax liability has been recorded.

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

	As at 31 December	
	2023	2022
Gross investment in finance leases may be analysed as follows:		
No later than one year	**7,663**	5,548
Later than one year and no later than five years	**10,975**	10,402
Later than five years	**9,136**	11,104
Total gross investment in finance leases	**27,774**	27,054
Gross financed sales receivables may be analysed as follows:		
No later than one year	**26,772**	25,316
Later than one year and no later than five years	**28,151**	31,341
Later than five years	**11,617**	12,508
Total financed sales receivables	**66,540**	69,165

	As at 31 December	
	2023	2022
Net investment in finance leases may be analysed as follows:		
No later than one year	**7,626**	5,508
Later than one year and no later than five years	**10,868**	10,276
Later than five years	**9,102**	11,047
Present value of investment in finance leases	**27,596**	26,831
Allowance for expected credit losses	**(47)**	(295)
Total net investment in finance leases	**27,549**	26,536
Net financed sales receivables may be analysed as follows:		
No later than one year	**24,102**	22,344
Later than one year and no later than five years	**22,146**	24,550
Later than five years	**10,119**	10,861
Present value of financed sales receivables	**56,367**	57,755
Allowance for expected credit losses	**(1,763)**	(3,112)
Total net financed sales receivables	**54,604**	54,643

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

11. Trade and other receivables

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

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

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

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

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

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

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

12. Deferred revenue

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

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

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

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

13. Trade and other payables

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

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

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

As at 31 December 2023 and 2022, the carrying amounts of trade and other payables approximated their fair values due to short maturity. Trade and other payables over 90 days primarily consist of amounts due to IMAX Corporation.

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

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

14. Dividends

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

As approved by the shareholders at the Annual General Meeting held on 7 June 2023, 2022 final dividend of $0.015 per share (equivalent to HK$0.117 per share) was distributed to shareholders on 23 June 2023. As approved by the shareholders at the Annual General Meeting held on 23 June 2022, 2021 final dividend of $0.027 per share (equivalent to HK$0.210 per share) was distributed to shareholders on 11 July 2022.

As approved by the Board, an interim dividend for the six months ended 30 June 2022, of $0.001 per share (equivalent to HK$0.008 per share), was distributed to shareholders on 26 August 2022.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

History and Introduction

The IMAX business commenced operations in Greater China in 1998, when IMAX Corporation started offering its theatre systems to museums and science centres. Over the years, the focus of the business moved from institutional to commercial theatres. As at 31 December 2023, there were 807 IMAX theatres in Greater China, including 791 in commercial locations, and additional 206 theatres in backlog. On 8 October 2015, the Company completed a Global Offering and the Company's Shares were listed on Hong Kong Stock Exchange.

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

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

Content Solutions

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

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

Prior to 2020, a majority of the Group's Content Solutions revenue was derived from Hollywood films. This was mainly due to the nature of the Hollywood films programmed by the Group; the big budget blockbusters that lend themselves to the IMAX experience. Since 2020, due to the pandemic, the Group saw Hollywood film release dates delayed in Greater China. The Group also witnessed certain Hollywood films not securing a release date in Mainland China in 2021 and 2022 under the quota system. In 2023, both the dates and number of Hollywood films released in Mainland China normalized after the lifting of pandemic restrictions. However, the majority of the Group's Content Solutions revenue had shifted to Chinese language films, with the percentage of Chinese language box office year over year amounting to 31.4%, 66.3%, 60.1%, 58.8% and 61.5% in FY2019, FY2020, FY2021, FY2022 and FY2023, respectively. While Hollywood films remain an important part of the Group's programming schedule, Chinese consumers' association of the IMAX brand and their experience with IMAX blockbusters has extended beyond Hollywood films and into Chinese language films. As local filmmakers start to develop their content into franchises, much like their Hollywood counterparts, the Group is actively working with local directors to create and deliver their cinematic work with the most amazing visual presentation by leveraging IMAX certified cameras and expanded aspect ratios. Films with such unique IMAX DNA are referred to as "*Filmed for IMAX*". The Group believes such Hollywood and Chinese language films help drive higher market share for IMAX. The Group remains strategically focused on Chinese language films given their importance in the market and the fact that the Group earns a higher take rate on such films. Chinese language films continue to improve with growing production budgets and clearly resonate with local audiences, especially in small to medium-size Chinese cities where the Group has seen significant IMAX theatre expansion. The Group continues to deploy a flexible programming strategy whereby multiple Chinese language films within the same release window are programmed to offer more flexibility to theatre operators. The Group delivered a record number of Chinese language films in FY2023. The Group's partnership with local filmmakers has driven a deeper penetration of IMAX technology in content production, and this strategic effort delivered the most ever "*Filmed for IMAX*" local language films in the Group's history in 2023. The Group will continue to focus on this strategy in 2024 and beyond.

Technology Products and Services

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

Under sales and sales-type lease arrangements, the Group charges upfront payments and annual minimum payments. In addition, contingent rent under sales arrangements is estimated for the term of the contract and recognized upon the completion of the system installation. Under revenue sharing arrangements, it is further categorized into two sub-types: i) full revenue sharing arrangements; ii) hybrid revenue sharing arrangements. Under full revenue sharing arrangements, the Group leases theatre systems to exhibitor partners in exchange for future revenue sharing based on certain percentage of the IMAX box office with no or limited upfront payment. Under hybrid revenue sharing arrangements, the Group leases theatre systems to exhibitor partners in exchange for future revenue sharing based on certain percentage of IMAX box office and charges a relatively small upfront payment for the system. The percentages of future revenue sharing are typically lower in hybrid revenue sharing arrangements as compared to full revenue sharing arrangements. The full revenue sharing arrangements enable our exhibitor partners to expand their IMAX theatre network more rapidly by reducing their upfront capital investment, while aligning our interests with their interests and allowing IMAX to share in the box office they generate. Both arrangements create a recurring revenue stream from the theatre business for the term of the agreement without IMAX having to incur the capital expenditures required to build and operate movie theatres. IMAX maintenance includes annual maintenance revenue derived from theatre operators with initial contract terms of 10 to 12 years and subsequent contract renewal terms of 5 to 10 years. Under other theatre, revenue is generated from aftermarket sales of 3D glasses, screen sheets, sound system, parts and other miscellaneous items.

IMAX Technology

IMAX theatre systems bring together IMAX DMR conversion technology, advanced projection systems, curved screens and proprietary auditorium geometry as well as specialised sound systems to create a more intense, immersive and exciting viewing experience than a conventional movie theatre. The IMAX theatre systems are the result of over 50 years of research and development by IMAX Corporation, our Controlling Shareholder. As the exclusive licensee of the IMAX brand and technology in Greater China, the Group has full access to the most advanced IMAX theatre systems built upon proprietary technology and produced by IMAX Corporation.

In 2014, IMAX Corporation introduced its first laser-based digital projection system and has continued research and development aimed at creating more affordable laser-based solutions with various screen sizes for our commercial multiplex customers. Starting in late 2021, the Group began offering new laser-based theatre systems to a broader array of customers to upgrade their existing IMAX Xenon theatre systems. The Group believes that the expanded IMAX laser offerings deliver enhanced resolution, sharper and brighter images, deeper contrast as well as the widest range of colors to filmmakers, which can help facilitate the next major lease renewal and upgrade cycle for the commercial IMAX network in Greater China.

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

Our Partnerships

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

Our Competitive Strengths

The Group believes that our success to date, and the potential for future growth, are attributable to the following competitive strengths:

- A strong premium entertainment brand in the Greater China market;

- Strong slate of big production, blockbuster Hollywood and Chinese language films that favor *The IMAX Experience*;

- Relationships with top filmmakers in Hollywood and Greater China, who embrace the IMAX technology and platform for the production and distribution of their films;

- An unparalleled theatre network in top locations throughout Greater China;

- Leading IMAX theatre system built upon laser-based technology, delivering a unique and immersive cinematic experience;

- Significant value creation across the film industry for exhibitors, studios, filmmakers and commercial real estate developers; and

- An experienced management team supported by prominent shareholders.

Our Business Strategies

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

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

- Strengthening the Group's cooperation with studios and filmmakers in Mainland China, including the incorporation of IMAX DNA within local films by using IMAX certified cameras and expanded aspect ratios as done previously with certain Hollywood films;

- Expanding the IMAX theatre network in Greater China through the rollout of IMAX laser technology by offering new laser-based systems to replace the existing IMAX Xenon systems;

- Increasing the number of strategic revenue sharing arrangements that deliver reasonable returns with the Group's exhibitor partners;

- Maintaining the Group's market leading position as a provider of a premium cinematic experience;

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

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

The Management Discussion and Analysis is based on the Group's consolidated financial statements for FY2023 prepared in accordance with IFRS, and must be read together with the consolidated financial statements and the notes, which form an integral part of the consolidated financial statements.

Impact of Pandemic

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

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

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

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Group believes that the financial condition and results of operations have been, and will continue to be affected by the following factors:

Box Office Success of IMAX Films

Film Slate

The Group's financial performance is affected by the number of films released to the IMAX network in Greater China (known as the "**slate**") and the box office performance of those films. The Group sources films produced by Hollywood and local studios and filmmakers and convert those films into the IMAX format using IMAX Digital Remastering (DMR) conversion technology developed by IMAX Corporation. In FY2022 and FY2023, 25 and 57 IMAX films, respectively, were released and generated revenue for the Group in Mainland China. The number of Hollywood films released in Mainland China in FY2023 was 22, as compared to 10 in FY2022. The Group believes the higher number of Hollywood film releases was due to the lifted pandemic controls and the relaxed importation in FY2023. IMAX Corporation has entered into contractual arrangements with filmmakers and studios in Hollywood to convert a number of films into the IMAX format for release in FY2024. While it is our intention that these films be released to the IMAX theatre network in Mainland China, given the restrictions imposed by film quotas for Hollywood films in Mainland China, the Group cannot be assured that these IMAX format Hollywood films will be made available in Mainland China.

Securing a slate of desirable Hollywood and Chinese language films in the IMAX format is critical to driving higher total box office and average box office per screen for IMAX theatres. The strength of the IMAX film slate is also pivotal for maintaining the ticket price premium commanded by IMAX theatres. The Group selects films which are best suited for local audiences for conversion into the IMAX format, and then works closely with the studios and filmmakers to enhance the viewing experience by leveraging the IMAX format including expanded aspect ratios and utilisation of IMAX certified cameras for image capture. As a result, the average box office per screen for IMAX theatres is significantly higher than conventional theatres in Mainland China. The average box office per screen of IMAX theatres was US$0.39 million in FY2023 compared to the average box office per screen of approximately US$0.10 million for all screens in Mainland China, according to Beacon. Higher average box office per screen for IMAX theatres makes them more attractive to exhibitors, which enables the Group to grow the IMAX theatre network and generate revenue from new installations.

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

Film Release Date and Film Mix

Censorship rules and film quotas restrict the number of Hollywood films that can be released in Mainland China each year. Accordingly, balancing the release dates for IMAX films as well as the mix of Chinese language films versus Hollywood films in Mainland China is a key success factor for our business. Historically, the regulatory bodies in Mainland China have supported gradual liberalisation of the film industry and introduced many government initiatives to foster the growth of the film industry, including a 2012 agreement with the United States to permit additional fourteen (14) 3D or IMAX films to be released in Mainland China each year beyond the previous annual quota of twenty (20) Hollywood films. However, the 2012 agreement with the United States expired in 2017 and will need to be renegotiated. The timing of any renegotiation has been delayed. The scope of the renegotiation may include the quota of Hollywood films to be released in Mainland China and Hollywood studios' take rate on these films. As it currently stands, there is ongoing uncertainty surrounding the renewal of the agreement.

Release dates for Hollywood films in Mainland China generally have been set with shorter lead times than in other markets. In addition, at certain times of the year, Chinese language films are released with less competition from Hollywood films. As a result, supplying IMAX theatres with Chinese language films in the IMAX format is important to ensure that there are IMAX films showing in IMAX theatres at all times, as well as to cater to local consumer demand for Chinese language films. Chinese language films have proven to deliver strong box office performance. According to Beacon, as of 31 December 2023, all top 10 box office films in Mainland China during the year were Chinese language films. In 2023, nine (9) Chinese language films, a part of the top 10 performing box office films for the industry, *Full River Red, The Wondering Earth 2, No More Bets, Lost in the Stars, Creation of the Gods I, Never Say Never, Chang'An, Under the Light, and Godspeed* were in the IMAX slate for 2023. The Group shares a higher percentage of box office for Chinese language films as compared to Hollywood films primarily due to Chinese studios retaining a much higher percentage of box office than Hollywood studios. Chinese language films make up a significant share of the total box office in Mainland China, accounting for 83.5% in FY2023 and 84.4% in FY2022, according to Beacon. Pre-pandemic, the percentage shares of box office were in the range of 60-65%. Chinese language films in the IMAX format as a percentage of the Group's box office in Mainland China was 61.5% for FY2023 and 58.8% for FY2022.

Expansion of the IMAX Theatre Network in Greater China

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

Network Expansion

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

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

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

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

Backlog

The Group's ability to expand the IMAX theatre network is driven by its ability to sign new theatre system agreements with exhibitor partners and replenish its backlog as theatre systems are installed. The installation of theatre systems in newly-built or retrofitted multiplexes depends primarily on the timing of the construction of these projects by exhibitors and/or commercial real estate developers, which is not under the Group's control. Revenue from the Group's backlog is recognised upon the completion of the installation of IMAX theatre systems. Continuously replenishing our backlog underpins the continued growth of the IMAX theatre network. The number of IMAX systems in the Group's backlog slightly increased from 204 as of 31 December 2022 to 206 as of 31 December 2023, but the carrying value of our backlog decreased from US$147.1 million as of 31 December 2022 to US$131.9 million as of 31 December 2023 primarily due to higher proportion of revenue sharing arrangements in the backlog for FY2023 than FY2022. For the number of systems in the backlog, approximately 29% is sales and sales-type lease arrangements, 27% is full revenue sharing arrangements, and 44% is hybrid revenue sharing arrangements.

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

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

Proportion of Revenue Sharing Arrangements

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

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

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

Impact on the Group's Profitability

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

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

Revenue sharing arrangements increased from 513 arrangements in FY2022 to 519 arrangements in FY2023. As the level of the Group's involvement and capital commitment is much greater with a revenue sharing arrangement, the Group can provide more input in the exhibitor's marketing campaigns for an IMAX film or an IMAX theatre launch. Going forward, the Group plans to continue to promote revenue sharing arrangements with exhibitors that can roll out their theatre network rapidly and have a portfolio of quality theatres with great box office potential or a proven track record of success with IMAX theatres. Notwithstanding the Group's interest in additional revenue sharing arrangements, the exhibitor partners may have other commercial considerations or may not choose revenue sharing arrangements over sales arrangements.

General Economic and Market Conditions and the Regulatory Environment in Mainland China

General political, social and economic conditions can affect the Group's business by reducing both the revenue generated from existing IMAX Systems and the demand for new IMAX Systems. The Greater China market faces a number of risks, including but not limited to, changes in laws and regulations, currency fluctuations, increased competition, and changes in economic conditions such as the risk of an economic downturn or recession, trade embargoes, restrictions or other barriers. Any or all of these risks, and adverse developments in any of these areas could impact the Group's future revenues and cash flows and could cause the Group to fail to achieve anticipated growth. For example, in addition to the importation of Hollywood films discussed above, the Group also imports IMAX theatre systems from Canada, which may be impacted by tariffs or trade embargoes.

Continued growth in the Group's business depends on urbanisation and rising standards of living in Mainland China, which drives the demand for premium entertainment. The Group's success depends in part on general political, social and economic conditions and the willingness of consumers to purchase tickets to experience IMAX movies. If movie-going becomes less popular in Greater China, the Group's business could be adversely affected. In addition, the Group's operations could be adversely affected if consumers' discretionary income falls as a result of an economic downturn or recession arising from geopolitical tensions, sustained increase in inflation and interest rates, supply chain disruptions, public health epidemics or otherwise. Such adverse impact on consumer's discretionary income could result in a shift in consumer demand away from movie-going. The box office results of the Group's exhibitor partners directly drive revenue from Content Solutions and Technology Products and Services via revenue sharing arrangements, and indirectly promote new system signings and installations. Accordingly, a decline in attendance within the IMAX theatre network could materially and adversely affect several key revenue streams for the Group.

The Group also depends on the sale and lease of IMAX Systems to theatre exhibitors to generate revenue. Theatre exhibitors generate revenue from consumer attendance at their theatres, which depends on the willingness of consumers to spend discretionary income on movie-going. In the event of declining box office and concession revenues, theatre exhibitors may be less willing to invest capital in installing new IMAX Systems, thereby negatively impacting the Group's ability to grow its theatre network.

Finally, sustained inflationary pressures observed globally, as well as supply chain disruptions resulting from the pandemic, Israel-Palestine war, Ukraine-Russia war, and military conflicts at the Red Sea, could materially increase the cost of the Group's goods, services and personnel, which could cause an increase in the operating costs of the Group.

Our Ability to Maintain Pricing and Profit Margins

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

Seasonality Effects

The Group's business is seasonal which skews the profitability of its Technology Products and Services towards the second half of the year. Most of the exhibitors choose to install IMAX theatre systems towards year-end in preparation for the Chinese New Year holiday period when major Chinese language films are due to be released. As a result, the Group typically records higher levels of revenue and profit under Technology Products and Services during the second half of the year.

Currency Fluctuations

The Group generates a majority of its revenues in local currency RMB. However, the Group purchases IMAX theatre equipment and films from IMAX Corporation in U.S. dollars or in RMB based on the U.S. dollar exchange rate. Any significant increase in the value of the U.S. dollar against the RMB will increase the Group's costs and negatively affect its profitability. The Group has not entered, and currently does not intend to enter into any forward contracts to hedge its exposures to exchange rate fluctuations.

In addition, fluctuations in the exchange rates between the U.S. dollar and other currencies, primarily the RMB, affect the translation into U.S. dollars when the Group prepares its financial statements. Foreign currency transactions are translated into the U.S. dollar using the exchange rates prevailing at the annual average rate for its Statement of Comprehensive Income/(Loss) and the closing rate for its Statement of Financial Position. Foreign currency gains and losses are recorded in the Consolidated Statement of Comprehensive Income/(Loss) of the Group.

DESCRIPTION OF SELECTED LINE ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

Revenue

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

Content Solutions

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

Technology Products and Services

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

- Sales and sales-type lease arrangements consist of the design, manufacture and installation of IMAX theatre system for upfront payments and ongoing fees, which may include stipulated minimum payment per annum and contingent rent in excess of minimum payment. The upfront payments vary depending on the system configuration and the location of the theatre. Upfront payments for installation are paid according to the contractual terms. In addition, the present value of future minimum payments and contingent rent on sales arrangement is recognized as revenue upon the completion of installation and exhibitor acceptance of the IMAX theatre system;

- Revenue sharing arrangements are categorized into two sub-types: 1) full revenue sharing arrangements; 2) hybrid revenue sharing arrangements. Under full revenue sharing arrangements, the Group leases IMAX theatre systems to its exhibitor partners and provides related maintenance and technical support services in exchange for future revenue sharing based on certain percentages of the IMAX box office from the IMAX theatre. Under full revenue sharing arrangements, the Group receives no or limited upfront payments for the system installation. Contingent rent based on a percentage of IMAX box office is recognized as revenue when reported by theatre exhibitors. Under hybrid revenue sharing arrangements, the Group receives a reduced upfront payment for the system installation. Contingent rent based on a percentage of IMAX box office is recognized as revenue when reported by theatre exhibitors;

- IMAX Maintenance generates revenue from the provision of ongoing maintenance, warranty, and technical support services. The revenue recognized primarily comprises annual maintenance fee due to the Group by theatre exhibitors under all sales and sales-type lease arrangements and revenue sharing arrangements; and

- Other theatre revenue derived from theatre operators for aftermarket sales of 3D glasses, screen sheets, parts and other items that fall into this category.

