IMAX CHINA HOLDING, INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1970)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

AND

INSIDE INFORMATION

OUR CONTROLLING SHAREHOLDER IMAX CORPORATION RELEASED ITS UNAUDITED RESULTS AND QUARTERLY REPORT FOR THE SECOND QUARTER AND THE FIRST HALF OF FISCAL 2017

INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of IMAX China Holding, Inc. (the "**Company**" or "**IMAX China**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2017. The interim results have been reviewed by the Group's external auditor and the Audit Committee.

INSIDE INFORMATION

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

Our controlling shareholder, IMAX Corporation has, on or about 26 July 2017, at 5:14 p.m. New York time, released its unaudited results and on or about 5:20 p.m. New York time, released its quarterly report for the second quarter of 2017.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2017	2016	
	(Unaudited)	*(Unaudited)*	Change %
Total revenue (US$'000)	**51,572**	55,061	(6.3)%
Gross profit (US$'000)	**32,556**	33,942	(4.1)%
Gross profit %	**63.1%**	61.6%	2.4%
Profit for the period (US$'000)	**16,489**	17,742	(7.1)%
Profit for the period %	**32.0%**	32.2%	(0.6)%
Profit per share (US$)	**0.05**	0.05	—
Adjusted profit (US$'000)	**17,689**	18,592	(4.9)%
Adjusted profit %	**34.3%**	33.8%	1.5%
Total theatre system signings	**83**	79	5.1%
Sales arrangements	**43**	29	48.3%
Revenue sharing arrangements	**40**	50	(20.0)%
Total theatre system installations	**36**	30	20.0%
Sales arrangements	**12**	9	33.3%
Revenue sharing arrangements	**24**	19	26.3%
Upgrades	**—**	2	(100.0)%
Gross box office (US$'000)	**167,401**	180,467	(7.2)%
Box office per screen (US$'000)	**411**	615	(33.2)%

INTERIM DIVIDEND

The Board has recommended that no interim dividend be paid in respect of the six months ended 30 June 2017.

FINANCIAL INFORMATION

The financial information set out below in this announcement represents an extract from the condensed consolidated interim financial information, which is unaudited but has been reviewed by the Group's external auditor, PricewaterhouseCoopers ("**PwC**"), in accordance with International Standard on Review Engagements 2410 and by the audit committee of the Company. PwC's unmodified review report is included in the Interim Report to be sent to shareholders.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(In thousands of U.S. dollars)

		Six months ended 30 June	
		2017	2016
	Notes	***(Unaudited)***	*(Unaudited)*
Revenues	5	**51,572**	55,061
Cost of sales	6	**(19,016)**	(21,119)
Gross profit	5	**32,556**	33,942
Selling, general and administrative expenses	6	**(7,799)**	(8,598)
Restructuring expenses	6, 7	**(584)**	—
Other operating expenses	6	**(3,191)**	(2,980)
Operating profit		**20,982**	22,364
Interest income		**285**	259
Profit before income tax		**21,267**	22,623
Income tax expense	8	**(4,778)**	(4,881)
Profit for the period attributable to owners of the Company		**16,489**	17,742
Other comprehensive income (loss):			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		**3,412**	(1,397)
Other comprehensive income (loss)		**3,412**	(1,397)
Total comprehensive income for the period attributable to owners of the Company		**19,901**	16,345
Profit per share attributable to owners of the Company — basic and diluted (expressed in U.S. dollars per share):			
From profit for the period — basic	9	**0.05**	0.05
From profit for the period — diluted	9	**0.05**	0.05

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(In thousands of U.S. dollars)

	Notes	**As at 30 June 2017 (Unaudited)**	As at 31 December 2016 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	**79,857**	69,751
Other assets		**4,911**	4,741
Deferred income tax asset	12	**2,899**	1,830
Financing receivables		**32,391**	30,309
Interests in a joint venture	13	**—**	—
		120,058	106,631
Current assets			
Other assets		**1,697**	1,796
Film assets		**46**	10
Inventories		**10,013**	5,731
Prepayments		**2,726**	1,093
Financing receivables		**6,604**	5,831
Trade and other receivables	11	**45,618**	37,975
Cash and cash equivalents		**112,937**	105,903
		179,641	158,339
Total assets		**299,699**	264,970

	Notes	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred revenue	16	**9,452**	21,067
		9,452	21,067
Current liabilities			
Trade and other payables	15	**30,024**	28,459
Accruals and other liabilities		**8,509**	10,820
Income tax liabilities		**4,386**	2,446
Deferred revenue	16	**37,556**	13,025
		80,475	54,750
Total liabilities		**89,927**	75,817
EQUITY			
Equity attributable to owners of the Company			
Share capital		**35**	35
Share premium		**372,314**	372,131
Capital reserves		**(29,791)**	(30,326)
Accumulated deficit		**(126,311)**	(142,800)
Accumulated other comprehensive loss		**(6,475)**	(9,887)
Total equity		**209,772**	189,153
Total equity and liabilities		**299,699**	264,970

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

1. General information

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

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

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

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

Pursuant to the reorganisation of the Group (the "**Reorganisation**") as set out under the section headed "History and Reorganisation" in the prospectus of the Company dated 24 September 2015, which was completed on 8 October 2015, the Company became the holding Company of the Group. The Reorganisation is merely a reorganisation of the Group's business, with no change in management of such business, and the Controlling Shareholder remains the same.

The condensed consolidated interim financial information is presented in United States dollars ("**US$**"), unless otherwise stated.

2. Summary of significant accounting policies

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

(a) Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standard 34 ("**IAS 34**"), "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The preparation of condensed consolidated interim financial information in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(b) Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

Taxes on income in the six months ended 30 June 2017 and 2016 are accrued using the tax rate that would be applicable to expected total annual profits.

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3. New accounting standards and accounting changes

New standards, amendments and interpretations not yet adopted

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

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("**OCI**") and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

IFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has performed an analysis of its contracts to determine those in scope of the standard, has performed detailed analyses of those contracts and identified its performance obligations. At this time, the Group does not believe its future distinct performance obligations will be significantly different from its current deliverables, including its existing system deliverable. The Group has also determined that its revenues from film, hybrid revenue sharing arrangement contracts and sales arrangement contracts will be impacted to varying degrees by the inclusion of variable consideration in the calculation of contract consideration. Revenues from film distribution are expected to use the sales-based royalty model of revenue recognition and as a result, the Group does not expect a significant difference from the current revenue recognition methodology. Revenue recognition practices for aftermarket sales, new business and owned and operated theatres are not expected to change. The Group anticipates that film revenues will accelerate from the period in which the gross box office is earned to the period in which the film is released to the IMAX theatre network. Hybrid revenue sharing arrangements will increase by an estimated amount of variable consideration earned from gross box office over the term of the arrangement, appropriately constrained on account of the extent of time until resolution of the contingency. Sales contract consideration will also increase by a component of variable consideration for consumer price index increases and gross box office returns, though the Group does not expect the number to be significant to any one contract. The Group currently intends to adopt the new standard using the modified retrospective method and continues to make significant progress in gathering historical information on its contracts in preparation applying the opening adjustment and for preparing the standard's expanded disclosure requirements.

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

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

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

4. Financial instruments

(a) Financial instruments

The Group maintains cash with various major financial institutions.

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

(b) Fair value measurements

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

	As at 30 June 2017 ***(Unaudited)***		As at 31 December 2016 *(Audited)*	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Net financed sales receivable	**38,593**	**39,598**	35,709	36,901
Net investment in finance leases	**402**	**402**	431	431
Available-for-sale investment	**4,000**	**n/a**	4,000	n/a

	Loans and receivables	**Available-for-sale**	**Total**
30 June 2017 (unaudited)			
Assets as per statement of financial position			
Available-for-sale investment	**—**	**4,000**	**4,000**
Net financed sales receivable	**38,593**	**—**	**38,593**
Net investment in finance leases	**402**	**—**	**402**
Trade and other receivables	**45,618**	**—**	**45,618**
Cash and cash equivalents	**112,937**	**—**	**112,937**
	197,550	**4,000**	**201,550**

	Liabilities at fair value through profit or loss	Liabilities at amortised cost	Total
Liabilities as per statement of financial position			
Trade and other payables	**—**	**30,024**	**30,024**
	—	**30,024**	**30,024**

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

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

Cash and cash equivalents are comprised of cash and interest-bearing investments with original maturity dates of 90 days or less. Cash and cash equivalents are recorded at cost, which approximates fair value as at 30 June 2017 and 31 December 2016, respectively.