All Other

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

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

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

Cost of Sales

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

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

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

Gross Profit and Gross Profit Margin

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

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

Selling, General and Administrative Expenses

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

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

Other Operating Expenses

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

Provisions of Net Impairment Losses on Financial Assets

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

Other Income

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

Other Gains/(Losses) – Net

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

Interest Income

Interest income represents interest earned on various term deposits. None of the deposits had a term of longer than 90 days. The Group's interest income for FY2023 and FY2022 was US$1.9 million and US$1.0 million, respectively.

Income Tax Expenses

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

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

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Consolidated Statement of Comprehensive Income

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

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

Adjusted Profit

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

Adjusted profit excludes shared-based compensation, as well as the related tax impact of the adjustments.

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

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

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

FY2023 COMPARED WITH FY2022

Revenue

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

Content Solutions

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

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

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

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

Technology Products and Services

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

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

Commercial	**As at 31 December**		
	2023	2022	**Growth (%)**
Mainland China[1]	**774**	762	1.6%
Hong Kong	**5**	5	–
Taiwan	**11**	10	10.0%
Macau	**1**	1	–
	791	778	1.7%
Institutional[2]	**16**	16	–
Total	**807**	794	1.6%

Notes:

(1) Fourteen (14) theatres in Mainland China were closed in FY2023, one of which was relocated to another site.

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

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

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

Notes:

(1) Includes 2 relocations (1 sales and sales-type lease and 1 revenue sharing) in FY2023.

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

Sales and Sales-Type Lease Arrangements

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

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

Revenue Sharing Arrangements

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

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

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

IMAX Maintenance

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

All Other

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

Cost of Sales

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

Content Solutions

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

Technology Products and Services

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

Sales and Sales-Type Lease Arrangements

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

Revenue Sharing Arrangements

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

IMAX Maintenance

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

All Other

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

Gross Profit and Gross Profit Margin

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

Content Solutions

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

Technology Products and Services

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

Sales and Sales-Type Lease Arrangements

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

Revenue Sharing Arrangements

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

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

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

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

IMAX Maintenance

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

All Other

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

Selling, General and Administrative Expenses

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

Other Operating Expenses

Other operating expenses slightly decreased 2.5% from US$4.0 million in FY2022 to US$3.9 million in FY2023, primarily due to a decrease in annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements.

Provisions of Net Impairment Losses on Financial Assets

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

Other Income

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

Other Gains/(Losses) – Net

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

Interest Income

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

Interest Expense

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

Income Tax Expense

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

Profit for the Year

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

Other Comprehensive Income (Loss) for the Year

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

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

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

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

Adjusted Profit

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

CAPITAL MANAGEMENT

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

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

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

CASH FLOW ANALYSIS

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

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

Cash Provided by Operating Activities

FY2023

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

FY2022

The Group's net cash provided by operations was approximately US$1.2 million in FY2022. Profit before income tax was US$15.3 million for FY2022, and positive adjustments for depreciation of property, plant and equipment of US$14.0 million, net fair value losses on financial assets at FVTPL of US$4.5 million, amortisation of film assets of US$2.5 million, equity settled and other non-cash compensation of US$2.1 million, allowance of expected credit loss of US$1.3 million, reduced by changes in working capital of US$29.7 million, and taxes paid of US$9.3 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US$16.0 million; (ii) an increase in financing receivables of US$7.4 million; (iii) a decrease in deferred revenue of US$5.5 million; (iv) an increase in film assets of US$2.5 million; and (v) an increase in other assets of US$1.9 million; partially offset by: (i) an increase in trade and other payables of US$2.5 million; and (ii) an increase in accruals and other liabilities of US$0.7 million.

Cash Used in Investing Activities

FY2023

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

FY2022

The Group's net cash used in investing activities was approximately US$13.7 million for FY2022, related to investments in IMAX theatre equipment amounting to US$9.0 million installed in our exhibitor partners' theatres under full revenue sharing arrangements, and investment in film of US$4.7 million.

Cash Used in Financing Activities

FY2023

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

FY2022

The Group's net cash used in financing activities was approximately US$5.8 million for FY2022 primarily due to: (i) dividend paid to owners of the Company amounting to US$9.5 million; (ii) repayment of borrowings of US$3.6 million; (iii) payments for shares buy back of US$3.0 million; (iv) settlement of restricted share units and options of US$1.6 million; and (v) principal element of lease payments of US$0.8 million; partially offset by proceeds from borrowings of US$12.8 million.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Lease Commitments

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

Capital Commitments

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

CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

Capital Expenditures

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

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

Contingent Liabilities

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

As of 31 December 2023, the Group had drawn down RMB nil on the bank borrowing facility with Bank of China Limited, and RMB0.2 million (approximately less than US$0.1 million) on the letter of guarantee facility. The Group had drawn down RMB nil on the bank borrowing facility with HSBC Bank (China) Company Limited. Except as disclosed above or as otherwise disclosed herein, as of 31 December 2023, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. The Directors confirm that there has been no material change in our commitments and contingent liabilities since 31 December 2023.

WORKING CAPITAL

The Group finances its working capital needs primarily through cash flow from operating activities and working capital loans. Cash flow generated from operating activities was US$1.2 million in FY2022, significantly impacted by the pandemic-related theatre closures in major cities across China as compared to the cash flow generated from operating activities of US$12.5 million in FY2023. As the IMAX theatre network recovers from the pandemic-related theatre closures and continues to grow, the Group believes the cash flow from operating activities will continue to increase and fund existing business operations and any initial capital expenditures required under revenue sharing arrangements.

The Group has an unsecured revolving facility with Bank of China Limited for up to RMB200.0 million (approximately US$29.8 million) to fund ongoing working capital requirements. The total amounts drawn and available under the working capital loan as of 31 December 2023 were RMB nil and RMB190.0 million for bank borrowing facility, and RMB0.2 million and RMB9.8 million for letter of guarantee facility, respectively.

The Group has an unsecured revolving facility with HSBC Bank (China) Company Limited, Shanghai Branch for up to RMB200.0 million (approximately US$29.8 million) to fund ongoing working capital requirement. The total amounts drawn and available under the working capital loan at 31 December 2023 were RMB nil and RMB200.0 million, respectively.

STATEMENT OF INDEBTEDNESS

As of 31 December, 2023:

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

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

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

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

RECENT DEVELOPMENTS

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

OFF BALANCE SHEET ARRANGEMENTS

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

KEY FINANCIAL RATIOS

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

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

Notes:

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

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

Gearing Ratio

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

Adjusted Profit Margin

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

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Pursuant to the Company's dividend policy in effect, in recommending or declaring dividends, the Company should maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder's value. The proposal of payment and the amount of the dividends will ultimately be made at the discretion of the Board and will depend on the general business conditions and strategies, cash flow situation, financial results, capital requirements and expenditure plans, the interests of the Shareholders, statutory and regulatory restrictions as well as other factors that the Board may consider relevant.

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

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

As of 31 December 2023, the Company had a total equity of US$42.3 million. Under the Companies Law of the Cayman Islands, subject to the provisions of memorandum of association of the Company or the articles of association (the "**Articles of Association**"), the Company's share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

DIVIDEND

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

MATERIAL ACQUISITIONS OR DISPOSALS

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

SIGNIFICANT INVESTMENTS AND DIVESTMENTS

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

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

IMAX (Shanghai) Culture & Technology Co., Ltd. ("**IMAX Shanghai Culture**") was set up on 16 December 2021, which is 100% invested by IMAX (Shanghai) Multimedia Technology Co., LTD ("**IMAX Shanghai Multimedia**"). IMAX Shanghai Multimedia is a wholly-owned subsidiary of the Company. On 25 July 2022, the Company, IMAX Shanghai Culture and IMAX Corporation entered into an Enhanced Business Required IMAX China Contribution Agreement pursuant to which the Company agreed to acquire and have the exclusive right to, directly or through any member of the Group, develop and exploit the Enhanced Business in Greater China ("**Enhanced Business**"). IMAX Shanghai Culture has started the liquidation process in the second half of FY2023 based on the business strategic decision. Enhanced Business was taken over by IMAX Shanghai Multimedia from IMAX Shanghai Culture in the second half of FY2023.

Except for the liquidation of TCL-IMAX Entertainment and IMAX Shanghai Culture, there was no plan authorized by the Board for any material investments or divestments at the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the year ended 31 December 2023, the Company conducted share repurchases of 16,800 listed Shares on the Stock Exchange pursuant to a general mandate granted by the Shareholders to the Directors during the Annual General Meeting. The following table outlines details of the shares repurchased on a monthly basis.

Month	Number of shares repurchased	Highest price per share *HK$*	Lowest price paid per share *HK$*	Average price paid per share *HK$*	Aggregate price paid *HK$*
December 2023	16,800	7.12	7.08	7.113	119,498.40
Total	16,800				119,498.40

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

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 2023 (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 7 June 2023 due to other important business commitments. Mr. Gelfond appointed Mr. Jiande Chen, an Executive Director and the Vice Chairman of the Company, to be his delegate as the Chair of the Board and as the Chair of the Nomination Committee to attend, chair and answer questions at the Annual General Meeting. Saved as disclosed above, during the 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. Janet Yang, 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 2023.

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 2023 in March 2024 on the Company's and the Stock Exchange's websites and such annual report will contain all the information required by Appendix D2 of the Listing Rules.

LITIGATION

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

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2023.

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 71.55% of the issued share capital of the Company.

On 27 February 2024 (New York time), IMAX Corporation made an announcement regarding its financial results for the fourth quarter and full year ended 31 December 2023 (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/ixviewer/ix.html?doc=/Archives/edgar/data/0000921582/000095017024021210/imax-20240227.htm. Unless otherwise provided therein, all dollar amounts in the Earnings Release and Earnings Call are denominated in United States dollars.

On 27 February 2024 (New York time), IMAX Corporation filed its audited Annual Report on the Form 10-K for the year ended 31 December 2023 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. If you wish to review the Annual Report prepared by IMAX Corporation and as filed with the SEC, please visit: https://www.sec.gov/ixviewer/ix.html?doc=/Archives/edgar/data/0000921582/000095017024021327/imax-20231231.htm. Unless otherwise provided therein, all dollar amounts in the Annual Report are denominated in United States dollars.

The financial information disclosed in the Earnings Release, Earnings Call and the financial results contained in the Annual Report have been prepared in accordance with the Generally Accepted Accounting Principles of the United States, which are different from the International Financial Reporting Standards, which is the standard 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

IMAX CORPORATION
December 31, 2023

PART I

Item 1. ***Business***

IMAX Corporation, together with its consolidated subsidiaries (the "**Company**" or "**IMAX**") 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, 2023, the Company indirectly owns 71.55% 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.

IMAX NETWORK

The IMAX network is the most extensive premium network in the world with 1,772 IMAX Systems operating in 90 countries and territories, including 1,693 commercial multiplexes, 12 commercial destinations and 67 institutional locations as of December 31, 2023. The Company currently estimates a worldwide commercial multiplex addressable market of 3,619 locations, of which there are 1,693 IMAX Systems operating as of December 31, 2023, representing a market penetration of only 46.8%.

IMAX grew its network by 3.7% in 2023 driven by 128 system installations and ended the year with a backlog of 450 IMAX Systems. The Company believes that the majority of its future network growth will come from international markets outside of China. As of December 31, 2023, 76% of IMAX Systems in the global commercial multiplex network were located within international markets (defined as all countries other than the United States and Canada). Revenues and GBO derived from international markets continue to exceed revenues and GBO from the United States and Canada.

For the year ended December 31, 2023, the Company's revenue generated from its Greater China (which includes the mainland of the People's Republic of China, Hong Kong, Macau, and Taiwan) operations represents 25% of consolidated revenue, compared to 24% in 2022 and 44% in 2021. Restrictions resulting from the COVID-19 pandemic significantly impacted operations in China in 2022 and 2023. As of December 31, 2023, the Company had 807 IMAX Systems operating in Greater China with an additional 206 systems in backlog. The Company's backlog in Greater China represents 46% of its total current backlog, including system upgrades. The Company has a partnership in China with Wanda Film ("**Wanda**") and as of December 31, 2023, through the Company's partnership with Wanda, there were 376 IMAX Systems operational in Greater China, of which 362 are under the parties' joint revenue sharing arrangements. In December 2023, Beijing Wanda Investment, which owns a 20% stake in Wanda Film Holding, was sold to China Ruyi Holdings, a Tencent Holdings-backed company.

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

IMAX FILM REMASTERING

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 screen. In select IMAX locations worldwide, movies filmed with IMAX cameras have an IMAX-exclusive 1.43 film aspect ratio, with up to 67% more image. The Company has a Filmed For IMAX® program under which filmmakers craft films from their inception in various ways in order to optimize *The IMAX Experience*. The program includes incremental and bespoke marketing support, which box office metrics demonstrate audiences respond extremely favorably to, and drives higher market share for IMAX.

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 is focused on the expansion of the IMAX network and has sought to bolster its international film strategy, supplementing its slate of Hollywood films with appealing local language films released in select markets, including China, Japan, India, and South Korea.

The following table provides detailed information about the films that were released to the Company's global network during the years ended December 31, 2023 and 2022:

	For the Years Ended December 31,	
	2023	2022
Hollywood film releases(1)	**36**	32
Local language film releases:		
China	**28**	15
Japan	**11**	8
South Korea	**9**	5
India	**8**	6
France	**1**	1
Malaysia	**1**	–
Thailand	**1**	–
Indonesia	**–**	1
Total local language film releases	**59**	36
Total film releases(2)(3)	**95**	68

(1) Includes one re-released film for the year ended December 31, 2023 (2022 – five).

(2) For the year ended December 31, 2023, the films released to the Company's global network include 10 with IMAX DNA (2022 – 12).

(3) Excludes three Alternative Content Experiences in 2023 (2022 – seven).

To date, in 2024, 18 titles have been released to the global IMAX network, including three re-releases, and the Company has announced the following additional 24 titles to be released in 2024:

Title	Studio	Scheduled Release Date[1]	IMAX DNA
Dune: Part II	Warner Bros. Pictures/ Legendary Pictures	March 2024	Filmed For IMAX
Kung Fu Panda 4	Universal Pictures	March 2024	–
Ghostbusters: Frozen Empire	Sony Pictures	March 2024	–
Godzilla x Kong: The New Empire	Warner Bros. Pictures/ Legendary Pictures	April 2024	Filmed For IMAX
Civil War	A24	April 2024	–
Spy x Family Code:White	Sony Pictures/Crunchyroll	April 2024	–
The Fall Guy	Universal Pictures	May 2024	–
Kingdom of The Planet of The Apes	Walt Disney Studios	May 2024	–
Furiosa	Warner Bros. Pictures	May 2024	–
Bad Boys 4	Sony Pictures	June 2024	–
Inside Out 2	Walt Disney Studios/ Pixar Animation Studios	June 2024	–
A Quiet Place: Day One	Paramount Pictures	June 2024	–
Despicable Me 4	Universal Pictures	July 2024	–
Twisters	Universal Pictures/ Warner Bros. Pictures	July 2024	–
Deadpool & Wolverine	Marvel Studios/ Walt Disney Studios	July 2024	–
Alien: Romulus	Walt Disney Studios	August 2024	–
Kraven the Hunter	Sony Pictures/ Marvel Studios	August 2024	–
Beetlejuice 2	Warner Bros. Pictures	September 2024	–
Transformers One	Paramount Pictures	September 2024	–
Wolfs	Sony Pictures/Apple	September 2024	–
Joker: Folie à Deux	Warner Bros. Pictures/ DC Studios	October 2024	Filmed For IMAX
Venom 3	Sony Pictures	November 2024	Filmed For IMAX
Untitled Gladiator Sequel	Paramount Pictures	November 2024	–
Wicked – Part 1	Universal Pictures	November 2024	–

(1) The scheduled release dates in the table above are subject to change, may vary by territory, and may not reflect the date(s) of limited premiere events.

The Company remains in active negotiations with studios for additional films to fill out its short – and long-term film slate for the IMAX network. The Company also expects to announce additional local language films and exclusive IMAX events and experiences to be released to its global network throughout 2024.

FILM DISTRIBUTION AND POST-PRODUCTION

In May 2023, the Company announced that Amazon Studios acquired worldwide rights to the Company's original documentary, *The Blue Angels*, filmed with IMAX digital certified cameras and produced in collaboration with Dolphin Entertainment, Bad Robot Productions, and Zipper Bros Films. The documentary is expected to be delivered in the second quarter of 2024. In October 2023, *Deep Sky*, a documentary on NASA's Webb Telescope in collaboration with Crazy Boat Pictures Ltd. and filmmaker Nathaniel Kahn, was released to the IMAX network. In July 2023, the Company also announced the start of production of *The Elephant Odyssey*, a documentary in collaboration with Beach House Pictures Pte Ltd and China International Communications Group, which is expected to be released in 2025.

MARKETING AND CUSTOMERS

The Company markets IMAX 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 system locations for the Company on a commission basis.

IMAX currently estimates a worldwide commercial multiplex addressable market of 3,619 locations, of which there are 1,693 IMAX Systems operating as of December 31, 2023, representing a market penetration of only 46.8%. Commercial multiplex systems are the largest part of the IMAX network, comprising 1,693 IMAX Systems, or 96%, of the 1,772 IMAX Systems in the IMAX network as of December 31, 2023. The Company's institutional customers include science and natural history museums, zoos, aquaria, and other educational and cultural centers. The Company also sells or leases IMAX Systems to commercial destinations such as theme parks, private home theaters, tourist destination sites, fairs, and expositions. As of December 31, 2023, approximately 75% of all open and operational IMAX Systems were in locations outside of the United States and Canada.

The following table provides detailed information about the IMAX network by system type and geographic location as of December 31, 2023 and 2022:

	December 31, 2023				December 31, 2022			
	Commercial Multiplex	**Commercial Destination**	**Institutional**	**Total**	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	**363**	**4**	**24**	**391**	364	4	25	393
Canada	**42**	**1**	**7**	**50**	40	1	7	48
Greater China(1)	**791**	**–**	**16**	**807**	778	–	16	794
Asia (excluding Greater China)	**166**	**2**	**2**	**170**	138	2	2	142
Western Europe	**126**	**4**	**8**	**138**	118	4	8	130
Latin America(2)	**60**	**1**	**8**	**69**	55	1	11	67
Rest of the World	**145**	**–**	**2**	**147**	140	–	2	142
Total(3)	**1,693**	**12**	**67**	**1,772**	1,633	12	71	1,716

(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 locations.

The Company has a partnership in China with Wanda which is its largest exhibitor customer. As of December 31, 2023, Wanda represented 22% of the Company's commercial network, 4% of the Company's backlog and 10% of its revenues. As of December 31, 2022, Wanda represented 23% of the Company's commercial network, 4% of the Company's backlog and 7% of its revenue. A geographic breakdown of the Company's revenue is provided in Note 21 to Consolidated Financial Statements in Part II, Item 8.

Item 1A. *Risk Factors*

Before you make an investment decision with respect to the Company's common shares, 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 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 currently 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

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

The Company's success depends in part on general political, social and economic conditions and the willingness of consumers to purchase tickets to the IMAX auditoriums. If movie-going becomes less popular globally, the Company's business could be adversely affected, especially if such a decline occurs in Greater China. There remains uncertainty around whether and when movie-going will return to pre-COVID levels in various markets and there can be no assurance that the reduction in movie-going does not represent a permanent change in consumer behavior. 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 in various markets. 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 or recession, sustained inflationary conditions, high interest rates, supply chain issues, or otherwise. Such adverse impact on consumer's discretionary income could result in a shift in consumer demand away from movie-going. The majority of the Company's revenue is directly derived from the box office results of its exhibitor partners. Accordingly, a decline in attendance at commercial IMAX locations could materially and adversely affect several sources of key revenue streams for the Company. Sustained inflationary pressures observed globally could materially increase the cost of our goods, services and personnel, which could cause an increase in the Company's operating costs.

The Company also depends on the sale, lease and installation of IMAX Systems to commercial theatrical exhibitors to generate revenue. Commercial theatrical 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 IMAX Systems. In addition, a significant portion of systems in the Company's backlog are expected to be installed in newly built multiplexes. An economic downturn, recession, significant increases in interest rates or other adverse economic developments could impact developers' ability to secure financing on acceptable terms and complete the buildout of these locations, thereby negatively impacting the Company's ability to install IMAX Systems, grow its theater network and collects its contractual revenue.

The success of the IMAX network is directly related to the availability and success of the IMAX remastered films, and other films released to the IMAX network, as well as the continued purchase or lease of IMAX Systems and other support by theatrical 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 locations 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 2023, 95 new IMAX films were released to the Company's global 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 Systems. The commercial success of films released to IMAX locations depends on a number of factors outside of the Company's control, including whether the film receives critical and consumer acclaim, the timing of its release, the success of the marketing efforts of the studio releasing the film, consumer preferences and trends in cinema attendance. Moreover, films can be subject to delays in production or changes in release schedule, which can negatively impact the number, timing and quality of IMAX films released to the Company's global network. For example, the Writers Guild of America and the Screen Actors Guild – American Federation of Television and Radio Artists went on strike in May and July 2023, respectively, over labor disputes with the Alliance Motion Picture and Television Producers. Although these strikes ended in late 2023, they have and may result in further changes in film productions, release, and promotion schedules and plans, which may adversely impact the Company's revenues and results of operations.

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 the IMAX network. 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 theatrical exhibitors to purchase or lease IMAX Systems, to supply box office revenue under joint revenue sharing arrangements and under its sale and sales-type lease agreements and to supply venues in which to exhibit IMAX films. The Company is unable to predict the pace at which exhibitors will purchase or lease IMAX 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 presence or expansion, negotiate economic terms that are less favorable to the Company, 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 locations. 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 64%, 62%, and 70% of the Company's revenues were derived outside of the United States and Canada in 2023, 2022 and 2021, respectively. As of December 31, 2023, approximately 78% of IMAX Systems in backlog are scheduled to be installed in international markets. The Company's network spanned 90 different countries as of December 31, 2023, 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 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 network 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 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;

- economic conditions in foreign markets, including inflation;

- public health concerns, including pandemics or epidemics, and regulations in response thereto, which could adversely affect the Company's and its customers' operations;

- 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.

Additionally, global geopolitical tensions, such as the Russia and Ukraine and Israel-Hamas Wars, and actions that governments take in response may adversely impact the Company's ability to operate in such regions and/or result in global or regional economic downturns. For example, in response to the ongoing conflict between Russia and Ukraine, Canada, the United States, and other countries in which the Company operates have imposed broad sanctions and other restrictive actions against governmental and other entities in Russia and Belarus, which in turn have and may continue to have an adverse impact on the Company's business and results of operations in affected regions. In addition, in the wake of the Russia-Ukraine conflict and resulting sanctions, major movie studios suspended the theatrical release of films in Russia and Belarus and financial institutions halted transactions with Russian entities. The Company has notified its exhibitor clients in Russia and Belarus that such sanctions and actions constitute a force majeure event under their system agreements, resulting in the suspension of the Company's obligations thereunder. Given the uncertainty as to the scope, intensity, duration and outcome of geopolitical conflicts, it is difficult to predict the full extent of the adverse impact of geopolitical conflicts on the Company's business and results of operations. Additionally, given the global nature of the Company's operations, any protracted conflict or the broader macroeconomic impact of geopolitical conflicts and sanctions imposed in response thereto, could have an adverse impact on the Company's business, results of operations, financial condition, and future performance (the Company has 20 systems in its backlog from Russia, the CIS and Ukraine, and none from Israel) and may also magnify the impact of other risks described herein, including the risk of cybersecurity attacks, which may impact information technology systems unrelated to the conflict, or jeopardize critical infrastructure in jurisdictions where the Company operates.

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 IMAX systems 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 25% of overall revenues generated from its Greater China operations in 2023. As of December 31, 2023, the Company had 807 IMAX Systems operating in Greater China with an additional 206 systems in backlog, which represent 46% of the Company's current backlog. Of the IMAX Systems currently scheduled to be installed in Greater China, 71% 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 a continued slow recovery from the COVID-19 pandemic, 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 United States-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 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, 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 Company's business 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 2021 and 2022, including several films released in IMAX format in other markets. While significantly more Hollywood films were given release dates in China in 2023, several of the prominent Hollywood sequels or franchise films released into China in 2023 underperformed their predecessors in that market. 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, number or performance 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 90 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. Since 2016, the commercial exhibition industry has undergone significant consolidation, including AMC's acquisition of Carmike Cinemas and Odeon, which includes Nordic and Cineworld's acquisition of Regal. Exhibitor concentration has resulted in certain exhibitor chains constituting a material portion of the Company's network and revenue. For instance, Wanda is the Company's largest exhibitor customer, representing approximately 10% of the Company's total revenues in 2023. As of December 31, 2023, through the Company's partnership with Wanda, there were 376 IMAX Systems operational in Greater China and Wanda represented approximately 21% 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 IMAX Systems in backlog with Wanda are opened. No assurance can be given that significant customers such as Wanda will continue to purchase IMAX 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 Film Remastering 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 Systems and digital and film technology, video quality assessment and image enhancement. 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 the future growth of the Company is anticipated to come from foreign jurisdictions. The Company may develop proprietary technology or knowledge, including AI-generated works, that are not entitled to intellectual property protection. 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, laser illumination technology, and other inventions relating to imaging technology and video quality assessment. 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 expire between 2024 and 2041. 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, 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, 2023, the Company's backlog included 450 IMAX Systems, consisting of 164 IMAX Systems under sales or lease arrangements and 286 IMAX Systems under joint revenue sharing arrangements. The Company lists signed contracts for IMAX 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 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 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 Systems that are included in the Company's backlog. An economic or industry downturn may exacerbate the risk of customers not accepting delivery of IMAX Systems. Any reduction in backlog could adversely affect the Company's future revenues and cash flows. In addition, customers with 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 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 2022, IMAX China's shareholders granted its Board of Directors (the "**IMAX China Board**") a general mandate authorizing the IMAX China Board, subject to applicable laws, to repurchase shares of IMAX China not to exceed 10% of the total number of issued shares as of June 23, 2022 (34,063,480 shares). This program expired on the date of the 2023 Annual General Meeting of IMAX China on June 7, 2023. During the 2023 Annual General Meeting, shareholders approved the repurchase of shares of IMAX China not to exceed 10% of the total number of shares as of June 7, 2023 (33,959,314 shares). This program will be valid until the 2024 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, 2023, IMAX China repurchased 16,800 common shares at an average price of HKD7.11 per share ($0.91 per share) for a total of HKD0.1 million or less than $0.1 million.

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

SOURCES OF REVENUE

The Company has organized its operating segments into the following two reportable segments: (i) Content Solutions, which principally includes content enhancement and distribution services, and (ii) Technology Products and Services, which principally includes the sale, lease, and maintenance of IMAX Systems. The Company's activities that do not meet the criteria to be considered a reportable segment are disclosed within All Other. Additional information is provided in Note 21 to the Consolidated Financial Statements in Part II, Item 8.

Content Solutions

The Content Solutions segment earns revenue principally from the digital remastering of films and other content into IMAX formats for distribution across the IMAX network. To a lesser extent, the Content Solutions segment also earns revenue from the distribution of large-format documentary films and IMAX events and experiences including music, gaming, and sports, as well as the provision of film post-production services.

Film Remastering and Distribution

IMAX Film Remastering is a proprietary technology that digitally remasters films and other content into IMAX formats for distribution across the IMAX network. In a typical film remastering and distribution arrangement, the Company receives a percentage of the box office receipts from a movie studio in exchange for converting a commercial film into the IMAX format and distributing it across the IMAX network. The fee earned by the Company in a typical film remastering and distribution arrangement averages approximately 12.5% of box office receipts (i.e., GBO 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 due to an import tax.

IMAX Film Remastering 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 across the IMAX network is remastered for IMAX digital sound systems. IMAX remastered soundtracks are uncompressed for full fidelity. IMAX sound systems use proprietary loudspeaker systems and proprietary surround sound configurations that ensure every seat in an auditorium is 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 locations worldwide, movies filmed with IMAX cameras have an IMAX-exclusive 1.43 film aspect ratio, delivering up to 67% more image. The Company has a Filmed For IMAX® program for select films under which filmmakers craft films from their inception in numerous ways to optimize *The IMAX Experience*. The program includes incremental and bespoke marketing support, which box office metrics demonstrate audiences respond extremely favorably to, and drives higher market share for IMAX.

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 is focused on the expansion of the IMAX network and has sought to elevate its international film strategy, supplementing its slate of Hollywood films with appealing local language films released in select markets, including China, Japan, India, France and South Korea. More recently, the Company has further diversified its strategy by distributing local language films in both native and foreign markets.

The following table provides detailed information about the films that were released to the Company's global network during the years ended December 31, 2023 and 2022:

	For the Years Ended December 31,	
	2023	2022
Hollywood film releases[1]	**36**	32
Local language film releases:		
China	**28**	15
Japan	**11**	8
South Korea	**9**	5
India	**8**	6
France	**1**	1
Malaysia	**1**	–
Thailand	**1**	–
Indonesia	**–**	1
Total local language film releases	**59**	36
Total film releases[2][3]	**95**	68

(1) Includes one re-released film for the year ended December 31, 2023 (2022 – five).

(2) For the year ended December 31, 2023, the films released to the Company's global network include eight with IMAX DNA (2022 – 12).

(3) Excludes three Alternative Content Experiences in 2023 (2022 – seven).

The films distributed through the Company's global network during the year ended December 31, 2023 include *Oppenheimer, The Super Mario Bros. Movie, The Wandering Earth 2, Guardians of the Galaxy Vol.3, Mission: Impossible – Dead Reckoning Part One, Ant-Man and the Wasp: Quantumania, Fast X, Creation of the Gods I: Kingdom of Storms, Spider-Man: Across the Spider-Verse, and Aquaman and the Lost Kingdom.*

To date, in 2024, 18 titles have been released to the global IMAX network, including three re-releases, and the Company has announced the following additional 24 titles to be released in 2024:

Title	**Studio**	**Scheduled Release Date**[(1)]	**IMAX DNA**
Dune: Part II	Warner Bros. Pictures/ Legendary Pictures	March 2024	Filmed For IMAX
Kung Fu Panda 4	Universal Pictures	March 2024	–
Ghostbusters: Frozen Empire	Sony Pictures	March 2024	–
Godzilla x Kong: The New Empire	Warner Bros. Pictures/ Legendary Pictures	April 2024	Filmed For IMAX
Civil War	A24	April 2024	–
Spy x Family Code:White	Sony Pictures/Crunchyroll	April 2024	–
The Fall Guy	Universal Pictures	May 2024	–
Kingdom of The Planet of The Apes	Walt Disney Studios	May 2024	–
Furiosa	Warner Bros. Pictures	May 2024	–
Bad Boys 4	Sony Pictures	June 2024	–
Inside Out 2	Walt Disney Studios/ Pixar Animation Studios	June 2024	–
A Quiet Place: Day One	Paramount Pictures	June 2024	–
Despicable Me 4	Universal Pictures	July 2024	–
Twisters	Universal Pictures/ Warner Bros. Pictures	July 2024	–
Deadpool & Wolverine	Marvel Studios/ Walt Disney Studios	July 2024	–
Alien: Romulus	Walt Disney Studios	August 2024	–
Kraven the Hunter	Sony Pictures/ Marvel Studios	August 2024	–
Beetlejuice 2	Warner Bros. Pictures	September 2024	–
Transformers One	Paramount Pictures	September 2024	–
Wolfs	Sony Pictures/Apple	September 2024	–
Joker: Folie à Deux	Warner Bros. Pictures/ DC Studios	October 2024	Filmed For IMAX
Venom 3	Sony Pictures	November 2024	Filmed For IMAX
Untitled Gladiator Sequel	Paramount Pictures	November 2024	–
Wicked – Part 1	Universal Pictures	November 2024	–

(1) The scheduled release dates in the table above are subject to change, may vary by territory, and may not reflect the date(s) of limited premiere events.

The Company remains in active negotiations with studios for additional films to fill out its short- and long-term film slate for the IMAX network. The Company also expects to announce additional local language films and exclusive IMAX events and experiences to be released to its global network throughout 2024 with an expectation to exceed the 59 local language films released in 2023.

Other Content Solutions

In May 2023, the Company announced that Amazon Studios acquired worldwide rights to the Company's original documentary, *The Blue Angels*, filmed with IMAX digital certified cameras, and produced in collaboration with Dolphin Entertainment, Bad Robot Productions, and Zipper Bros Films. The documentary is expected to be delivered in the second quarter of 2024. In October 2023, *Deep Sky*, a documentary on NASA's Webb Telescope in collaboration with Crazy Boat Pictures Ltd. and filmmaker Nathaniel Kahn, was released to the IMAX network. In July 2023, the Company also announced the start of production of *The Elephant Odyssey*, a documentary in collaboration with Beach House Pictures Pte Ltd and China International Communications Group, which is expected to be released in 2025.

IMAX NETWORK AND BACKLOG

IMAX Network

The following table provides detailed information about the IMAX network by system type and geographic location as of December 31, 2023 and 2022:

	December 31, 2023				December 31, 2022			
	Commercial Multiplex	**Commercial Destination**	**Institutional**	**Total**	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	**363**	**4**	**24**	**391**	364	4	25	393
Canada	**42**	**1**	**7**	**50**	40	1	7	48
Greater China[1]	**791**	**–**	**16**	**807**	778	–	16	794
Asia (excluding Greater China)	**166**	**2**	**2**	**170**	138	2	2	142
Western Europe	**126**	**4**	**8**	**138**	118	4	8	130
Latin America[2]	**60**	**1**	**8**	**69**	55	1	11	67
Rest of the World	**145**	**–**	**2**	**147**	140	–	2	142
Total[3]	**1,693**	**12**	**67**	**1,772**	1,633	12	71	1,716

(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 locations.

IMAX currently estimates a worldwide commercial multiplex addressable market of 3,619 locations, of which there are 1,693 IMAX Systems operating as of December 31, 2023, representing a market penetration of only 46.8%. The Company believes that the majority of its future growth will come from international markets. As of December 31, 2023, 76% of IMAX Systems in operation were located within international markets (defined as all countries other than the United States and Canada) (2022 – 74%). Revenues and GBO derived from international markets continue to exceed revenues and GBO from the United States and Canada.

For the year ended December 31, 2023, the Company's revenues generated from its Greater China operations represents 25% of consolidated revenue, compared to 24% in 2022 and 44% in 2021. Restrictions resulting from the COVID-19 pandemic significantly impacted operations in China in 2022 and 2023. As of December 31, 2023, the Company had 807 IMAX Systems operating in Greater China with an additional 206 systems in backlog. The Company's backlog in Greater China represents 46% of its total current backlog, including system upgrades.

The following tables provide detailed information about the commercial multiplex locations in operation within the IMAX network by arrangement type and geographic location as of December 31, 2023 and 2022:

	December 31, 2023 Commercial Multiplex Locations in IMAX Network			
	Traditional JRSA	**Hybrid JRSA**	**Sales Arrangements[1]**	**Total**
Domestic Total (United States & Canada)	**272**	**6**	**127**	**405**
International:				
Greater China	**410**	**109**	**272**	**791**
Asia (excluding Greater China)	**44**	**8**	**114**	**166**
Western Europe	**41**	**15**	**70**	**126**
Latin America	**2**	**–**	**58**	**60**
Rest of the World	**17**	**–**	**128**	**145**
International Total	**514**	**132**	**642**	**1,288**
Worldwide Total[2]	**786**	**138**	**769**	**1,693**

	December 31, 2022 Commercial Multiplex Locations in IMAX Network			
	Traditional JRSA	Hybrid JRSA	Sales Arrangements[1]	Total
Domestic Total (United States & Canada)	276	6	122	404
International:				
Greater China	401	112	265	778
Asia (excluding Greater China)	37	5	96	138
Western Europe	47	28	43	118
Latin America	2	–	53	55
Rest of the World	17	–	123	140
International Total	504	145	580	1,229
Worldwide Total[2]	780	151	702	1,633

(1) Includes Sales, Hybrid Sales and Sales-Type Lease deal types.

(2) Period-to-period changes in the tables above are reported net of permanently closed systems.

Backlog

The following tables provide detailed information about the Company's system backlog by arrangement type and geographic location as of December 31, 2023 and 2022:

	December 31, 2023 IMAX System Backlog			
	Traditional JRSA	**Hybrid JRSA**	**Sales Arrangements(1)**	**Total**
Domestic Total (United States & Canada)	**81**	**2**	**12**	**95**
International:				
Greater China	**56**	**90**	**60**	**206**
Asia (excluding Greater China)	**24**	**7**	**21**	**52**
Western Europe	**16**	**3**	**18**	**37**
Latin America	**3**	**–**	**2**	**5**
Rest of the World	**3**	**1**	**51**	**55**
International Total	**102**	**101**	**152**	**355**
Worldwide Total	**183**	**103**	**164**	**450(2)**

	December 31, 2022 IMAX System Backlog			
	Traditional JRSA	Hybrid JRSA	Sales Arrangements(1)	Total
Domestic Total (United States & Canada)	101	2	9	112
International:				
Greater China	42	93	69	204
Asia (excluding Greater China)	3	13	26	42
Western Europe	17	11	3	31
Latin America	3	–	3	6
Rest of the World	2	1	52	55
International Total	67	118	153	338
Worldwide Total	168	120	162	450(3)

(1) Includes Sales, Hybrid Sales and Sales-Type Lease deal types.

(2) Includes 239 new IMAX Laser Systems and 73 upgrades of existing locations to IMAX Laser Systems.

(3) Includes 200 new IMAX Laser Systems and 89 upgrades of existing locations to IMAX Laser Systems.

Approximately 79% of IMAX System arrangements in backlog as of December 31, 2023 are scheduled to be installed in international markets (2022 – 75%).

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 films and other events to be exhibited across the IMAX network; (ii) the signing, installation, and financial performance of IMAX 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 integration and performance of SSIMWAVE, 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 (loss) 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 determined under U.S. GAAP. The CODM, along with other members of management, assesses 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.

In the first quarter of 2023, the Company revised its internal segment reporting, including information provided to the CODM to assess performance and allocate resources. Accordingly, the Company has two reportable segments: (i) Content Solutions, which principally includes content enhancement and distribution services, and (ii) Technology Products and Services, which principally includes the sale, lease, and maintenance of IMAX Systems. The Company's activities that do not meet the criteria to be considered a reportable segment are reported within All Other. Prior period comparatives have been revised to conform with the current year presentation. Additional information on segment reporting is provided in Note 21 to Consolidated Financial Statements in Part II, Item 8.

The discussion of the Company's results of operations below compares results for the years ended December 31, 2023 and 2022 as well as for the years ended December 31, 2022 and 2021.

Results of Operations for the Years Ended December 31, 2023 and 2022

The Company believes that its 2023 results of operations showed the strength of IMAX's business model and the increasing global demand for *The IMAX Experience* by consumers, exhibitors, filmmakers, and studios. In 2023, the Company achieved a number of significant box office records reflecting the growing demand for IMAX. This contributed to the Company's installation of 128 IMAX Systems compared to 92 in 2022, system signings of 129 IMAX Systems compared to 47 in 2022, and generating $58.6 million in net cash provided by the Company's operating activities, compared to $17.3 million in the prior year.

Net Income (Loss) and Adjusted Net Income Attributable to Common Shareholders

The following table presents the Company's net income (loss) attributable to common shareholders and the associated per share amounts, as well as adjusted net income attributable to common shareholders* and adjusted net income attributable to common shareholders per share* for the years ended December 31, 2023 and 2022:

(In thousands of U.S. Dollars, except per share amounts)	**Years Ended December 31, 2023** Net Income	Per Diluted Share	2022 Net (Loss) Income	Per Diluted Share
Net income (loss) attributable to common shareholders	**$ 25,335**	**$ 0.46**	$ (22,800)	$ (0.40)
Adjusted net income attributable to common shareholders*	**$ 52,079**	**$ 0.94**	$ 3,207	$ 0.06

* Refer to "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

For the year ended December 31, 2023, the Company's revenues and gross margin increased by $74.0 million or 25% and $58.0 million or 37%, respectively, from 2022 principally due to the strength of the IMAX GBO performance through the distribution of films such as *Oppenheimer, Avatar: The Way of Water, The Super Mario Bros. Movie, The Wandering Earth 2, Guardians of the Galaxy Vol.3, Mission: Impossible – Dead Reckoning Part One, Ant-Man and the Wasp: Quantumania, Creation of the Gods I: Kingdom of Storms, and Spider-Man: Across the Spider-Verse* and record performance of local language content coupled with higher system sales and renewals in the current period.