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

The estimated fair values of the net financed sales receivable and net investment in finance leases are estimated based on discounting future cash flows at currently available interest rates with comparable terms as at 30 June 2017 and 31 December 2016, respectively.

There were no significant transfers between Level 1 and Level 2 during the six months ended 30 June 2017 (30 June 2016: none). When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement.

5. Revenue and segmented information

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

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

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

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

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
Revenue		
Network business		
Film	**14,579**	15,926
Revenue sharing arrangements — contingent rent	**10,908**	13,380
Sales arrangements — contingent rent	**176**	245
	25,663	29,551
Theatre business		
Sales arrangements	**16,499**	16,012
Revenue sharing arrangements — upfront fees	**1,878**	3,387
Theatre system maintenance	**6,979**	5,665
Other theatre	**414**	446
	25,770	25,510
New business and other	**139**	—
Total	**51,572**	55,061

	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
Gross profit		
Network business		
Film	**9,987**	11,729
Revenue sharing arrangements — contingent rent	**5,743**	10,055
Sales arrangements — contingent rent	**176**	245
	15,906	22,029
Theatre business		
Sales arrangements	**11,892**	8,344
Revenue sharing arrangements — upfront fees	**222**	387
Theatre system maintenance	**4,281**	3,301
Other theatre	**187**	210
	16,582	12,242
New business and other	**68**	(329)
Total gross profit	**32,556**	33,942
Selling, general and administrative expenses	**(7,799)**	(8,598)
Restructuring expenses	**(584)**	—
Other operating expenses	**(3,191)**	(2,980)
Interest income	**285**	259
Profit before income tax	**21,267**	22,623

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

(b) Significant customers

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

Customer A

Revenues of approximately $12.9 million in the six months ended 30 June 2017 (30 June 2016: $12.4 million) are derived from a related party. These revenues are attributable to the film, theatre system maintenance and other segments.

Customer B

Revenues of approximately $11.9 million in the six months ended 30 June 2017 (30 June 2016: $14.3 million) are derived from a single external customer. These revenues are attributable to revenue sharing arrangements, theatre system maintenance, sales arrangements and other segments.

No other single customers comprises of more than 10% of total revenues in the six months ended 30 June 2017 or 2016.

6. Expenses by nature

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
Cost of theatre system sales and finance leases	**6,310**	10,486
Depreciation, including revenue sharing arrangements and film cost	**7,742**	5,755
Employee salaries and benefits	**4,741**	3,974
Theatre maintenance fees	**1,426**	1,340
Other employee expenses	**1,100**	1,034
Advertising and marketing expenses	**2,213**	2,835
Technology and trademark fees	**2,769**	2,980
Travel and transportation expenses	**489**	614
Professional fees	**764**	825
Operating lease rentals in respect of office buildings	**624**	850
Share-based compensation expenses	**1,003**	1,090
Provision for receivables impairment	**85**	—
Foreign exchange (gains)/losses	**(146)**	45
Other business expenses	**975**	469
Other film costs (recoveries)	**103**	(73)
Auditor's remuneration		
— Non-audit services	**56**	23
— Audit services	**217**	421
Utilities and maintenance expenses	**119**	29
Total costs of sales, selling, general and administrative expenses, restructuring expenses and other operating expenses	**30,590**	32,697

7. Restructuring expenses

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

In connection with the Company's restructuring initiatives, the Company incurred $0.6 million in restructuring expenses for the six months ended 30 June 2017, to better align its organizational structure and costs with its strategy. A summary of the restructuring expenses recognised during the six months ended 30 June 2017 is as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
Employee severance and benefits	**297**	—
Facilities	**246**	—
Share-based compensation expenses	**41**	—
Total restructuring expenses	**584**	—

8. Income tax expense

	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
Current income tax:		
Current tax on profits for the period	**(5,798)**	(5,615)
Adjustments in respect of prior years	**—**	85
Total current income tax	**(5,798)**	(5,530)
Deferred income tax:		
Origination and reversal of temporary differences	**1,020**	649
Total deferred income tax	**1,020**	649
Income tax expense	**(4,778)**	(4,881)

Income tax expense for the six months ended 30 June 2017 and 2016 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

For the six months ended 30 June 2017, the estimated average annual tax rate used for the year ending 31 December 2017 was 22%. For the six months ended 30 June 2016, the estimated average annual tax rate used for the year ending 31 December 2016 was 22%.