The following table presents the Company's revenue, gross margin and gross margin percentage by reportable segment for the years ended December 31, 2023 and 2022:

	Revenue		Gross Margin		Gross Margin %	
(In thousands of U.S. Dollars)	**2023**	2022	**2023**	2022	**2023**	2022
Content Solutions	**$ 126,698**	$ 101,820	**$ 74,106**	$ 51,240	**58%**	50%
Technology Products and Services	**234,303**	192,368	**129,946**	101,055	**55%**	53%
Sub-total for reportable segments	**361,001**	294,188	**204,052**	152,295	**57%**	52%
All Other(1)	**13,838**	6,617	**10,289**	4,060	**74%**	61%
Total	**$ 374,839**	$ 300,805	**$ 214,341**	$ 156,355	**57%**	52%

(1) All Other includes the results from Streaming and Consumer Technology and other ancillary activities.

Segment Operating Results

The Company's segment operating results are presented based on how the Company assesses operating performance and internally reports financial information. See Note 21 to Consolidated Financial Statements in Part II, Item 8 for additional information on the Company's reportable segments.

Content Solutions

Content Solutions segment results are influenced by the level of commercial success and box office performance of the films and other content released to the IMAX network, as well as other factors including the timing of the releases, the length of play across the IMAX network, the box office share take rates under the Company's film remastering and distribution arrangements, the level of marketing spend associated with the releases in the year and the fluctuations in the value of foreign currencies versus the U.S. Dollar.

For the year ended December 31, 2023, Content Solutions segment revenues and gross margin increased by $24.9 million or 24% to $126.7 million from $101.8 million and $22.9 million or 45% to $74.1 million from $51.2 million, respectively, when compared to the same period in 2022 principally due to better performance of the films distributed throughout the global IMAX network in 2023 including IMAX China, following the Chinese government relaxing its dynamic zero-COVID policies and easing capacity restrictions at the end of 2022.

For the year ended December 31, 2023, GBO generated by IMAX films totaled $1.1 billion, a $209.3 million or 25% increase versus $849.7 million in 2022. The 2023 GBO was generated by the exhibition of 105 films, which consisted of 95 new films (2022 – 63), 10 carryovers (2022 – 10) and one re-release (2022 – five). The impact of changes in foreign currency valuations versus the U.S. Dollar led to a decrease in GBO of $23.0 million in 2023 as compared to prior year rates. The Company believes that if foreign currency exchange rates were consistent in 2023 and 2019 that IMAX GBO in 2023 would have exceeded its best box office year ever in 2019.

In addition, for the year ended December 31, 2023, local language films exhibited across the Company's global IMAX network generated over $227.2 million in IMAX GBO, representing 21% of the Company's total box office. Leading local language titles distributed across the IMAX network during 2023 included the Chinese Filmed For IMAX title *The Wandering Earth 2*, which generated IMAX GBO of $48.6 million, the Chinese film *Creation of the Gods I: Kingdom of Storms* ($32.5 million), the Chinese film *No More Bets* ($11.2 million), and the Japanese anime film *The First Slam Dunk* ($10.8 million). Despite accounting for approximately 1% of all Domestic screens and less than 1% of all screens globally in 2023, the IMAX network had a Domestic market share of 4.4% and a global market share of 3.2% in 2023.

In addition to the higher level of revenues, Content Solutions segment gross margin is also influenced by the costs associated with the films and other content exhibited in the period and can vary from period-to-period, especially with respect to marketing expenses, which are expensed as incurred, for films and the costs incurred to produce, market and distribute live events and documentary content during the period. For the year ended December 31, 2023, marketing expenses incurred towards films were $14.2 million compared to $17.3 million in 2022. Gross margin percent for the year ended December 31, 2023 was 58% compared to 50% for the same period in 2022 with the increase being driven by the operating leverage that results from achieving higher levels of box office with relatively fixed film distribution costs and strategic deployment of marketing dollars.

Selling, General and Administrative Expenses

The following table presents information about the Company's Selling, General and Administrative Expenses for the years ended December 31, 2023 and 2022:

	Years Ended December 31,		**Variance**	
(In thousands of U.S. Dollars)	**2023**	2022	$	%
Total selling, general and administrative expenses	**$ 144,406**	$ 138,043	$ 6,363	5%
Less: Share-based compensation[(1)]	**22,534**	25,438	(2,904)	(11%)
Total selling, general and administrative expenses, excluding share-based compensation	**$ 121,872**	$ 112,605	$ 9,267	8%

(1) A portion of total share-based compensation expense is also recognized within Cost and Expenses Applicable to Revenue and Research and Development. Refer to Note 17 (c) to Consolidated Financial Statements in Part II, Item 8.

The increase in Selling, General and Administrative Expenses reflects the inclusion of $5.2 million related to the Company's Streaming Technology operation of SSIMWAVE, which was not included to the same extent in the prior year comparative as the acquisition was completed in late September 2022, and $3.3 million in non-recurring transaction expenses associated with the proposal to acquire the outstanding shares in IMAX China.

As a percentage of revenue, Selling, General and Administrative Expenses excluding share-based compensation improved to 33% as compared to 37% in 2022, which reflected strong operating leverage coupled with management's continued focus on cost discipline.

__Credit Loss Expense, Net__

For the year ended December 31, 2023, the Company recorded current expected credit losses of $1.8 million, as compared to credit losses of $8.5 million recognized in the prior year. The prior period expense was principally due to reserves established against substantially all of the Company's receivables in Russia due to uncertainties associated with the ongoing Russia-Ukraine conflict and resulting sanctions, partially offset by the reversal of provisions associated with the COVID-19 pandemic as the outlook for the theatrical exhibition industry improved.

Consolidated Financial Statements are prepared and involve estimates about the future. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect.

__Asset Impairments__

For the year ended December 31, 2023, the Company recorded asset impairments of $0.4 million principally related to the write-down of content-related assets which became impaired in the year.

On January 10, 2022, IMAX (Shanghai) Culture and Technology Co., Ltd, a wholly-owned subsidiary of IMAX China, entered into a joint film investment agreement with Wanda Film (Horgos) Co. Ltd. to invest RMB30.0 million ($4.7 million) in the movie *Mozart from Space*, which was released on July 15, 2022. Pursuant to the investment agreement, IMAX (Shanghai) Culture and Technology Co., Ltd. has the right to receive a share of the profits or losses of the film distribution. IMAX (Shanghai) Culture and Technology Co., Ltd.'s commitment is limited to its investment and has no further obligation if the actual movie production cost exceeds the original budget. The investment met the criteria for classification as a financial asset. The investment was measured at amortized cost less impairment losses and was recorded within Other Assets in the Consolidated Balance Sheets.

For the year ended December 31, 2022, the Company recorded a full impairment of its RMB30.0 million ($4.5 million) investment in *Mozart from Space* based on projected box office results and distribution costs.

__Income Taxes__

For the year ended December 31, 2023, the Company recorded an income tax expense of $13.1 million (2022 – $10.1 million). The Company's effective tax rate for year ended December 31, 2023 of 28.3% differs from the Canadian statutory tax rate of 26.5%, primarily due to tax rate differences in foreign jurisdictions, a reduction in tax reserves of $0.4 million (2022 – $1.6 million) and a net decrease in the valuation allowance related to deferred taxes of $0.7 million (2022 – increase of $16.8 million). This was offset by withholding taxes of $5.2 million (2022 – $3.8 million). The remainder of the difference was due to normal course movements and non-material items.

For the year ended December 31, 2023, the deferred tax liability for the applicable foreign withholding taxes decreased by $2.4 million (2022 – $2.7 million). During the year ended December 31, 2023, $24.0 million (2022 – $27.4 million) of historical earnings from a subsidiary in China were distributed and, as a result, $2.4 million (2022 – $2.7 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, 2023 is $12.5 million (2022 – $14.9 million).

(Refer to Note 12 to Consolidated Financial Statements in Part II, Item 8 for more information on the Company's tax position.)

Non-Controlling Interests

The Company's Consolidated Financial Statements include the non-controlling interest in the net income or 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, 2023, the net income attributable to non-controlling interests of the Company's subsidiaries was $7.7 million (2022 – $2.9 million), an increase of 164.5% or $4.8 million year-over-year. The increase reflects the recovery of IMAX China's box office following the Chinese government relaxing its dynamic zero-COVID policies and easing capacity restrictions at the end of 2022 and an increasing level of consumer confidence in attending public gatherings.

Results of Operations for the Years Ended December 31, 2022 and 2021

In the first quarter of 2023, the Company updated its reportable segments. See Note 21 to Consolidated Financial Statements in Part II, Item 8. The following discussion and analysis related to the Company's segment results for the years ended December 31, 2022 and 2021 have been revised to conform with the current year presentation.

The discussion of the Company's results of operations comparing results for the years ended December 31, 2022 and 2021 that was not impacted by the segment change 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, 2022, and is incorporated by reference into this Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Net Loss and Adjusted Net Income (Loss) Attributable to Common Shareholders

The following table presents the Company's net loss attributable to common shareholders and the associated per share amounts, as well as adjusted net income (loss) attributable to common shareholders* and adjusted net income (loss) attributable to common shareholders per share* for the years ended December 31, 2022 and 2021:

	Years Ended December 31,			
	2022		2021	
(In thousands of U.S. Dollars, except per share amounts)	**Net (Loss) Income**	**Per Share**	Net Loss	Per Share
Net loss attributable to common shareholders	**$ (22,800)**	**$ (0.40)**	$ (22,329)	$ (0.38)
Adjusted net income (loss) attributable to common shareholders*	**$ 3,207**	**$ 0.06**	$ (8,420)	$ (0.14)

For the year ended December 31, 2022, the Company recorded a net non-cash provision of $6.9 million, or $0.12 per share, due to an increase in reserves given the uncertainty of collecting receivables in Russia. This provision was taken due to the ongoing conflict and resulting sanctions in Ukraine and covers substantially all of the Company's net receivable exposure in the Russian market. Excluding the impact of this provision, net loss attributable to common shareholders* was $(15.9) million, or $(0.28) per share, and adjusted net income attributable to common shareholders* was $10.1 million, or $0.18 per share. Over the past five years, Russia has represented on average approximately 3% of the GBO generated by IMAX films.

* 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

For the year ended December 31, 2022, the Company's revenues and gross margin increased by $45.9 million or 18% and $21.9 million or 16%, respectively, when compared to the same period in 2021 principally due to the strength of the GBO performance through the distribution of films such as *Avatar: The Way of Water, Top Gun: Maverick, Doctor Strange in the Multiverse of Madness, Jurassic World Dominion,The Batman, Black Panther: Wakanda Forever, Thor: Love and Thunder, The Battle at Lake Changjin 2, and Spider-Man: No Way Home.*

The following table presents the Company's revenue, gross margin and gross margin percentage by reportable segment for the years ended December 31, 2022 and 2021:

	Revenue		**Gross Margin**		**Gross Margin %**	
(In thousands of U.S. Dollars)	**2022**	2021	**2022**	2021	**2022**	2021
Content Solutions	**$ 101,820**	$ 76,989	**$ 51,240**	$ 45,269	**50%**	59%
Technology Products and Services	**192,368**	172,952	**101,055**	86,041	**53%**	50%
Sub-total for reportable segments	**294,188**	249,941	**152,295**	131,310	**52%**	53%
All Other[(1)]	**6,617**	4,942	**4,060**	3,096	**61%**	63%
Total	**$ 300,805**	$ 254,883	**$ 156,355**	$ 134,406	**52%**	53%

(1) All Other includes the results from Streaming and Consumer Technology and other ancillary activities.

Segment Operating Results

The Company's segment operating results are presented based on how the Company assesses operating performance and internally report financial information. See Note 21 to Consolidated Financial Statements in Part II, Item 8 for additional information on the segments.

Content Solutions

Content Solutions segment results are influenced by the level of commercial success and box office performance of the films and other content released to the IMAX network, as well as other factors including the timing of the releases, the length of play across the IMAX network, the box office share take rates under the Company's film remastering and distribution arrangements, the level of marketing spend associated with the releases in the year and the fluctuations in the value of foreign currencies versus the U.S. Dollar.

For the year ended December 31, 2022, Content Solutions segment revenues and gross margin increased by $24.8 million or 32% to $101.8 million from $77.0 million and $6.0 million or 13% to $51.2 million from $45.3 million, respectively, when compared to the prior year.

The performance of the films distributed through the IMAX network resulted in a $211.5 million or 33% increase in GBO, from $638.2 million in 2021 to $849.7 million in 2022, despite a 32% decline in Greater China box office driven by the COVID-19 restrictions instituted as part of China's dynamic zero-COVID policy. This overall improvement in GBO earned through the global IMAX network for the year was partially offset by unfavorable foreign currency exchange rate movements. For the year ended December 31, 2022, GBO was generated by the exhibition of 78 films (63 new, 10 carryovers, and five re-releases), including *Avatar: The Way of Water*, which generated GBO of $140.2 million (or 11% market share) and *Top Gun: Maverick*, which generated GBO of $110.7 million (or 7% market share) in the year. During the year ended December 31, 2021, GBO was generated by the exhibition of 73 films (63 new, six carryovers and four re-releases).

In addition to the higher level of revenues, Content Solutions segment gross margin is also influenced by the costs associated with the films and other content exhibited in the period, and can vary from period-to-period, especially with respect to marketing expenses, which are expensed as incurred, for films and the costs incurred to produce, market and distribute live events and documentary content during the period. For the year ended December 31, 2022, the impact of the higher level of Content Solutions Segment revenues was partially offset by higher marketing expenses of $17.3 million, as compared to $8.2 million in the prior year reflecting investments to drive higher levels of box office and enable the achievement of the Company's highest global and domestic market share of 3% and 5%, respectively, in 2022. The Content Solutions segment gross margin was also impacted by investments in infrastructure costs, depreciation expense and network connection fees of $3.3 million to operate the IMAX connected network for the year ended December 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2023, the Company's principal sources of liquidity included: (i) its balances of cash and cash equivalents of $76.2 million; (ii) the anticipated collection of trade accounts receivable, which includes amounts owed under joint revenue sharing arrangements and film remastering agreements with movie studios; (iii) the anticipated collection of financing receivables due in the next 12 months under sale and sales-type lease arrangements for systems currently in operation; and (iv) installment payments expected in the next 12 months under sale 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, 2023, the Company also had $276.0 million in available borrowing capacity under its Sixth Amended and Restated Credit Agreement, with Wells Fargo Bank, National Association (the "**Credit Agreement**"), $26.8 million in available borrowing capacity under the IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai**") revolving credit facility with the Bank of China (the "**Bank of China Facility**"), and $28.2 million in available borrowing capacity under IMAX Shanghai's revolving credit facility with HSBC Bank (China) Company Limited, Shanghai Branch (the "**HSBC China Facility**"). (Refer to Note 14(a) to Consolidated Financial Statements in Part II, Item 8 for a description of the material terms of the Credit Agreement, the Bank of China Facility, and the HSBC Facility.)

The Company's $76.2 million balance of cash and cash equivalents as of December 31, 2023 (December 31, 2022 – $97.4 million) includes $68.5 million in cash held outside of Canada (December 31, 2022 – $79.7 million), of which $30.0 million was held in the People's Republic of China ("**PRC**") (December 31, 2022 – $43.7 million). Management reassessed its strategy with respect to the most efficient means of deploying the Company's capital resources globally and determined that historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. During the year ended December 31, 2023, $24.0 million of historical earnings from a subsidiary in China were distributed (December 31, 2022 – $27.4 million) and, as a result, $2.4 million of foreign withholding taxes were paid to the relevant tax authorities (December 31, 2022 – $2.7 million). As of December 31, 2023, the Company's Consolidated Balance Sheets include a deferred tax liability of $12.5 million (December 31, 2022 – $14.9 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.

The Company forecasts its future cash flow and short-term liquidity requirements on an ongoing basis. These forecasts are based on estimates and may be materially impacted by factors that are outside of the Company's control (including the factors described in "Risk Factors" in Part I, Item 1A). As a result, there is no guarantee that these forecasts will come to fruition and that the Company will be able to fund its operations through cash flows from operations. In particular, the Company's operating cash flows and cash balances will be adversely impacted if management's projections of future signings and installations of IMAX Systems and box office performance of remastered content distributed to the IMAX network are not realized.

For the year ended December 31, 2023, the Company had $76.2 million balance of cash and cash equivalents and net cash provided by the Company's operating activities of $58.6 million which improved $41.3 million from 2022. Based on the Company's current cash balances and operating cash flows, management expects to have sufficient capital and liquidity to fund its anticipated operating needs and capital requirements during the next twelve-month period following the date of this report.

CONTRACTUAL OBLIGATIONS

Payments to be made by the Company under contractual obligations as of December 31, 2023 are as follows:

		Payments Due by Period			
(In thousands of U.S. Dollars)	**Total Obligation**	**Less Than One Year**	**1 to 3 years**	**3 to 5 years**	**Thereafter**
Purchase obligations[1]	$ 35,210	$ 33,723	$ 1,192	$ 24	$ 271
Pension obligations[2]	20,298	–	20,298	–	–
Operating lease obligations[3]	14,898	2,740	5,026	4,965	2,167
Finance lease obligations	518	518	–	–	–
Wells Fargo Facility	24,000	24,000	–	–	–
Federal Economic Development Loan[4]	3,200	965	2,235	–	–
Convertible Notes[5]	232,875	1,150	231,725	–	–
Postretirement benefits obligations	2,489	106	221	228	1,934
	$ 333,488	$ 63,202	$ 260,697	$ 5,217	$ 4,372

(1) Represents total payments to be made under binding commitments with suppliers and outstanding payments to be made for supplies ordered, but yet to be invoiced.

(2) The Company has an unfunded defined benefit pension plan, the Supplemental Executive Retirement Plan (the "**SERP**"), covering its CEO, Mr. Richard L. Gelfond. The SERP has a fixed benefit payable of $20.3 million. The table above assumes that Mr. Gelfond will receive a lump sum payment of $20.3 million six months after retirement at the end of the term of his current employment agreement, which expires on December 31, 2025, in accordance with the terms of the SERP, although Mr. Gelfond has not informed the Company that he intends to retire at that time. (Refer to Note 23 to Consolidated Financial Statements in Part II, Item 8.)

(3) Represents total minimum annual rental payments due under the Company's operating leases.

(4) The Federal Economic Development Loan will be repayable over 36 months, with repayments estimated to begin in January 2024. (Refer to Note 14(b) to Consolidated Financial Statements in Part II, Item 8.)

(5) The Convertible Notes bear interest at a rate of 0.500% per annum on the principal of $230.0 million, payable semi-annually in arrears on April 1 and October 1 of each year. The Convertible Notes will mature on April 1, 2026, unless earlier repurchased, redeemed or converted. (Refer to Note 14(b) Consolidated Financial Statements in Part II, Item 8.)

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

Adjusted net income or loss attributable to common shareholders and adjusted net income or loss attributable to common shareholders per basic and diluted share exclude, where applicable: (i) share-based compensation; (ii) COVID-19 government relief benefits; (iii) realized and unrealized investment gains or losses; (iv) transaction-related expenses; and (v) restructuring and executive transition costs, as well as the related tax impact of these adjustments.

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.

Reconciliations of 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 attributable to common shareholders per basic and diluted share are presented in the table below.

(In thousands of U.S. Dollars, except per share amounts)	Years Ended December 31, 2023 Net Income	Per Diluted Share	2022 Net (Loss) Income	Per Diluted Share
Net income (loss) attributable to common shareholders	**$ 25,335**	**$ 0.46**	$ (22,800)	$ (0.40)
Adjustments[1]:				
Share-based compensation	**23,184**	**0.42**	26,382	0.46
Unrealized investment gains	**(558)**	**(0.01)**	(70)	–
Transaction-related expenses[2]	**3,361**	**0.06**	1,122	0.02
Restructuring and executive transition costs[3]	**2,688**	**0.05**	–	–
COVID-19 government relief benefits, net	**–**	**–**	(373)	(0.01)
Tax impact on items listed above	**(1,931)**	**(0.04)**	(1,054)	(0.02)
Adjusted net income[1]	**$ 52,079**	**$ 0.94**	$ 3,207	$ 0.06
Weighted average shares outstanding – basic		**54,310**		56,674
Weighted average shares outstanding – diluted		**55,146**		57,371

(1) Reflects amounts attributable to common shareholders.