9. Profit per share

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
Profit for the period	**16,489**	17,742
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of period	**356,565**	355,325
Weighted average number of shares issued during the period	**19**	8
Weighted average number of shares used in computing basic earnings per share	**356,584**	355,333
Adjustments for:		
Stock options	**5,282**	6,652
Restricted share units	**59**	—
Weighted average number of shares used in computing diluted earnings per share	**361,925**	361,985

10. Property, plant and equipment

	Theatre System Components	Office and Production Equipment	Leasehold Improvements	Construction in Process	Total
As at 1 January 2017 (audited)					
Cost	**82,408**	**1,514**	**1,905**	**3,042**	**88,869**
Accumulated depreciation	**(17,476)**	**(604)**	**(1,038)**	**—**	**(19,118)**
Net book amount	**64,932**	**910**	**867**	**3,042**	**69,751**
Six months ended 30 June 2017 (unaudited)					
Opening net book amount	**64,932**	**910**	**867**	**3,042**	**69,751**
Exchange differences	**1,892**	**29**	**31**	**39**	**1,991**
Additions	**—**	**72**	**—**	**12,691**	**12,763**
Transfers	**7,681**	**—**	**73**	**(7,754)**	**—**
Disposals	**(332)**	**—**	**(73)**	**—**	**(405)**
Depreciation charge	**(3,833)**	**(188)**	**(222)**	**—**	**(4,243)**
Closing net book amount	**70,340**	**823**	**676**	**8,018**	**79,857**
As at 30 June 2017 (unaudited)					
Cost	**91,620**	**1,622**	**1,951**	**8,018**	**103,211**
Accumulated depreciation	**(21,280)**	**(799)**	**(1,275)**	**—**	**(23,354)**
Net book amount	**70,340**	**823**	**676**	**8,018**	**79,857**
As at 1 January 2016 (audited)					
Cost	64,368	970	978	454	66,770
Accumulated depreciation	(13,708)	(400)	(672)	—	(14,780)
Net book amount	50,660	570	306	454	51,990
Six months ended 30 June 2016 (unaudited)					
Opening net book amount	50,660	570	306	454	51,990
Exchange differences	150	(155)	—	5	—
Additions	27	390	681	8,242	9,340
Transfers	4,809	—	399	(5,208)	—
Disposals	(166)	—	—	—	(166)
Depreciation charge	(2,663)	(93)	(186)	—	(2,942)
Closing net book amount	52,817	712	1,200	3,493	58,222

11. Trade and other receivables

	As at 30 June 2017 *(Unaudited)*	As at 31 December 2016 *(Audited)*
Trade receivables	**15,967**	18,979
Less: provision for impairment of trade receivables	**(252)**	(176)
Trade receivables — net	**15,715**	18,803
Receivables from IMAX Corporation	**23,509**	14,879
Loan receivable from a joint venture	**2,601**	—
Other accrued receivables	**3,793**	4,293
	45,618	37,975

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

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

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
0–30 days	**9,145**	7,905
31–60 days	**1,023**	1,541
61–90 days	**4,486**	1,350
Over 90 days	**24,822**	23,062
	39,476	33,858

12. Deferred income tax

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

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	*(Audited)*
Opening balance	**1,830**	1,309
Exchange differences	**49**	(192)
Credited to income statement	**1,020**	713
Closing balance	**2,899**	1,830

13. Interests in a joint venture

A new joint venture was established in 2017. As at 30 June 2017, no capital has been injected to the joint venture yet.

Details of the Group's joint venture at 30 June 2017 is as follows:

Name of the entity	**Place of incorporation, kind of legal entity and date of incorporation**	**Principal activities and place of operation**	**Issued shares and paid up capital**	**Proportion of ordinary shares directly held by parent (%)**	**Proportion of ordinary shares held by the Group (%)**
IMAX Fei Er Mu (Shanghai) Equity Investment Management Co., Ltd.	The People's Republic of China ("PRC") Joint venture invested by foreign invested enterprise and domestic enterprise 25 January 2017	Equity investment management, investment consulting	Registered capital of RMB2,000,000	—	50%

In July 2017, the name of the joint venture was changed to IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd., the principal activities were changed to investment management and investment consulting, and its registered capital was increased to RMB7,000,000.

14. Share capital and reserves

(a) Authorised

Common Shares

Prior to Reorganisation on 21 September 2015, the authorised capital of the Company consisted of 6,256,250 common shares with a total par value of US$62,562.50 as detailed below:

Common A Shares — 4,700,000 voting Common A shares of a par value of US$0.01
Common B Shares — 300,000 non-voting Common B shares of a par value of US$0.01
Redeemable Class C Shares — 750,000 voting common C shares of a par value of US$0.01
Common D Shares — 506,250 voting Common D shares of a par value of US$0.01

	As at 21 September 2015
Common A Shares issued	2,700,000
Common B Shares issued	—
Redeemable Class C Shares issued	675,000
Common D Shares issued	—
	3,375,000

On 21 September 2015, the following resolutions were passed as written resolutions to redesignate all the issued and unissued Common A Shares, Common B Shares, Redeemable Class C Shares and Common D Shares into one class of shares ("**Share Redesignation**") with effect from and conditional upon the listing of the Company.

(a) Variation of class rights by passing a shareholder's resolution of holders of Common A Shares and a shareholder's resolution of holders of Redeemable Class C Shares;

(b) Redesignation of issued and unissued shares into one class of shares by passing a shareholders' ordinary resolution; and

(c) Amendment of the Articles to reflect the change in classes of shares by passing a shareholders' special resolution.

Immediately prior to Listing, the Common A Shares and Redeemable Class C Shares (collectively, the "**Shares**") held by the existing shareholders, namely IMAX (Barbados) Holding, Inc., China Movie Entertainment FV Limited, CMCCP Dome Holdings Limited and China Movie Entertainment CMC Limited, were redesignated to the same number of shares (the "**Class**") in the Company.

Reorganisation — Share Subdivision

Immediately upon completion of the Share Redesignation, the Company underwent a share subdivision ("**Share Subdivision**") pursuant to which all the Shares were subdivided at a ratio of 1:100, whereby one Share of par value of US$0.01 was subdivided into 100 Shares of par value of US$0.0001 each. Upon the completion of the Share Subdivision, the authorised share capital of the Company is US$62,562.50 divided into 625,625,000 Shares of US$0.0001 each. The remainder of the financial statements will reflect the Company shares and per share amounts based on the 1:100 Share Subdivision which occurred on 21 September 2015. The following summarizes the movement in the number of shares issued by the Company:

Number of shares as at 1 January 2016	355,325,000
Exercise of stock options	33,900
Number of shares as at 30 June 2016	355,358,900
Exercise of stock options	1,206,200
Number of shares as at 1 January 2017	356,565,100
Restricted share units vested and issued	28,501
Number of shares as at 30 June 2017	356,593,601

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

(b) Changes during the period

The Company issued 17,825,000 shares pursuant to the global offering in October 2016.

The Company issued 28,501 common shares in the six months ended 30 June 2017 pursuant to the vesting of restricted share units. The Company issued 33,900 common shares in the six months ended 30 June 2016 pursuant to the exercise of stock options for cash proceeds of less than $0.1 million.

(c) Share-based payments

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

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

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

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

The compensation costs recorded in the condensed consolidated interim statement of comprehensive income for these plans were $1.0 million in the six months ended 30 June 2017 (30 June 2016: $1.1 million).

SOP and IMAX LTIP

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

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

The Group recorded an expense of less than $0.1 million in the six months ended 30 June 2017 (30 June 2016: $0.1 million) related to stock option grants issued to IMAX China employees under the SOP and IMAX LTIP.