(2) Reflects costs in connection with the Company's proposal to acquire the outstanding 96.3 million shares in IMAX China in 2023 and costs incurred associated with the acquisition of SSIMWAVE in 2022.

(3) Reflects costs in connection with the departure of the President, IMAX Entertainment and Executive Vice President of the Company and other employees to capture efficiencies and centralize certain operational roles. (Refer to Note 26 to Consolidated Financial Statements in Part II, Item 8.)

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 with 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) transaction-related expenses; (iv) restructuring and executive transition costs; and (v) write-downs, net of recoveries, including asset impairments and credit loss expense.

Reconciliations of net income 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, 2023		
(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 income	**$ 33,066**	**$ 7,731**	**$ 25,335**
Add (subtract):			
Income tax expense	**13,051**	**1,725**	**11,326**
Interest expense, net of interest income	**2,101**	**(408)**	**2,509**
Depreciation and amortization, including film asset amortization	**60,022**	**5,312**	**54,710**
Amortization of deferred financing costs[1]	**2,235**	**–**	**2,235**
EBITDA	**110,475**	**14,360**	**96,115**
Share-based and other non-cash compensation	**24,230**	**774**	**23,456**
Unrealized investment gains	**(465)**	**(93)**	**(372)**
Transaction-related expenses[2]	**3,569**	**208**	**3,361**
Write-downs, including asset impairments and credit loss expense	**3,273**	**362**	**2,911**
Restructuring and executive transition costs[3]	**2,946**	**258**	**2,688**
Adjusted EBITDA per Credit Facility	**$ 144,028**	**$ 15,869**	**$ 128,159**

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

(2) Reflects costs incurred resulting from the Company's proposal to acquire the outstanding 96.3 million shares in IMAX China.

(3) Reflects costs in connection with the departure of the President, IMAX Entertainment and Executive Vice President of the Company and other employees to capture efficiencies and centralize certain operational roles. (Refer to Note 26 to Consolidated Financial Statements in Part II, Item 8.)

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 ("**CAD**"), 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 90 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 IMAX network 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, British Pound Sterling, 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 RMB213.0 million or $30.0 million in cash and cash equivalents as of December 31, 2023 (December 31, 2022 – RMB303.8 million or $43.6 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. (Refer to "Risk Factors – The Company faces risks in connection with its significant presence in China and the continued expansion of its business there")

As of December 31, 2023, the Company's Financing Receivables and working capital items denominated in Canadian Dollars, RMB, Japanese Yen, Euros and other foreign currencies translated into U.S. Dollars was $172.7 million, of which $172.5 million was denominated in RMB. Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates as of December 31, 2023, the potential change in the fair value of foreign currency-denominated financing receivables and working capital items would have been $17.3 million. A significant portion of the Company's Selling, General, and Administrative Expenses is denominated in Canadian Dollars. Assuming a 1% change appreciation or depreciation in foreign currency exchange rates as of December 31, 2023, the potential change in the amount of Selling, General, and Administrative Expenses would be $0.2 million.

Interest Rate Risk Management

The Company's earnings may also be affected by changes in interest rates and the resulting impact of those changes on its interest income from cash, and its interest expense from variable-rate borrowings.

For the year ended December 31, 2023 the Company had drawn down $24.0 million on its Credit Facility (December 31, 2022 – $25.0 million), $nil on its HSBC China Facility (December 31, 2022 – $12.5 million) and $nil on its Bank of China Facility (December 31, 2022 – $0.4 million), which are all subject to variable effective interest rates.

The Company's variable rate debt instruments were $24.0 million as of December 31, 2023 or 37% less than $37.9 million as of December 31 2022. Variable rate debt instruments represented 5% and 8% of its total liabilities as of December 31, 2023 and 2022, respectively. If the interest rates available to the Company increased by 10%, the Company's interest expense would increase by $0.2 million and interest income from cash would increase by $0.2 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable rate debt and cash balances as of December 31, 2023.

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

	As of December 31, 2023	2022
Assets		
Cash and cash equivalents	**$ 76,200**	$ 97,401
Accounts receivable, net of allowance for credit losses	**136,259**	136,142
Financing receivables, net of allowance for credit losses	**127,154**	129,384
Variable consideration receivables, net of allowance for credit losses	**64,338**	44,024
Inventories	**31,584**	31,534
Prepaid expenses	**12,345**	12,343
Film assets, net of accumulated amortization	**6,786**	5,277
Property, plant and equipment, net of accumulated depreciation	**243,299**	252,896
Investment in equity securities	**–**	1,035
Other assets	**20,879**	15,665
Deferred income tax assets, net of valuation allowance	**7,988**	9,900
Goodwill	**52,815**	52,815
Other intangible assets, net of accumulated amortization	**35,022**	32,738
Total assets	**$ 814,669**	$ 821,154
Liabilities		
Accounts payable	**$ 26,386**	$ 25,237
Accrued and other liabilities	**111,013**	117,286
Deferred revenue	**67,105**	70,940
Revolving credit facility borrowings, net of unamortized debt issuance costs	**22,924**	36,111
Convertible notes and other borrowings, net of unamortized discounts and debt issuance costs	**229,131**	226,912
Deferred income tax liabilities	**12,521**	14,900
Total liabilities	**469,080**	491,386

	As of December 31, 2023	2022
Commitments, contingencies and guarantees (see Notes 15 and 16)		
Non-controlling interests	**658**	722
Shareholders' equity		
Capital stock common shares – no par value. Authorized – unlimited number. 53,260,276 issued and outstanding (December 31, 2022 – 54,148,614 issued and outstanding)	**389,048**	376,715
Other equity	**185,087**	185,678
Statutory surplus reserve	**3,932**	3,932
Accumulated deficit	**(292,845)**	(293,124)
Accumulated other comprehensive loss	**(12,081)**	(9,846)
Total shareholders' equity attributable to common shareholders	**273,141**	263,355
Non-controlling interests	**71,790**	65,691
Total shareholders' equity	**344,931**	329,046
Total liabilities and shareholders' equity	**$ 814,669**	$ 821,154

(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,		
	2023	2022	2021
Revenues			
Technology sales	**$ 100,792**	$ 69,158	$ 66,153
Image enhancement and maintenance services	**189,752**	161,379	131,148
Technology rentals	**75,566**	61,786	46,790
Finance income	**8,729**	8,482	10,792
	374,839	300,805	254,883
Costs and expenses applicable to revenues			
Technology sales	**46,756**	37,610	37,039
Image enhancement and maintenance services	**88,056**	81,834	58,062
Technology rentals	**25,686**	25,006	25,376
	160,498	144,450	120,477
Gross margin	**214,341**	156,355	134,406
Selling, general and administrative expenses	**144,406**	138,043	117,322
Research and development	**10,110**	5,300	6,944
Amortization of intangible assets	**4,578**	4,829	4,877
Credit loss expense (reversal), net	**1,759**	8,547	(3,951)
Asset impairments	**144**	4,470	–
Legal judgment and arbitration awards	**–**	–	(1,770)
Restructuring and executive transition costs	**2,946**	–	–
Income (loss) from operations	**50,398**	(4,834)	10,984
Realized and unrealized investment gains	**465**	70	5,340
Retirement benefits non-service expense	**(411)**	(556)	(463)
Interest income	**2,486**	1,428	2,218
Interest expense	**(6,821)**	(5,877)	(7,092)

	Years Ended December 31,		
	2023	2022	2021
Income (loss) before taxes	**46,117**	(9,769)	10,987
Income tax expense	**(13,051)**	(10,108)	(20,564)
Net income (loss)	**33,066**	(19,877)	(9,577)
Net income attributable to non-controlling interests	**(7,731)**	(2,923)	(12,752)
Net income (loss) attributable to common shareholders	**$ 25,335**	$ (22,800)	$ (22,329)
Net income (loss) per share attributable to common shareholders:			
Basic	**$ 0.47**	$ (0.40)	$ (0.38)
Diluted	**$ 0.46**	$ (0.40)	$ (0.38)
Weighted average shares outstanding (in thousands):			
Basic	**54,310**	56,674	59,126
Diluted	**55,146**	56,674	59,126

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

IMAX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of U.S. Dollars)

	Years Ended December 31,		
	2023	2022	2021
Net income (loss)	**$ 33,066**	$ (19,877)	$ (9,577)
Other comprehensive (loss) income, before tax			
Unrealized defined benefit plan actuarial (loss) gain	**(75)**	2,901	132
Unrealized postretirement benefit plans actuarial (loss) gain	**(37)**	754	140
Amortization of defined benefit and postretirement benefit plans net gain	**(604)**	–	–
Amortization of prior service cost	**–**	184	185
Unrealized net gain (loss) from cash flow hedging instruments	**575**	(1,323)	468
Realized net loss (gain) from cash flow hedging instruments	**892**	596	(1,707)
Reclassification of unrealized gain from ineffective cash flow hedging instruments	**–**	–	(318)
Foreign currency translation adjustments	**(3,907)**	(20,594)	3,364
Total other comprehensive (loss) income, before tax	**(3,156)**	(17,482)	2,264
Income tax (expense) benefit related to other comprehensive income	**(181)**	(818)	286
Other comprehensive (loss) income, net of tax	**(3,337)**	(18,300)	2,550
Comprehensive income (loss)	**29,729**	(38,177)	(7,027)
Comprehensive (income) loss attributable to non-controlling interests	**(6,629)**	3,004	(13,763)
Comprehensive income (loss) attributable to common shareholders	**$ 23,100**	$ (35,173)	$ (20,790)

(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,		
	2023	2022	2021
Operating Activities			
Net income (loss)	**$ 33,066**	$ (19,877)	$ (9,577)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation and amortization	**60,022**	56,661	56,082
Amortization of deferred financing costs	**2,235**	3,177	2,513
Credit loss expense (reversal), net	**1,759**	8,547	(3,951)
Write-downs, including asset impairments	**1,884**	7,176	1,764
Deferred income tax (benefit) expense	**(1,447)**	(2,073)	2,996
Share-based and other non-cash compensation	**24,230**	27,573	26,079
Unrealized foreign currency exchange (gain) loss	**(212)**	1,108	256
Realized and unrealized investment gain	**(465)**	(70)	(5,340)
Changes in assets and liabilities:			
Accounts receivable	**(1,907)**	(29,003)	(52,453)
Inventories	**(285)**	(5,529)	11,451
Film assets	**(20,394)**	(19,598)	(14,810)
Deferred revenue	**(3,882)**	(11,572)	(6,591)
Changes in other operating assets and liabilities	**(35,989)**	801	(2,354)
Net cash provided by operating activities	**58,615**	17,321	6,065
Investing Activities			
Purchase of property, plant and equipment	**(6,491)**	(8,424)	(3,590)
Investment in equipment for joint revenue sharing arrangements	**(18,000)**	(19,803)	(10,094)
Interest in film classified as a financial instrument	**–**	(4,731)	–
Acquisition of other intangible assets	**(8,344)**	(4,394)	(4,092)
Proceeds from sale of equity securities	**1,045**	–	17,769
Acquisition of SSIMWAVE Inc., net of cash and cash equivalents acquired	**–**	(15,939)	–
Net cash used in investing activities	**(31,790)**	(53,291)	(7)

	Years Ended December 31,		
	2023	2022	2021
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)
Proceeds from revolving credit facility borrowings	**39,717**	37,871	3,600
Repayments of revolving credit facility borrowings	**(53,248)**	(3,600)	(307,609)
Proceeds from other borrowings	**322**	–	–
Repayment of other borrowings	**(53)**	–	–
Credit facility amendment fees paid	**(46)**	(2,279)	(527)
Repurchase of common shares, IMAX Corporation	**(26,823)**	(80,124)	(13,905)
Repurchase of common shares, IMAX China	**(15)**	(3,043)	(10,060)
Taxes withheld and paid on employee stock awards vested	**(6,466)**	(3,687)	(3,660)
Common shares issued – stock options exercised	**–**	–	883
Principal payment under finance lease obligations	**(480)**	(948)	–
Dividends paid to non-controlling interests	**(1,438)**	(2,704)	(4,889)
Net cash used in by financing activities	**(48,530)**	(58,514)	(132,720)
Effects of exchange rate changes on cash	**504**	2,174	(1,006)
Decrease in cash and cash equivalents during year	**(21,201)**	(92,310)	(127,668)
Cash and cash equivalents, beginning of year	**97,401**	189,711	317,379
Cash and cash equivalents, end of year	**$ 76,200**	$ 97,401	$ 189,711

(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,		
	2023	2022	2021
Adjustments to capital stock:			
Balance, beginning of year	**$ 376,715**	$ 409,979	$ 407,020
Change in shares held in treasury	**–**	–	11
Restricted share units vested, net of shares withheld for employee tax obligations	**13,701**	11,597	9,833
Employee stock options exercised, net of shares withheld for employee tax obligations	**–**	–	883
Grant date fair value of stock options exercised	**–**	–	271
Average carrying value of repurchased and retired common shares	**(1,368)**	(46,808)	(8,039)
Issuance of common shares in acquisition	**–**	1,947	–
Balance, end of year	**389,048**	376,715	409,979
Adjustments to other equity:			
Balance, beginning of year	**185,678**	174,620	188,845
Amortization of share-based payment expense – stock options	**93**	637	1,267
Amortization of share-based payment expense – restricted share units	**12,502**	18,952	17,116
Amortization of share-based payment expense – performance stock units	**8,321**	8,495	5,733
Restricted share units vested	**(21,074)**	(16,441)	(14,740)
Grant date fair value of stock options exercised	**–**	–	(271)
Change in ownership interest related to IMAX China common share repurchases	**(433)**	(585)	(4,263)
Purchase of capped calls related to convertible notes	**–**	–	(19,067)
Balance, end of year	**185,087**	185,678	174,620
Adjustments to statutory surplus reserve:			
Balance, beginning of year	**3,932**	3,932	–
Establishment of statutory surplus reserve, IMAX China	**–**	–	3,932
Balance, end of period	**3,932**	3,932	3,932
Adjustments to accumulated deficit:			
Balance, beginning of year	**(293,124)**	(234,975)	(202,849)
Net income (loss) attributable to common shareholders	**25,335**	(22,800)	(22,329)
Statutory surplus reserve deducted from retained earnings, IMAX China	**–**	–	(3,932)
Common shares repurchased and retired	**(25,056)**	(35,349)	(5,865)

	Years Ended December 31,		
	2023	2022	2021
Balance, end of year	**(292,845)**	(293,124)	(234,975)
Adjustments to accumulated other comprehensive (loss) income:			
Balance, beginning of year	**(9,846)**	2,527	988
Other comprehensive (loss) income, net of tax	**(2,235)**	(12,373)	1,539
Balance, end of year	**(12,081)**	(9,846)	2,527
Adjustments to non-controlling interests:			
Balance, beginning of year	**65,691**	73,531	70,004
Net income attributable to non-controlling interests	**7,793**	2,959	12,753
Other comprehensive (loss) income, net of tax	**(1,102)**	(5,927)	1,011
Share-based compensation attributable to non-controlling interests	**428**	290	449
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	**(1,438)**	(2,704)	(4,889)
Change in ownership interest related to IMAX China common share repurchases	**418**	(2,458)	(5,797)
Balance, end of year	**71,790**	65,691	73,531
Total Shareholders' Equity	**$ 344,931**	$ 329,046	$ 429,614
Common shares issued and outstanding:			
Balance, beginning of year	**54,148,614**	58,653,642	58,921,008
Employee stock options exercised	**–**	–	41,613
Restricted share units and stock option exercises settled from treasury shares purchased on open market	**–**	–	723
Performance stock units settled with new treasury shares	**233,306**	–	–
Restricted share units settled with new treasury shares	**514,383**	596,277	531,629
Repurchase of common shares	**(1,636,027)**	(5,261,852)	(841,331)
Issuance of common shares in acquisition	**–**	160,547	–
Balance, end of year	**53,260,276**	54,148,614	58,653,642

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

IMAX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in thousands of U.S. Dollars, unless otherwise stated)

1. Description of the Business

IMAX Corporation, together with its consolidated subsidiaries (the "**Company**" or "**IMAX**") 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, 2023, IMAX Corporation indirectly owns 71.55% 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.

5. Receivables

The ability of the Company to collect its receivables is principally dependent on the viability and solvency of individual theater operators which is significantly influenced by consumer behavior and general economic conditions. Theater operators, or other customers, may experience financial difficulties that could result in them being unable to fulfill their payment obligations to the Company.

In order to mitigate the credit risk associated with its receivables, management performs an initial credit evaluation prior to entering into an arrangement with a customer and then regularly monitors the credit quality of each customer through an analysis of collections history and aging. This monitoring process includes meetings on at least a monthly basis to identify credit concerns and potential changes in credit quality classification. A customer may improve their credit quality classification once a substantial payment is made on an overdue balance or when the customer has agreed to a payment plan and payments have commenced in accordance with that plan. Changes in credit quality classification are dependent upon management approval. The Company's internal credit quality classifications are as follows:

- Good Standing – The theater operator continues to be in good standing as payments and reporting are received on a regular basis.

- Credit Watch – The theater operator has demonstrated a delay in payments, but continues to be in active communication with the Company. Theater operators placed on Credit Watch are subject to enhanced monitoring. In addition, depending on the size of the outstanding balance, length of time in arrears, and other factors, future transactions may need to be approved by management. These receivables are in better condition than those in the Pre-Approved Transactions Only category, but are not in as good condition as the receivables in the Good Standing category.

- Pre-Approved Transactions Only – The theater operator has demonstrated a delay in payments with little or no communication with the Company. All services and shipments to the theater operator must be reviewed and approved by management. These receivables are in better condition than those in the All Transactions Suspended category, but are not in as good condition as the receivables in the Credit Watch category. In certain situations, a theater operator may be placed on nonaccrual status and all revenue recognition related to the theater may be suspended, including the accretion of Finance Income for Financing Receivables.

- All Transactions Suspended – The theater operator is severely delinquent, non-responsive or not negotiating in good faith with the Company. Once a theater operator is classified within the All Transactions Suspended category, the theater is placed on nonaccrual status and all revenue recognitions related to the theater are suspended, including the accretion of Finance Income for Financing Receivables.

During the period when the accretion of Finance Income is suspended for Financing Receivables, any payments received from a customer are applied against the outstanding balance owed. If payments are sufficient to cover any unreserved receivables, a reversal of the provision is recorded to the extent of the residual cash received. Once the collectability issues are resolved and the customer has returned to being in good standing, the Company will resume recognition of Finance Income.

When a customer's aging exceeds 90 days, the Company's policy is to perform an enhanced review to assess collectability of the theater's past due accounts. The over 90 days past due category may be an indicator of potential impairment as up to 90 days outstanding is considered to be a reasonable time to resolve any issues.

The Company develops an estimate of expected credit losses by class of receivable and customer type through a calculation that utilizes historical loss rates which are then adjusted for specific receivables that are judged to have a higher-than-normal risk profile after considering management's internal credit quality classifications. Additional credit loss provisions are also recorded taking into account macro-economic and industry risk factors. The write-off of any billed receivable balance requires the approval of management.

Management's judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect. The impacts of inflation, and rising interest rates may impact future credit losses. The Company will continue to monitor economic trends and conditions and portfolio performance and adjust its allowance for credit loss accordingly. Refer to Note 2(b), Estimates and Assumptions, for information regarding Cineworld and theater operators in Russia, Ukraine, and Belarus.

Accounts Receivable

Accounts receivable principally includes amounts currently due to the Company under IMAX System sale and sales-type lease arrangements, contingent fees owed by theater operators as a result of box office performance, and fees for maintenance services. Accounts receivable also includes amounts due to the Company from movie studios and other content creators principally for digitally remastering films into IMAX formats, as well as for film distribution and post-production services.