The weighted average fair value of all stock options, granted to Group employees in the six months ended 30 June 2017 at the measurement date was $8.92 per share (30 June 2016: $8.57 per share). The following assumptions were used to estimate the average fair value of the stock options:

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

SOP and IMAX LTIP Summary

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

For the six months ended 30 June:

	Number of Shares		**Weighted Average Exercise Price Per Share**	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Options outstanding, beginning of period	**66,911**	57,645	**30.97**	29.93
Granted	**4,204**	4,376	**32.45**	31.85
Transferred in	**—**	7,877	**—**	32.01
Options outstanding, end of period	**71,115**	69,898	**31.05**	30.28
Options exercisable, end of period	**57,886**	52,557	**30.79**	30.26

No stock options were surrendered or cancelled by Group employees in the six months ended 30 June 2017 (30 June 2016: none).

As at 30 June 2017, the weighted average remaining contractual life of options outstanding is 2.1 years (31 December 2016: 2.3 years).

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

China IPO Options Summary

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

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

In the six months ended 30 June 2017, the Group recorded an expense of $0.2 million (30 June 2016: $0.3 million) related to equity-settled China IPO Options issued under the China LTIP.

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

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

For the six months ended 30 June:

	Number of Shares		**Weighted Average Exercise Price Per Share**	
	2017 (Unaudited)	2016 (Unaudited)	**2017 (Unaudited)**	2016 (Unaudited)
Options outstanding, beginning of period	**7,737,400**	8,977,500	**1.42**	1.41
Exercised	**—**	(33,900)	**—**	1.36
Options outstanding, end of period	**7,737,400**	8,943,600	**1.42**	1.41
Options exercisable, end of period	**5,378,260**	3,876,010	**1.41**	1.41

In respect of China IPO Options exercised in the six months ended 30 June 2016, the weighted average stock price at the dates of exercise is $5.65. As at 30 June 2017, the weighted average remaining contractual life of options outstanding is 3.1 years (31 December 2016: 3.6 years).

China Options Summary

In the six months ended 30 June 2017, 278,576 (30 June 2016: 139,579) China Options were granted to certain employees in accordance with the China LTIP. The China Options vest between a three and four year period beginning on the date of grant. The China Options have a maximum contractual life of 7 years.

In the six months ended 30 June 2017, the Group recorded an expense of less than $0.1 million (30 June 2016: less than $0.1 million) related to China Options issued under the China LTIP.

The weighted average fair value of China Options granted in the six months ended 30 June 2017 at the measurement date was $1.22 per share (30 June 2016: $1.52 per share). China Options were priced using Binomial Model. Expected volatility is based on the historical volatility of IMAX Corporation's stock price over the past years and the industry average historical volatility. The following inputs were used to estimate the average fair value of the options:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Grant date share price	**HK$36.35**	HK$45.05
Exercise price	**HK$36.94**	HK$45.31
Average risk-free interest rate	**1.66%**	1.13%
Expected option life (in years)	**4.27**	4.27
Expected volatility	**30%**	30%
Dividend yield	**0%**	0%
Early exercise multiple	**1.28**	1.28

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

For the six months ended 30 June:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Options outstanding, beginning of period	**139,579**	—	**—**	—
Granted	**278,576**	139,579	**4.76**	5.84
Options outstanding, end of period	**418,155**	139,579	**5.12**	5.84
Options exercisable, end of period	**27,913**	—	**5.84**	—

As at 30 June 2017, the weighted average remaining contractual life of options outstanding is 6.4 years (31 December 2016: 6.2 years).

Cash Settled China Awards

In 2012, certain employees of the Group were given CSSBP which are tied to the appreciation in the value of the Group. The CSSBP represent the right to receive cash payments in an amount equal to 0.3% of the excess of the total equity value of the Group based on the per share price in the Qualified IPO or Change in Control over the strike price of the CSSBP. The CSSBP were issued in conjunction with the China LTIP, with similar terms and conditions as the China IPO Options. In the six months ended 30 June 2017, the Group recorded an expense of less than $0.1 million (30 June 2016: $0.1 million) related to the CSSBP.

The carrying amount of the liability relating to the CSSBP transactions as of 30 June 2017 is $0.5 million (31 December 2016: $0.5 million). In the six months ended 30 June 2017, a portion of the CSSBP awards vested and were settled in cash for $0.1 million. No CSSBP have been vested or settled during the six months ended 30 June 2016.