The following tables summarize the activity in the allowance for credit losses related to Accounts Receivable for the years ended December 31, 2023 and 2022:

	Year Ended December 31, 2023			
(In thousands of U.S. Dollars)	**Theater Operators**	**Studios**	**Other**	**Total**
Beginning balance	**$ 11,144**	**$ 1,699**	**$ 1,276**	**$ 14,119**
Current period provision (reversal), net	**4,771**	**(944)**	**(270)**	**3,557**
Write-offs, net of recoveries	**(1,225)**	**(133)**	**–**	**(1,358)**
Foreign exchange	**(335)**	**(6)**	**–**	**(341)**
Ending balance	**$ 14,355**	**$ 616**	**$ 1,006**	**$ 15,977**

	Year Ended December 31, 2022			
(In thousands of U.S. Dollars)	Theater Operators	Studios	Other	Total
Beginning balance	$ 8,867	$ 1,994	$ 1,085	$ 11,946
Current period provision (reversal), net	2,687	(128)	585	3,144
Write-offs, net of recoveries	(43)	(128)	(394)	(565)
Foreign exchange	(367)	(39)	–	(406)
Ending balance	$ 11,144	$ 1,699	$ 1,276	$ 14,119

For the year ended December 31, 2023, the Company's allowance for current expected credit losses related to Accounts Receivable increased by $1.9 million, largely the result of an increase in aged receivables. In the fourth quarter of 2023, the $1.5 million COVID-19 reserve for China was released of which $0.3 million related to Accounts Receivable and $1.2 million to Financing Receivables.

For the year ended December 31, 2022, the Company's allowance for current expected credit losses related to Accounts Receivable increased by $2.2 million principally due to reserves established against its receivables in Russia due to uncertainties associated with the ongoing Russia-Ukraine conflict and resulting sanctions, partially offset the reversal of provisions associated with the COVID-19 pandemic as the outlook for the theatrical exhibition industry in Domestic and Rest of World markets continues to improve. As of December 31, 2022, there remains a $1.5 million of COVID-19 additional reserve for China.

Financing Receivables

Financing receivables are due from theater operators and consist of the Company's net investment in sales-type leases and receivables associated with financed sales of IMAX Systems. As of December 31, 2023 and 2022, financing receivables consist of the following:

(In thousands of U.S. Dollars)	**December 31, 2023**	December 31, 2022
Net investment in leases		
Gross minimum payments due under sales-type leases	**$ 30,459**	$ 29,727
Unearned finance income	**(467)**	(619)
Present value of minimum payments due under sales-type leases	**29,992**	29,108
Allowance for credit losses	**(453)**	(776)
Net investment in leases	**29,539**	28,332
Financed sales receivables		
Gross minimum payments due under financed sales	**135,684**	141,337
Unearned finance income	**(28,452)**	(29,340)
Present value of minimum payments due under financed sales	**107,232**	111,997
Allowance for credit losses	**(9,617)**	(10,945)
Net financed sales receivables	**97,615**	101,052
Total financing receivables	**$ 127,154**	$ 129,384
Net financed sales receivables due within one year	**$ 32,031**	$ 32,366
Net financed sales receivables due after one year	**65,584**	68,686
Total financed sales receivables	**$ 97,615**	$ 101,052

As of December 31, 2023 and 2022, the weighted-average remaining lease term and weighted-average interest rate associated with the Company's sales-type lease arrangements and financed sales receivables, as applicable, are as follows:

	December 31, 2023	December 31, 2022
Weighted-average remaining lease term (in years)		
Sales-Type lease arrangements	**8.3**	9.0
Weighted-average interest rate		
Sales-Type lease arrangements	**7.88%**	8.23%
Financed sales receivables	**8.97%**	8.79%

The tables below provide information on the Company's net investment in leases by credit quality indicator as of December 31, 2023 and 2022. The amounts disclosed for each credit quality classification are determined on a customer-by-customer basis and include both billed and unbilled amounts.

(In thousands of U.S. Dollars)			**By Origination Year**				
As of December 31, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
Net investment in leases:							
Credit quality classification:							
In good standing	**$ 2,435**	**$ 3,262**	**$ 6,241**	**$ 2,173**	**$ 1,677**	**$ 1,138**	**$ 16,926**
Credit Watch	**–**	**490**	**–**	**–**	**–**	**313**	**803**
Pre-approved transactions	**–**	**–**	**3,462**	**1,182**	**5,221**	**1,997**	**11,862**
Transactions suspended	**–**	**–**	**–**	**–**	**–**	**401**	**401**
Total net investment in leases	**$ 2,435**	**$ 3,752**	**$ 9,703**	**$ 3,355**	**$ 6,898**	**$ 3,849**	**$ 29,992**

(In thousands of U.S. Dollars)			By Origination Year				
As of December 31, 2022	2022	2021	2020	2019	2018	Prior	Total
Net investment in leases:							
Credit quality classification:							
In good standing	$ 4,148	$ 6,969	$ 2,494	$ 1,977	$ –	$ 1,016	$ 16,604
Credit Watch	–	–	–	–	–	–	–
Pre-approved transactions	–	3,089	1,162	5,401	2,451	–	12,103
Transactions suspended	–	–	–	–	–	401	401
Total net investment in leases	$ 4,148	$ 10,058	$ 3,656	$ 7,378	$ 2,451	$ 1,417	$ 29,108

The tables below provide information on the Company's financed sales receivables by credit quality indicator as of December 31, 2023 and 2022. The amounts disclosed for each credit quality classification are determined on a customer-by-customer basis and include both billed and unbilled amounts.

(In thousands of U.S. Dollars)			**By Origination Year**				
As of December 31, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
Financed sales receivables:							
Credit quality classification:							
In good standing	**$ 6,660**	**$ 5,921**	**$ 5,961**	**$ 5,415**	**$ 8,058**	**$ 44,870**	**$ 76,885**
Credit Watch	**–**	**30**	**–**	**–**	**317**	**796**	**1,143**
Pre-approved transactions	**607**	**313**	**2,619**	**1,455**	**2,084**	**8,508**	**15,586**
Transactions suspended	**–**	**–**	**728**	**345**	**1,546**	**10,999**	**13,618**
Total financed sales receivables	**$ 7,267**	**$ 6,264**	**$ 9,308**	**$ 7,215**	**$ 12,005**	**$ 65,173**	**$107,232**

(In thousands of U.S. Dollars)			By Origination Year				
As of December 31, 2022	2022	2021	2020	2019	2018	Prior	Total
Financed sales receivables:							
Credit quality classification:							
In good standing	$ 10,252	$ 8,643	$ 6,280	$ 8,541	$ 9,854	$ 39,912	$ 83,482
Credit Watch	–	–	–	–	–	1,152	1,152
Pre-approved transactions	–	2,318	1,399	1,134	1,449	9,243	15,543
Transactions suspended	272	664	142	1,269	1,197	8,276	11,820
Total financed sales receivables	$ 10,524	$ 11,625	$ 7,821	$ 10,944	$ 12,500	$ 58,583	$111,997

The balance of financed sales receivables classified within the Transactions Suspended category as of December 31, 2023 includes amounts due from exhibitors in Russia, Ukraine, and Belarus which were reclassified from other credit quality classifications in 2022 as a result of the ongoing Russia-Ukraine conflict and resulting sanctions.

The following tables provide an aging analysis for the Company's net investment in leases and financed sales receivables as of December 31, 2023 and 2022:

	As of December 31, 2023							
(In thousands of U.S. Dollars)	**Accrued and Current**	**30-89 Days**	**90+ Days**	**Billed**	**Unbilled**	**Recorded Receivable**	**Allowance for Credit Losses**	**Net**
Net investment in leases	**$ 293**	**$ 212**	**$ 4,598**	**$ 5,103**	**$ 24,889**	**$ 29,992**	**$ (453)**	**$ 29,539**
Financed sales receivables	**1,535**	**1,196**	**10,704**	**13,435**	**93,797**	**107,232**	**(9,617)**	**97,615**
Total	**$ 1,828**	**$ 1,408**	**$ 15,302**	**$ 18,538**	**$ 118,686**	**$ 137,224**	**$ (10,070)**	**$ 127,154**

(In thousands of U.S. Dollars)	As of December 31, 2022 Accrued and Current	30-89 Days	90+ Days	Billed	Unbilled	Recorded Receivable	Allowance for Credit Losses	Net
Net investment in leases	$ 237	$ 216	$ 2,593	$ 3,046	$ 26,062	$ 29,108	$ (776)	$ 28,332
Financed sales receivables	2,269	1,307	12,793	16,369	95,628	111,997	(10,945)	101,052
Total	$ 2,506	$ 1,523	$ 15,386	$ 19,415	$ 121,690	$ 141,105	$ (11,721)	$ 129,384

The following tables provide information about the Company's net investment in leases and financed sales receivables with billed amounts past due for which it continues to accrue finance income as of December 31, 2023 and 2022. The amounts disclosed for each credit quality classification are determined on a customer-by-customer basis and include both billed and unbilled amounts.

(In thousands of U.S. Dollars)	**As of December 31, 2023** **Accrued and Current**	**30-89 Days**	**90+ Days**	**Billed**	**Unbilled**	**Allowance for Credit Losses**	**Net**
Net investment in leases	**$ 259**	**$ 212**	**$ 4,598**	**$ 5,069**	**$ 22,651**	**$ (9)**	**$ 27,711**
Financed sales receivables	**798**	**782**	**10,517**	**12,097**	**33,552**	**(1,198)**	**44,451**
Total	**$ 1,057**	**$ 994**	**$ 15,115**	**$ 17,166**	**$ 56,203**	**$ (1,207)**	**$ 72,162**

(In thousands of U.S. Dollars)	As of December 31, 2022 Accrued and Current	30-89 Days	90+ Days	Billed	Unbilled	Allowance for Credit Losses	Net
Net investment in leases	$ 190	$ 181	$ 2,593	$ 2,964	$ 17,070	$ (230)	$ 19,804
Financed sales receivables	1,550	1,115	10,814	13,479	43,172	(1,587)	55,064
Total	$ 1,740	$ 1,296	$ 13,407	$ 16,443	$ 60,242	$ (1,817)	$ 74,868

The following table provides information about the Company's net investment in leases and financed sales receivables that are on nonaccrual status as of December 31, 2023 and 2022:

	As of December 31, 2023			As of December 31, 2022		
(In thousands of U.S. Dollars)	**Recorded Receivable**	**Allowance for Credit Losses**	**Net**	Recorded Receivable	Allowance for Credit Losses	Net
Net investment in leases	**$ 401**	**$ (401)**	**$ –**	$ 401	$ (401)	$ –
Net financed sales receivables	**29,204**	**(8,884)**	**20,320**	27,364	(9,589)	17,775
Total	**$ 29,605**	**$ (9,285)**	**$ 20,320**	$ 27,765	$ (9,990)	$ 17,775

For the year ended December 31, 2023, the Company recognized less than $0.1 million (2022 – $0.1 million; 2021 – $0.1 million) in Finance Income related to the net investment in leases with billed amounts past due. For the years ended December 31, 2023, 2022 and 2021, the Company did not recognize any Finance Income related to the net investment in leases in nonaccrual status. For the year ended December 31, 2023, the Company recognized $2.7 million (2022 – $3.6 million; 2021 – $3.7 million) in Finance Income related to the financed sales receivables with billed amounts past due. For the year ended December 31, 2023, the Company recognized $0.2 million (2022 – $0.5 million; 2021 – $0.2 million) in Finance Income related to the financed sales receivables in nonaccrual status.

The following tables summarize the activity in the allowance for credit losses related to the Company's net investment in leases and financed sales receivables for years ended December 31, 2023 and 2022:

	Year Ended December 31, 2023	
(In thousands of U.S. Dollars)	**Net Investment in Leases**	**Financed Sales Receivables**
Beginning balance	**$ 776**	**$ 10,945**
Current period reversal, net	**(61)**	**(1,644)**
Foreign exchange	**(262)**	**316**
Ending balance	**$ 453**	**$ 9,617**

	Year Ended December 31, 2022	
(In thousands of U.S. Dollars)	Net Investment in Leases	Net Financed Sales Receivables
Beginning balance	$ 798	$ 5,414
Current period provision, net	5	5,783
Foreign exchange	(27)	(252)
Ending balance	$ 776	$ 10,945

For the year ended December 31, 2023, the Company's allowance for current expected credit losses related to its net investment in leases and financed sales receivables decreased by $1.7 million. This decrease is principally due to the release of China's COVID-19 pandemic provision of $1.5 million, of which $1.2 million relates to its net investment in leases and financed sales receivables.

For the year ended December 31, 2022, the Company's allowance for current expected credit losses related to its net investment in leases and financed sales receivables increased by $5.5 million. This decrease is principally due to reserves established against its receivables in Russia due to uncertainties associated with the ongoing Russia-Ukraine conflict and resulting sanctions, partially offset by the reversal of provisions associated with the COVID-19 pandemic as the outlook for the theatrical exhibition industry in Domestic and Rest of World markets continues to improve.

Variable Consideration Receivables

In sale arrangements, variable consideration may become due to the Company from theater operators if certain annual minimum box office receipt thresholds are exceeded. Such variable consideration is recorded as revenue in the period when the sale is recognized and adjusted in future periods based on actual results and changes in estimates. Variable consideration is only recognized to the extent the Company believes there is not a risk of significant revenue reversal.

The following table summarizes the activity in the Allowance for Credit Losses related to Variable Consideration Receivables for the years ended December 31, 2023 and 2022:

(In thousands of U.S. Dollars)	Year Ended December 31, 2023	2022
Beginning balance	**$ 610**	$ 1,082
Current period provision (reversal), net	**35**	(440)
Foreign Exchange	**(12)**	(32)
Ending balance	**$ 633**	$ 610

For the year ended December 31, 2023, the Company's allowance for current expected credit losses related to Variable Consideration Receivables remained consistent at $0.6 million. As of December 31, 2023, there was no COVID-19 pandemic provision remaining.

For the year ended December 31, 2022, the Company's allowance for current expected credit losses related to Variable Consideration Receivables decreased by $0.5 million. This decrease is principally due to the reversal of provisions associated with the COVID-19 pandemic as the outlook for the theatrical exhibition industry in Domestic and Rest of World markets continues to improve.

6. Lease Arrangements

(a) IMAX Corporation as a Lessee

The Company's operating lease arrangements principally involve office and warehouse space. Office equipment is generally purchased outright. Leases with an initial term of less than 12 months are not recorded on the Consolidated Balance Sheets and the related lease expense is recognized on a straight-line basis over the lease term. Most of the Company's leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years or more. The Company has determined that it is reasonably certain that the renewal options on its warehouse leases will be exercised based on previous history, its current understanding of future business needs, and its level of investment in leasehold improvements, among other factors. The incremental borrowing rate used in the calculation of the Company's lease liabilities is based on the location of each leased property. None of the Company's leases include options to purchase the leased property. The depreciable lives of right-of-use assets and related leasehold improvements are limited by the expected lease term. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company rents or subleases certain office space to third parties, which have a remaining term of less than 12 months and are not expected to be renewed.

In 2022, the Company entered into a finance lease arrangement involving equipment used to facilitate the delivery of live events to certain IMAX locations. The lease arrangement includes an option for the Company to purchase the equipment at the end of the lease term that is reasonably certain to be exercised. The resulting right-of-use assets are being depreciated from the lease commencement dates over the useful life of the underlying equipment. The incremental borrowing rate used in the calculation of the lease liabilities is based on the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar term.

For the years ended December 31, 2023, 2022, and 2021 the components of lease expense recorded within Selling, General and Administrative Expenses are as follows:

(In thousands of U.S. Dollars)	**Years Ended December 31,** **2023**	2022	2021
Operating lease cost:			
Amortization of operating lease assets	**$ 2,677**	$ 2,734	$ 2,791
Interest on operating lease liabilities	**768**	825	937
Short-term and variable lease costs	**507**	616	713
Finance lease cost:			
Amortization of finance lease assets	**398**	171	N/A
Interest on finance lease liabilities	**45**	22	N/A
Total lease cost	**$ 4,395**	$ 4,368	$ 4,441

For the years ended December 31, 2023, 2022, and 2021, supplemental cash and non-cash information related to leases is as follows:

(In thousands of U.S. Dollars)	**Years Ended December 31,** **2023**	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:			
Operating leases	**$ 3,675**	$ 3,783	$ 3,839
Finance leases	**480**	948	N/A
Supplemental disclosure of non-cash leasing activities:			
Right-of-use assets obtained in exchange for operating lease obligations	**972**	3,068	1,047
Right-of-use assets obtained in exchange for finance lease obligations	**–**	1,990	N/A

As of December 31, 2023 and 2022, supplemental balance sheet information related to leases is as follows:

(In thousands of U.S. Dollars)		**December 31,** **2023**	2022
Assets	**Balance Sheet Location**		
Operating lease right-of-use assets	Property, plant and equipment	**$ 10,599**	$ 12,341
Finance lease right-of-use assets	Property, plant and equipment	**1,420**	1,876
Liabilities	**Balance Sheet Location**		
Operating lease liabilities	Accrued and other liabilities	**12,702**	14,641
Finance lease liabilities[(1)]	Accrued and other liabilities	**518**	1,011

(1) Recorded net of $nil (2022 – $0.9 million) upfront payment made upon execution of the finance lease arrangement.

As of December 31, 2023 and 2022, the weighted-average remaining lease term and weighted-average interest rate associated with the Company's leases are as follows:

	December 31, 2023	2022
Operating leases:		
Weighted-average remaining lease term (years)	**4.9**	6.0
Weighted-average discount rate	**5.85%**	5.90%
Finance leases:		
Weighted-average remaining lease term (years)	**3.6**	4.7
Weighted-average discount rate	**6.0%**	6.0%

As of December 31, 2023, the maturities of the Company's operating and finance lease liabilities are as follows:

(In thousands of U.S. Dollars)	Operating Leases	Finance Leases
2024	$ 2,740	$ 535
2025	2,544	–
2026	2,482	–
2027	2,481	–
2028	2,484	–
Thereafter	2,167	–
Total lease payments	14,898	535
Less: interest expense	(2,196)	(17)
Present value of lease liabilities	$ 12,702	$ 518

(b) IMAX Corporation as a Lessor

The Company provides IMAX Systems to customers through long-term lease arrangements that for accounting purposes are classified as sales-type leases. Under these arrangements, in exchange for providing the IMAX System, the Company earns fixed upfront and ongoing consideration. Certain arrangements that are legal sales are also classified as sales-type leases as certain clauses within the arrangements limit transfer of title or provide the Company with conditional rights to the system. The customer's rights under the Company's sales-type lease arrangements are described in Note 2(o). Under the Company's sales-type lease arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company's lease portfolio terms are typically non-cancellable for 10 to 20 years with renewal provisions from inception. The Company's sales-type lease arrangements do not contain a guarantee of residual value at the end of the lease term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and an extended warranty generally after the first year of the lease until the end of the lease term. The customer is responsible for obtaining insurance coverage for the IMAX System commencing on the date specified in the arrangement's shipping terms and ending on the date the IMAX System is returned to the Company.

The Company also provides IMAX Systems to customers through joint revenue sharing arrangements. Under the traditional form of these arrangements, in exchange for providing the IMAX System under a long-term lease, the Company earns rent based on a percentage of contingent box office receipts and, in some cases, concession revenues, rather than a fixed upfront fee or annual minimum payments. Under certain other joint revenue sharing arrangements, known as hybrid arrangements, the customer is responsible for making fixed upfront payments prior to the delivery and installation of the IMAX System. Under joint revenue sharing arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company's joint revenue sharing arrangements are typically non-cancellable for 10 years or longer with renewal provisions. Title to the IMAX System under a joint revenue sharing arrangement generally does not transfer to the customer. The Company's joint revenue sharing arrangements do not contain a guarantee of residual value at the end of the lease term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and an extended warranty throughout the term. The customer is responsible for obtaining insurance coverage for the IMAX System commencing on the date specified in the arrangement's shipping terms and ending on the date the IMAX System is returned to the Company.

The following lease payments are expected to be received by the Company for its sales-type leases and joint revenue sharing arrangements in each of the next five years and thereafter following the December 31, 2023 balance sheet date:

(In thousands of U.S. Dollars)		**Sales-Type Leases**		**Joint Revenue Sharing Arrangements**
2024	$	3,222	$	71
2025		3,112		27
2026		3,031		–
2027		2,965		–
2028		2,813		–
Thereafter		9,307		–
Total	$	24,450	$	98

(Refer to Note 6 for additional information related to the net investment in leases related to the Company's sales-type lease arrangements.)

7. Variable Consideration from Contracts with Customers

The arrangement for the sale of an IMAX System includes indexed minimum payment increases over the term of the arrangement, as well as the potential for additional payments owed by the customer if certain minimum box office receipt thresholds are exceeded. In addition, hybrid sales arrangements include amounts owed by the customer based on a percentage of their box office receipts over the term of the arrangement. These contract provisions are considered to be variable consideration. An estimate of the present value of such variable consideration is recognized as revenue upon the transfer of control of the System Obligation to the customer, subject to constraints to ensure that there is not a risk of significant revenue reversal. This estimate is based on management's box office projections for the individual IMAX System, which are developed using historical data for the location and, if necessary, comparable theaters and territories. (Refer to Note 2(o) for a more detailed discussion of the Company's accounting policy related to variable consideration.)

The following table summarizes the activity related to variable consideration from contracts with customers for the years ended December 31, 2023, 2022, and 2021:

(In thousands of U.S. Dollars)

Balance as of January 1, 2021	$	40,526
Variable consideration for newly recognized sales		4,696
Accretion to finance income		1,985
Transferred to receivables from variable consideration assets		(3,794)
Movement in allowance for credit losses		805
Balance as of December 31, 2021		44,218
Variable consideration for newly recognized sales		7,109
Accretion to finance income		1,846
Transferred to receivables from variable consideration assets		(9,621)
Movement in allowance for credit losses (see Note 5)		472
Balance as of December 31, 2022		44,024
Variable consideration for newly recognized sales		28,580
Accretion to finance income		2,644
Transferred to receivables from variable consideration assets		(10,887)
Movement in allowance for credit losses (see Note 5)		(23)
Balance as of December 31, 2023	$	64,338

12. Income Taxes

(a) *Income (loss) Before Taxes by Jurisdiction*

Income (loss) before taxes by tax jurisdiction for the years ended December 31, 2023, 2022, and 2021 consists of the following:

	Years Ended December 31,		
(In thousands of U.S. Dollars)	**2023**	2022	2021
Canada	**$ (13,366)**	$ (55,623)	$ (55,480)
United States	**5,195**	4,281	3,218
China	**34,433**	11,466	53,792
Ireland	**19,371**	24,070	829
Other	**484**	6,037	8,628
	$ 46,117	$ (9,769)	$ 10,987

(b) Income Tax Expense

Income tax expense for the years ended December 31, 2023, 2022, and 2021 consists of the following:

(In thousands of U.S. Dollars)	**Years Ended December 31,** **2023**	2022	2021
Income tax expense – current:			
Canada	**$ (3,102)**	$ (1,149)	$ (915)
United States	**(1,638)**	(274)	(1,038)
China	**(3,634)**	(4,437)	(11,045)
Ireland	**(3,481)**	(2,802)	(1,358)
Other	**(2,643)**	(3,519)	(3,212)
Sub-total	**(14,498)**	(12,181)	(17,568)
Income tax (expense) benefit – deferred:			
Canada[(1)]	**2,456**	943	(231)
United States	**1,537**	(131)	(1,268)
China[(2)]	**(433)**	2,763	(381)
Ireland	**(2,040)**	(1,562)	(997)
Other	**(73)**	60	(119)
Sub-total	**1,447**	2,073	(2,996)
Total[(3)]	**$ (13,051)**	$ (10,108)	$ (20,564)

(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 required. For the year ended December 31, 2023, the Company recorded a $0.7 million net decrease (2022 – net increase of $16.8 million) in the valuation allowance against its deferred tax assets in Canada. The $0.7 million net decrease in the valuation allowance recorded in 2023 is reflected within Income Tax Expense in the Company's Consolidated Statements of Operations.

(2) The Company's deferred tax liability of $14.9 million as of December 31, 2022 relates to the estimated applicable foreign withholding taxes associated with historical earnings that were not indefinitely reinvested which will become payable upon the repatriation of any such earnings. During the year ended December 31, 2023, $24.0 million (2022 – $27.4 million) of historical earnings from a subsidiary in China were distributed and as a result, $2.4 million (2022 – $2.7 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, 2023 is $12.5 million (2022 – $14.9 million).

(3) For the year ended December 31, 2023, Income Tax Expense excludes a tax expense of $0.2 million included in Other Comprehensive (Loss) Income (2022 – expense of $0.8 million; 2021 – benefit of $0.3 million).

(e) Net Operating Loss Carryforwards

Estimated Canadian net operating loss carryforwards of $123.3 million can be used to reduce taxable income through 2043, China net operating losses of $5.3 million can be used to reduce taxable income through 2028, and $14.4 million of Ireland net operating losses can be carried forward indefinitely. Investment tax credits and other tax credits of $5.2 million can be carried forward to reduce income taxes payable through to 2043.

(f) 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. During the year ended December 31, 2023, $24.0 million (2022 – $27.4 million) of historical earnings from a subsidiary in China were distributed and, as a result, $2.4 million (2022 – $2.7 million) of foreign withholding taxes were paid to the relevant tax authorities. The Company has a deferred tax liability of $12.5 million as of December 31, 2023 (2022 – $14.9 million) related to the estimated applicable foreign withholding taxes associated with these historical earnings.

(g) Valuation Allowance

As of December 31, 2023, the Company's Consolidated Balance Sheets include net deferred income tax assets of $8.0 million, net of a valuation allowance of $62.1 million (December 31, 2022 – $9.9 million, net of a valuation allowance of $62.9 million). For the year ended December 31, 2023, the Company recorded a net decrease in valuation allowance of $0.7 million (2022 – net increase of $16.8 million). The net decrease includes an increase of $2.0 million in reporting entities where it was concluded that it is more likely than not that the benefit from deferred tax assets will not be realized. This was offset by a decrease of $1.3 million related to the recognition of certain losses in IMAX China that management now considers to be realizable and a decrease of $1.4 million related to uncertain tax positions. The net decrease in the valuation allowance is reflected within Income Tax Expense in the Company's Consolidated Statements of Operations. The valuation allowance is expected to reverse at the point in time when management determines it is more likely than not that the Company will incur sufficient tax liabilities to allow it to utilize the deferred tax assets against which the valuation allowance is recorded.

(h) Uncertain Tax Positions

As of December 31, 2023, the Company had total tax reserves (including interest and penalties) of $12.0 million (2022 – $12.3 million) for various uncertain tax positions. While the Company believes it has adequately provided for all tax positions, amounts asserted by taxing authorities could differ from the Company's accrued liability. Accordingly, additional provisions on federal, provincial, state and foreign tax-related matters may be required in the future as revised estimates are made or the underlying matters are settled or otherwise resolved.

For the year ended December 31, 2023, the Company recorded a net decrease of \$0.8 million (2022 – \$2.2 million, 2021 – \$2.1 million) related to tax reserves (excluding interest and penalties) primarily related to tax years becoming statute barred for purposes of future tax examinations by local tax jurisdictions, partially offset by additional tax positions related to prior years.

The Company has elected to classify interest and penalties related to income tax liabilities, when applicable, as part of the Income Tax Expense in its Consolidated Statements of Operations rather than Interest Expense. The Company recorded a net increase of \$0.6 million in potential interest and penalties associated with its provision for uncertain tax positions for the years ended December 31, 2023 (2022 – \$0.6 million; 2021 – \$1.4 million).

The following table presents a reconciliation of the beginning and ending amount of tax reserves (excluding interest and penalties) for the years ended December 31, 2023, 2022, and 2021:

	Years Ended December 31,		
(In thousands of U.S. Dollars)	**2023**	2022	2021
Balance at beginning of the year	**\$ 9,733**	\$ 11,939	\$ 14,076
Additions based on tax positions related to the current year	**–**	11	37
Additions (reductions) for tax positions of prior years	**1,552**	(94)	(991)
Reductions resulting from lapse of applicable statute of limitations and administrative practices	**(2,331)**	(2,123)	(1,183)
Balance at the end of the year	**\$ 8,954**	\$ 9,733	\$ 11,939

The number of years with open tax audits varies depending on the tax jurisdiction. The Company's material taxing jurisdictions include Canada, the United States, Ireland, and China. The Company's 2020 through 2023 tax years remain subject to examination by the IRS for United States federal tax purposes, and the 2016 through 2023 tax years remain subject to examination by the appropriate governmental agencies for Canadian federal tax purposes. There are other on-going audits in various other jurisdictions that are not material to the Consolidated Financial Statements.

The Company is subject to audit by tax authorities in the various jurisdictions in which it operates in the ordinary course of its business and believes that it has adequately reserved for the expected exposures in its accounts. During the fourth quarter of 2022, the Company received a Notice of Reassessment (the "**Reassessment**") in the amount of \$13.2 million (inclusive of interest). A revised Reassessment was issued by the CRA in May 2023 to reduce the amount previously reassessed to \$2.7 million (inclusive of interest). The Company has filed a Notice of Objection with respect to this Reassessment and believes that the matter will be resolved on a basis that is consistent with its filing position.

14. Borrowings

Bank of China Facility

In June 2022, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai**"), one of the Company's majority-owned subsidiaries in China, renewed its unsecured revolving facility with Bank of China for up to 200.0 million Chinese Renminbi ("**RMB**") ($28.2 million), including RMB10.0 million ($1.4 million) for letters of guarantee, to fund ongoing working capital requirements (the "**Bank of China Facility**"). The Bank of China Facility expired in September 2023 and has been renewed to February 21, 2025.

As of December 31, 2023, no borrowings were outstanding under the Bank of China Facility and outstanding letters of guarantee were RMB0.2 million (less than $0.1 million). As of December 31, 2022, outstanding Bank of China Facility borrowings were RMB2.6 million ($0.4 million) and outstanding letters of guarantee were RMB2.8 million ($0.4 million).

As of December 31, 2023, the amount available for future borrowings under the Bank of China Facility was RMB190.0 million ($26.8 million) and the amount available for letters of guarantee was RMB9.8 million ($1.4 million). The amount available for future borrowings under the Bank of China Facility is not subject to a standby fee. The effective interest rate for the year ended December 31, 2023 was 3.85% (2022 – 4.12%).

HSBC China Facility

In June 2022, IMAX Shanghai entered into an unsecured revolving facility for up to RMB200.0 million ($28.2 million) with HSBC Bank (China) Company Limited, Shanghai Branch to fund ongoing working capital requirements (the "**HSBC China Facility**"). As of December 31, 2023, no borrowings were outstanding under the HSBC China facility (December 31, 2022 – RMB87 million or $12.5 million). As of December 31, 2023, the amount available for future borrowings under the HSBC China Facility was RMB200.0 million ($28.2 million). The effective interest rate for the year ended December 31, 2023 was 3.88% (2022 – 3.91%).

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.

Awards under the IMAX LTIP may consist of stock options, RSUs, PSUs, and other awards. Stock options are no longer granted under the Company's previously approved Stock Option Plan ("**SOP**").

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, 2023, 2022, and 2021, 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)	**2023**	2022	2021
Expense			
China Options	**$ 12**	$ 91	$ 285
China RSUs	**2,337**	2,284	2,810
China PSUs	**647**	262	578
Total	**$ 2,996**	$ 2,637	$ 3,673

In 2022, IMAX China modified the terms of certain fully vested stock options to extend their contractual life by one year and recorded an associated expense of $0.1 million (2021 — $0.1 million). No such charges were incurred in 2023.

Issuer Purchases of Equity Securities

In 2022, IMAX China's shareholders granted its Board of Directors ("**IMAX China Board**") a general mandate authorizing the IMAX China Board, subject to applicable laws, to repurchase shares of IMAX China not to exceed 10% of the total number of issued shares as of June 23, 2022 (34,063,480 shares). This program expired on the date of the 2023 Annual General Meeting of IMAX China on June 7, 2023. During the 2023 Annual General Meeting, shareholders approved the repurchase of shares of IMAX China not to exceed 10% of the total number of shares as of June 7, 2023 (33,959,314 shares). This program will be valid until the 2024 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 2023, IMAX China repurchased 16,800 (2022 – 2,961,800) common shares at an average price of HKD7.11 per share (U.S. $0.91 per share) for a total of HKD0.1 million or less than U.S. $0.1 million (2022 – HKD8.0 per share or U.S. $1.02 per share, for a total of HKD23.7 million or U.S. $3.0 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 2(a)).

The following table summarizes the IMAX China's share repurchases during the years ended December 31, 2023 and 2022:

	Total Number of Shares Repurchased		Average Price Paid Per Share	
(in thousands of U.S. Dollars)	**2023**	2022	**2023**	2022
Shares repurchased	**16,800**	2,961,800	**$ 0.91**	$ 1.02

(e) ***Statutory Surplus Reserve***

Pursuant to the corporate law of 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 contribution when the 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.

The statutory surplus reserve of RMB36.4 million ($5.6 million) has reached 50% of its PRC subsidiaries' registered capital, as such no further contributions to the reserve are required.

21. Segment Reporting

The Company's Chief Executive Officer ("**CEO**") is its Chief Operating Decision Maker ("**CODM**"), as such term is determined 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.

In the first quarter of 2023, the Company revised its internal segment reporting, including the information provided to the CODM to assess segment performance and allocate resources. Accordingly, the Company has two reportable segments:

(1) Content Solutions – principally includes the digital remastering of films and other content into IMAX formats for distribution across the IMAX network. To a lesser extent, the Content Solutions segment also earns revenue from the distribution of large-format documentary films and IMAX events and experiences including music, gaming, and sports, as well as the provision of film post-production services.

(2) Technology Products and Services – principally includes the sale, lease, and maintenance of IMAX Systems. To a lesser extent, the Technology Product and Services segment also earns revenue from certain ancillary theater business activities, including after-market sales of IMAX System parts and 3D glasses.

The Company's activities that do not meet the criteria to be considered a reportable segment are reported within All Other. Prior period comparatives have been revised to conform with the current period presentation.

(a) Segment Financial Information

The following table presents the Company's revenue and gross margin by reportable segment for the years ended December 31, 2023, 2022, and 2021:

	Years Ended December 31,					
	Revenue[1]			Gross Margin		
(In thousands of U.S. Dollars)	**2023**	2022	2021	**2023**	2022	2021
Content Solutions	**$ 126,698**	$ 101,820	$ 76,989	**$ 74,106**	$ 51,240	$ 45,269
Technology Products and Services	**234,303**	192,368	172,952	**129,946**	101,055	86,041
Sub-total for reportable segments	**361,001**	294,188	249,941	**204,052**	152,295	131,310
All Other	**13,838**	6,617	4,942	**10,289**	4,060	3,096
Total	**$ 374,839**	$ 300,805	$ 254,883	**$ 214,341**	$ 156,355	$ 134,406

The following table presents the Company's assets by reportable segment, reconciled to consolidated assets, as of December 31, 2023 and 2022:

	As of December 31,	
(In thousands of U.S. Dollars)	**2023**	2022
Content Solutions	**$ 97,123**	$ 92,706
Technology Products and Services	**529,057**	524,309
Sub-total for reportable segments	**626,180**	617,015
All Other	**43,994**	29,686
Corporate and other non-segment specific assets	**144,495**	174,453
Total	**$ 814,669**	$ 821,154

The following table presents the Company's amortization by reportable segment, and on a consolidated basis, for the years ended December 31, 2023, 2022, and 2021:

	Years Ended December 31,		
(In thousands of U.S. Dollars)	**2023**	2022	2021
Content Solutions	**$ 24,032**	$ 18,790	$ 17,441
Technology Products and Services	**28,497**	24,089	26,284
Sub-total for reportable segments	**52,529**	42,879	43,725
All Other	**1,395**	309	–
Corporate and other non-segment specific assets	**16,098**	13,473	12,357
Total	**$ 60,022**	$ 56,661	$ 56,082

The following table presents the Company's write-downs, including asset impairments and credit loss expense (reversal), by reportable segment, and on a consolidated basis, for the years ended December 31, 2023, 2022, and 2021:

(In thousands of U.S. Dollars)	Years Ended December 31,[2] **2023**	2022	2021
Content Solutions	**$ 411**	$ 848	$ 151
Technology Products and Services	**1,233**	1,714	1,254
Sub-total for reportable segments	**1,644**	2,562	1,405
All Other	**151**	–	–
Corporate and other non-segment specific assets[2]	**1,848**	13,161	(3,592)
Total	**$ 3,643**	$ 15,723	$ (2,187)

The following table presents the Company's purchases of Property, Plant and Equipment within the Consolidated Statements of Cash Flows by reportable segment for the years ended December 31, 2023, 2022, and 2021:

(In thousands of U.S. Dollars)	Years Ended December 31, **2023**	2022	2021
Content Solutions	**$ 722**	$ 5,321	$ 2,208
Technology Products and Services	**17,883**	22,381	10,740
Sub-total for reportable segments	**18,605**	27,702	12,948
All Other	**566**	9	–
Corporate and other non-segment specific assets	**5,320**	516	736
Total	**$ 24,491**	$ 28,227	$ 13,684

(1) The Company's largest customer represents 10% of total Revenues as of December 31, 2023 (2022 – 12%; 2021 – 10%). No single customer comprises more than 10% of the Company's total Accounts Receivable as of December 31, 2023 and 2022.

(2) Includes a provision for current expected credit losses of $1.8 million (2022 – provision of $8.5 million; 2021 – net reversal of $4.0 million). (Refer to Note 5.) In 2022, the Company recognized a full impairment of its RMB30.0 million ($4.5 million) investment in the film *Mozart from Space* based on projected box office results and distribution costs. (Refer to Note 22(e).)

(b) Geographic Information

Revenue by geographic area is based on the location of the customer. Revenue related to the IMAX Film Remastering process is presented based upon the geographic location of the IMAX System that exhibit the remastered films. IMAX Film Remastering revenue is generated through contractual relationships with studios and other third parties and these may not be in the same geographical location as the IMAX System.

The following table summarizes the Company's revenues by geographic area for the years ended December 31, 2023, 2022, and 2021:

(In thousands of U.S. Dollars)	Years Ended December 31, 2023	2022	2021
United States	**$ 117,925**	$ 107,734	$ 73,499
Greater China	**91,901**	73,330	112,801
Asia (excluding Greater China)	**59,690**	47,145	23,682
Western Europe	**54,908**	40,245	20,942
Latin America	**13,788**	9,418	3,601
Canada	**18,746**	7,550	3,266
Rest of the World	**17,881**	15,383	17,092
Total	**$ 374,839**	$ 300,805	$ 254,883

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

The following table presents the breakdown of Property, Plant and Equipment by geography as of December 31, 2023 and 2022:

(In thousands of U.S. Dollars)	As of December 31, 2023	2022
United States	**$ 98,831**	$ 94,505
Greater China	**72,492**	86,665
Canada	**37,877**	36,385
Western Europe	**12,763**	20,132
Asia (excluding Greater China)	**16,538**	10,471
Rest of the World	**4,798**	4,738
Total	**$ 243,299**	$ 252,896

22. Financial Instruments

(a) Financial Instruments

The Company maintains cash with various major financial institutions. The Company's cash is invested with highly rated financial institutions. The Company's $76.2 million balance of cash and cash equivalents as of December 31, 2023 (December 31, 2022 – $97.4 million) includes $68.5 million in cash held outside of Canada (December 31, 2022 – $79.7 million), of which $30.0 million was held in the PRC (December 31, 2022 – $43.7 million).

(b) Fair Value Disclosures

The carrying values of the Company's Cash and Cash Equivalents, Accounts Receivable, Accounts Payable, and Accrued Liabilities due within one year approximate their fair values due to the short-term maturity of these instruments. Including these instruments, the Company's financial instruments consist of the following:

(In thousands of U.S. Dollars)	**As of December 31, 2023** Carrying Amount	Estimated Fair Value	As of December 31, 2022 Carrying Amount	Estimated Fair Value
Level 1				
Cash and cash equivalents[(1)]	**$ 76,200**	**$ 76,200**	$ 97,401	$ 97,401
Equity securities[(2)]	**–**	**–**	1,035	1,035
Level 2				
Net financed sales receivables[(3)]	**$ 97,615**	**$ 96,500**	$ 101,052	$ 100,059
Net investment in sales-type leases[(3)]	**29,539**	**28,751**	28,332	27,972
Equity securities[(1)]	**1,000**	**1,000**	1,000	1,000
COLI[(4)]	**3,522**	**3,522**	3,398	3,398
Foreign exchange contracts – designated forwards[(2)]	**819**	**819**	(649)	(649)
Wells Fargo Credit Facility borrowings[(1)]	**(24,000)**	**(24,000)**	(25,000)	(25,000)
HSBC China Facility borrowings[(1)]	**–**	**–**	(12,496)	(12,496)
Bank of China Facility borrowings[(1)]	**–**	**–**	(374)	(374)
Federal Economic Development Loan[(3)]	**(2,498)**	**(2,498)**	(1,782)	(1,782)
Convertible Notes[(5)]	**(230,000)**	**(205,850)**	(230,000)	(196,717)

(1) Recorded at cost, which approximates fair value.

(2) Fair value is determined using quoted prices in active markets.

(3) Fair value is estimated based on discounting future cash flows at currently available interest rates with comparable terms.

(4) Measured at cash surrender value, which approximates fair value.

(5) Fair value is determined using quoted market prices that are observable in the market or that could be derived from observable market data.

(c) Foreign Exchange Risk Management

The Company is exposed to market risk from changes in foreign currency rates.

A majority of the Company's revenues 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 is converted to Canadian Dollars to fund Canadian Dollar expenses through the spot market. In China and Japan, the Company has ongoing operating expenses related to its operations in RMB and Japanese Yen, respectively. Net cash flows are converted to and from U.S. Dollars through the spot market. The Company also has cash receipts under leases denominated in RMB, Japanese Yen, Canadian Dollars, and Euros which are converted to U.S. Dollars through the spot market. In addition, because IMAX films generate box office in 90 different countries, unfavorable exchange rates between applicable local currencies and the U.S. Dollar could have an impact on box office receipts and the Company's revenues and results of operations. The Company's policy is to not use any financial instruments for trading or other speculative purposes.

The Company has entered into a series of foreign currency forward contracts to manage the risks associated with the volatility of foreign currencies. Certain of these foreign currency forward contracts met the criteria required for hedge accounting under the Derivatives and Hedging Topic of the FASB ASC at inception, and continue to meet hedge effectiveness tests as of December 31, 2023 (the "**Foreign Currency Hedges**"), with settlement dates throughout 2024 and 2025. Foreign currency derivatives are recognized and measured in the Consolidated Balance Sheets at fair value. Changes in the fair value (i.e., gains or losses) are recognized in the Consolidated Statements of Operations except for derivatives designated and qualifying as foreign currency cash flow hedging instruments. The Company currently has cash flow hedging instruments associated with Selling, General and Administrative Expenses. For foreign currency cash flow hedging instruments related to Selling, General and Administrative Expenses, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in Accumulated Other Comprehensive Loss and reclassified to the Consolidated Statements of Operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the Consolidated Statements of Operations.

The following tabular disclosures reflect the impact that derivative instruments and hedging activities have on the Company's Consolidated Financial Statements:

Notional value of foreign exchange contracts:

(In thousands of U.S. Dollars)	**As of December 31, 2023**	2022
Derivatives designated as hedging instruments:		
Foreign exchange contracts – Forwards	**$ 40,563**	$ 24,707

Fair value of derivatives in foreign exchange contracts:

(In thousands of U.S. Dollars)	**Balance Sheet Location**	**As of December 31, 2023**	2022
Derivatives designated as hedging instruments:			
Foreign exchange contracts – Forwards	Other assets	**$ 846**	$ 50
	Accrued and other liabilities	**(27)**	(699)
		$ 819	$ (649)

Derivatives in foreign currency hedging relationships are as follows:

(In thousands of U.S. Dollars)		**Years Ended December 31, 2023**	2022	2021
Foreign exchange contracts – Forwards	Derivative Gain (Loss) Recognized in OCI (Effective Portion)	**$ 575**	$ (1,323)	$ 468

(In thousands of U.S. Dollars)	**Location of Derivative (Loss) Gain Reclassified from AOCI (Effective Portion)**	**Years Ended December 31,**		
		2023	2022	2021
Foreign exchange contracts	Selling, general and administrative expenses	**$ (892)**	$ (596)	$ 1,707

Non-designated derivatives in foreign currency relationships are as follows:

(In thousands of U.S. Dollars)		**Years Ended December 31,**		
		2023	2022	2021
Foreign exchange contracts – Forwards	Derivative Gain Reclassified From AOCI (Ineffective Portion)	**$ –**	$ –	$ (318)

(In thousands of U.S. Dollars)	**Location of Derivative Gain**	**Years Ended December 31,**		
		2023	2022	2021
Foreign exchange contracts – Forwards	Selling, general and administrative expenses	**$ –**	$ –	$ 398

The Company's estimated net amount of the existing gain as of December 31, 2023 is $0.6 million, which is expected to be reclassified to earnings within the next twelve months.

(d) Investments in Equity Securities

As of December 31, 2023, the Consolidated Balance Sheets includes $nil (December 31, 2022 – $1.0 million) of shares of an exchange traded fund which is classified as an investment in equity securities.

As of December 31, 2023, the Company held investments in the preferred shares of enterprises which meet the criteria for classification as an equity security carried at historical cost, net of impairment charges. The carrying value of these equity security investments was $1.0 million as of December 31, 2023 (December 31, 2022 – $1.0 million) and is recorded in Other Assets.

(e) Interest in Film

In 2022, IMAX (Shanghai) Culture and Technology Co., Ltd, a wholly-owned subsidiary of IMAX China, entered into a joint film investment agreement with Wanda Film (Horgos) Co. Ltd. to invest RMB30.0 million ($4.7 million) in the movie *Mozart from Space*, which was released on July 15, 2022. Pursuant to the investment agreement, IMAX (Shanghai) Culture and Technology Co., Ltd. has the right to receive a share of the profits or losses of the film distribution. IMAX (Shanghai) Culture and Technology Co., Ltd.'s commitment is limited to its investment and has no further obligation if the actual movie production cost exceeds the original budget. The investment meets the criteria for classification as a financial asset. The investment is measured at amortized cost less impairment losses and is recorded within Other Assets in the Consolidated Balance Sheets.

In 2022, the Company recognized a full impairment of its RMB30.0 million ($4.5 million) investment in *Mozart from Space* based on projected box office results and distribution costs.

No contributions to film investments were made in 2023.

24. Government Assistance

(c) China Grant

IMAX China receives local district grants primarily related to taxes paid, including corporate income taxes, value-added taxes, individual income taxes, and withholding taxes for dividends and/or cross-border activities. Government grants are recognized in the period the costs were incurred.

For the year ended December 31, 2023, $5.4 million was recognized primarily as a reduction in Costs and Expenses Applicable to Revenues and Income Tax Expense. The impact to net income attributable to common shareholders was $3.4 million.

For the years ended December 2022 and 2021, $1.3 million and $2.7 million was recognized primarily as a reduction in Costs and Expenses Applicable to Revenues and Income Tax Expense, respectively. The impact to net income attributable to common shareholders of $0.8 million and $1.7 million for the years ended December 2022 and 2021, respectively.

25. Non-Controlling Interests

(a) IMAX China Non-Controlling Interest

As of December 31, 2023, the Company indirectly owns 71.55% of IMAX China, whose shares trade on the Hong Kong Stock Exchange (December 31, 2022 – 71.73%). IMAX China remains a consolidated subsidiary of the Company. The balance of non-controlling interest in IMAX China as of December 31, 2023 is $71.8 million (December 31, 2022 – $65.7 million). The net income attributable to non-controlling interest of IMAX China for the year ended December 31, 2023 is $7.8 million (2022 – $3.0 million; 2021 – $12.8 million).

(2) EARNINGS RELEASE EXTRACTS

IMAX CORPORATION REPORTS Q4 AND FULL-YEAR 2023 RESULTS

- IMAX achieves global box office of approximately $1.1 billion, approaching previous record

"As the entertainment landscape transforms, it is clear that IMAX is among its premier, in-demand destinations. We drove significant expansion and diversification of our global footprint, with a record 61% of our system installations coming from strategic Rest of World markets such as Japan, South Korea and Europe. Even as we deliver an outsized share of the global box office, we estimate the current IMAX network is only at 47% penetration – with the opportunity to open nearly 2,000 additional locations worldwide."

"Our strong network growth is a direct result of our global content strategy, which has yielded the biggest and most diverse portfolio of IMAX Experiences ever. 2023 saw IMAX deliver a record at the North American box office, highest grossing year ever for local language films and overall box office approaching our best year ever. We are strategically managing our content portfolio to drive greater share of Hollywood releases, grow local language, accelerate our pipeline of IMAX Documentaries, and push further into emerging verticals including music and gaming, live experiences and recurring programming."

"Through our global technology platform, IMAX powers awe-inspiring experiences for audiences around the world – capitalizing on the limitlessness of human imagination and need for shared experiences. We look forward to further capturing this opportunity, growing our network and content portfolio, to deliver results for our shareholders."

Fourth Quarter and December Full-Year Financial Highlights

Content Solutions Segment

- Content Solutions revenue of $126.7 million increased 24% year-over-year for the full year 2023 while Q4 revenue of $19.1 million decreased 35% year-over-year. Gross box office from IMAX locations for full year 2023 of approximately $1.1 billion was up 25% while Q4 2023 of $170 million was down 32% year-over-year. IMAX set numerous records for box office during 2023 including:

  - o Highest full year local language box office of $227 million

  - o Highest full year domestic box office of $393 million

  - o Highest Q3 box office of $347 million

- Gross margin for Content Solutions of $74.1 million for the full year 2023 increased 45% year-over-year while Q4 gross margin of $9.7 million decreased 20% year-over-year. The Company saw significant margin expansion for full year 2023 (up 800 basis points) and Q4 2023 (up 1000 basis points) driven by the operating leverage in our business along with our disciplined cost management.

Technology Products and Services Segment

- Technology Products and Services revenues and gross margin for full year 2023 increased 22% year-over-year to $234.3 million and 28% year-over-year to $129.9 million, respectively. Q4 revenue and gross margin decreased 5% year-over-year to $62.5 million and 15% year-over-year to $29.9 million, respectively.

- For the full year 2023 the Company installed 128 systems compared to 92 systems in full year 2022. Of those, 75 systems were under sales and hybrid JRSA arrangements, compared to 46 systems in the prior year.

- During the fourth quarter the Company installed 69 systems compared to 52 systems in the fourth quarter of 2022. Of those, 38 systems were under sales and hybrid JRSA arrangements, compared to 24 systems in the prior year.

- Commercial network growth accelerated with the number of IMAX locations increasing 4% year over year to 1,693. The Company ended 2023 with a backlog of 450 IMAX systems.

IMAX CORPORATION
NON-GAAP FINANCIAL MEASURES
(in thousands of U.S. dollars)

In this release, the Company presents adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per basic and diluted share, EBITDA, Adjusted EBITDA per Credit Facility, Adjusted EBITDA margin as supplemental measures of the Company's performance, which are not recognized under U.S. GAAP. Adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per basic and diluted share exclude, where applicable: (i) share-based compensation; (ii) COVID-19 government relief benefits, net; (iii) realized and unrealized investment gains or losses; (iv) transaction-related expenses; and (v) restructuring and executive transition costs, as well as the related tax impact of these adjustments.

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 attributable to common shareholders and adjusted net income 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.

In addition to the non-GAAP financial measures discussed above, management also uses "EBITDA," as such term is defined in the Company's 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. Adjusted EBITDA per Credit Facility 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) transaction-related expenses; (iv) restructuring and executive transition costs; and (v) write-downs, net of recoveries, including asset impairments and credit loss expense.

A reconciliation of net income (loss) attributable to common shareholders, which is the most directly comparable GAAP measure, to EBITDA and Adjusted EBITDA per Credit Facility is presented in the table below. Net income (loss) attributable to common shareholders is the most directly comparable GAAP measure because it reflects the earnings relevant to the Company's shareholders, rather than the earnings attributable to non-controlling interests.

In this release, the Company also presents free cash flow, which is not recognized under U.S. GAAP, as a supplemental measure of the Company's liquidity. The Company definition of free cash flow deducts only normal recurring capital expenditures, including the Company's investment in joint revenue sharing arrangements, the purchase of property, plant and equipment and the acquisition of other intangible assets (from the Consolidated Statements of Cash Flows), from net cash provided by or used in operating activities. Management believes that free cash flow is a supplemental measure of the cash flow available to reduce debt, add to cash balances, and fund other financing activities. Free cash flow does not represent residual cash flow available for discretionary expenditures. A reconciliation of cash provided by operating activities to free cash flow is presented below.

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 EBITDA per Credit Facility

(In thousands of U.S. Dollars)	For the Three Months Ended December 31, 2023 [(1)]			For the Three Months Ended December 31, 2022 [(1)]		
	Attributable to Non-controlling Interests and Common Shareholders	Less: Attributable to Non-controlling Interests	Attributable to Common Shareholders	Attributable to Non-controlling Interests and Common Shareholders	Less: Attributable to Non-controlling Interests	Attributable to Common Shareholders
Reported net income	$ 3,311	$ 771	$ 2,540	$ 4,081	$ 1,468	$ 2,613
Add (subtract):						
Income tax expense	(1,850)	(147)	(1,703)	2,016	786	1,230
Interest expense, net of interest income	636	(137)	773	559	(15)	574
Depreciation and amortization, including film asset amortization	13,545	1,161	12,384	13,998	1,109	12,889
Amortization of deferred financing costs[(2)]	493	–	493	712	–	712
EBITDA	$ 16,135	$ 1,648	$ 14,487	$ 21,366	$ 3,348	$ 18,018
Stock and other non-cash compensation	6,400	144	6,256	8,063	205	7,858
Unrealized investment (gains) losses	(29)	–	(29)	29	–	29
Transaction-related expenses[(3)]	327	208	119	166	–	166
Write-downs, including asset impairments and credit loss expense	812	(37)	849	1,867	162	1,705
Restructuring and executive transition costs[(4)]	1,593	258	1,335	–	–	–
Adjusted EBITDA per Credit Facility	$ 25,238	$ 2,221	$ 23,017	$ 31,491	$ 3,715	$ 27,776
Revenues attributable to common shareholders[(5)]	86,018	4,687	81,331	98,046	7,273	90,773
Adjusted EBITDA margin attributable to common shareholders	29.3%	47.4%	28.3%	32.1%	51.1%	30.6%

(In thousands of U.S. Dollars)	**For the Twelve Months Ended December 31, 2023 [1]**			For the Twelve Months Ended December 31, 2022 [1]		
	Attributable to Non-controlling Interests and Common Shareholders	**Less: Attributable to Non-controlling Interests**	**Attributable to Common Shareholders**	Attributable to Non-controlling Interests and Common Shareholders	Less: Attributable to Non-controlling Interests	Attributable to Common Shareholders
Reported net income (loss)	**$ 33,066**	**$ 7,731**	**$ 25,335**	$ (19,877)	$ 2,923	$ (22,800)
Add (subtract):						
Income tax expense	**13,051**	**1,725**	**11,326**	10,108	1,256	8,852
Interest expense, net of interest income	**2,101**	**(408)**	**2,509**	1,272	(251)	1,523
Depreciation and amortization, including film asset amortization	**60,022**	**5,312**	**54,710**	56,661	4,820	51,841
Amortization of deferred financing costs[2]	**2,235**	**–**	**2,235**	3,177	–	3,177
EBITDA	**$ 110,475**	**$ 14,360**	**$ 96,115**	$ 51,341	$ 8,748	$ 42,593
Stock and other non-cash compensation	**24,230**	**774**	**23,456**	27,573	760	26,813
Unrealized investment gains	**(465)**	**(93)**	**(372)**	(70)	–	(70)
Transaction-related expenses[3]	**3,569**	**208**	**3,361**	1,122	–	1,122
Write-downs, including asset impairments and credit loss expense	**3,273**	**362**	**2,911**	15,723	1,723	14,000
Restructuring and executive transition costs[4]	**2,946**	**258**	**2,688**	–	–	–
Adjusted EBITDA per Credit Facility	**$ 144,028**	**$ 15,869**	**$ 128,159**	$ 95,689	$ 11,231	$ 84,458
Revenues attributable to common shareholders[5]	**374,839**	**25,674**	**349,165**	300,805	20,883	279,922
Adjusted EBITDA margin attributable to common shareholders	**38.4%**	**61.8%**	**36.7%**	31.8%	53.8%	30.2%

(1) The Senior Secured Net Leverage Ratio is calculated using Adjusted EBITDA per Credit Facility determined on a trailing twelve-month basis.

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

(3) Reflects costs incurred resulting from the Company's proposal to acquire the outstanding 96.3 million shares in IMAX China.

(4) Reflects costs in connection with the departure of the President, IMAX Entertainment and Executive Vice President of the Company and other employees to capture efficiencies and centralize certain operational roles.

(5)

(In thousands of U.S. Dollars)	**Three months ended December 31, 2023**		Three months ended December 31, 2022		**Year ended December 31, 2023**		Year ended December 31, 2022	
Total revenues		**$ 86,018**		$ 98,046		**$ 374,839**		$ 300,805
Greater China revenues	**$ 16,521**		$ 25,728		**$ 90,496**		$ 73,330	
Non-controlling interest ownership percentage[6]	**28.37%**		28.27%		**28.37%**		28.48%	
Deduction for non-controlling interest share of revenues		**(4,687)**		(7,273)		**(25,674)**		(20,883)
Revenues attributable to common shareholders		**$ 81,331**		$ 90,773		**$ 349,165**		$ 279,922

DEFINITIONS USED IN THIS ANNOUNCEMENT

"Annual Report"	the annual report of IMAX Corporation dated 27 February 2024
"Board" or "Board of Directors"	the board of directors of the Company
"CG Code"	the Corporate Governance Code set out in Appendix C1 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 27 February 2024 New York time
"Earnings Release"	the earnings announced by IMAX Corporation on 27 February 2024 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 Mainland China, Hong Kong, Macau and Taiwan
"Group", "we", "our" or "us"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	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 C3 of the Listing Rules
"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 Greater China which was produced by one or more Chinese producer(s) or jointly produced by one or more Chinese producer(s) and one or more foreign producer(s) and was converted into IMAX format and released to IMAX theatres in Greater China pursuant to a DMR production services agreement entered into by a distributor with IMAX Shanghai Multimedia or IMAX Hong Kong in their respective territories, and meets the requirements of the relevant laws and regulations of Greater China
"commercial theatre"	a theatre owned or operated by an exhibitor, excluding theatres associated with museums, zoos, aquaria and other destination entertainment sites which do not play commercial films
"distributor"	an organisation that distributes films to exhibitors or, in Mainland China, theatre circuits for exhibition at theatres

"exhibitor"	exhibitors are theatre investment management companies which own and operate theatres; exhibitors receive copies of films from the theatre circuits but retain control over the screening schedules
"full revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement, and no, or a relatively small, upfront payment
"Hollywood film"	an imported motion picture for theatrical release in global network which has been produced by one or more foreign producer(s) and was converted into IMAX format and released to IMAX theatres pursuant to a DMR production services agreement entered into between IMAX Corporation and a distributor and the importation and release of such motion picture has been permitted in accordance with the relevant laws and regulations of Greater China
"Hollywood studio"	a studio producing Hollywood films
"hybrid revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for an upfront fee that is typically half of the payment under a sales arrangement and a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement, that is typically half of that under a full revenue sharing arrangement
"IMAX 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
"Other Film"	a motion picture which was converted into IMAX format and released to IMAX theatres in Greater China, excluding all Hollywood films or Chinese language films

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

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

Hong Kong, 28 February 2024

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

Executive Directors:
Daniel Manwaring
Jiande Chen
Jim Athanasopoulos

Non-Executive Directors:
Richard Gelfond
Robert Lister

Independent Non-Executive Directors:
John Davison
Yue-Sai Kan
Janet Yang
Peter Loehr

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