Restricted Share Units

RSUs have been granted to employees of the Group under the IMAX LTIP. Each RSU represents a contingent right to receive one common share of IMAX Corporation and is the economic equivalent of one common share of IMAX Corporation. RSUs were not issued before 2013. The grant date fair value of each RSU is equal to the share price of IMAX Corporation's stock at the grant date. The Group recorded an expense of $0.2 million for the six months ended 30 June 2017 (30 June 2016: $0.1 million) related to RSU grants issued to employees in the plan. The annual termination probability assumed for the six months ended 30 June 2017 was zero (30 June 2016: 8.08%).

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

RSUs Summary

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

For the six months ended 30 June:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
RSUs outstanding, beginning of period	**18,276**	11,823	**33.21**	31.48
Granted	**3,467**	3,533	**32.45**	31.85
Transferred in	**—**	9,045	**—**	34.64
Vested and settled	**(4,468)**	(2,863)	**30.89**	28.43
RSUs outstanding, end of period	**17,275**	21,538	**33.66**	33.28

China RSUs

China RSUs have been granted to employees of the Group under the IMAX China LTIP. Each China RSU represents a contingent right to receive one common share of the Company and its economic equivalent of one common share of the Company. China RSUs were not issued before 2015. The grant date fair value of each China RSU is equal to the share price of the Company's stock at the grant date. The Group recorded an expense of $0.4 million for the six months ended 30 June 2017 (30 June 2016: $0.4 million) related to China RSU grants issued to employees in the plan. The annual termination probability assumed for the six months ended 30 June 2017 was nil (30 June 2016: nil).

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

China RSUs Summary

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

For the six months ended 30 June:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
RSUs outstanding, beginning of period	**174,975**	—	**5.81**	—
Granted	**334,211**	239,821	**4.68**	5.65
Vested and settled	**(31,582)**	(58,254)	**5.40**	5.16
Forfeited	**(9,955)**	(514)	**4.85**	5.81
RSUs outstanding, end of period	**467,649**	181,053	**5.05**	5.81

(d) Reserves

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

Share premium

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

Capital reserve

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

15. Trade and other payables

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Trade payables	**1,515**	4,943
Other payables	**829**	1,097
Amounts due to IMAX Corporation	**27,680**	22,419
	30,024	28,459

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

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
0–30 days	**12,840**	13,205
31–60 days	**814**	1,745
61–90 days	**1,337**	1,288
Over 90 days	**15,033**	12,221
	30,024	28,459

As at 30 June 2017 and 31 December 2016, the carrying amounts of trade and other payables approximated their fair values due to short maturity. Trade and other payables over 90 days primarily consist of amounts due to IMAX Corporation.

16. Deferred revenue

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Theatre system deposits	**42,771**	29,486
Maintenance prepayments	**4,237**	4,526
Other deferred revenue	**—**	80
	47,008	34,092
Deferred revenue, current	**37,556**	13,025
Deferred revenue, non-current	**9,452**	21,067
	47,008	34,092

17. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The Controlling Shareholder of the Company is IMAX Corporation (incorporated in Canada) which holds 68.22% of the Company's shares as at 30 June 2017.

The following continuing transactions were carried out with related parties:

(a) Purchases and sales of goods and services and other transactions

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Purchase of goods:		
IMAX Corporation (theatres systems)	**18,492**	19,872
Purchase of services:		
IMAX Corporation (film related transactions)	**3,575**	2,885
IMAX Corporation (management fees — legal and administration services)	**346**	248
Other transactions:		
IMAX Corporation (reimbursement of compensation of Company employees paid by IMAX Corporation)	**1,327**	1,118
IMAX Corporation (trademark and technology fees)	**2,751**	2,980
IMAX Fei Er Mu (Shanghai) Equity Investment Management Co., Ltd. (interest income)	**18**	—
Revenue earned from film services through IMAX Corporation	**12,150**	11,562
Revenue earned from maintenance services provided to IMAX Corporation	**111**	182

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

(b) Period/Year-end balances

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Receivables from related parties:		
IMAX Corporation	**23,509**	14,879
Loan receivable from a joint venture:		
IMAX Fei Er Mu (Shanghai) Equity Investment Management Co., Ltd.	**2,601**	—
Payables to related parties:		
IMAX Corporation	**27,680**	22,419

The receivables and payables from related parties arise mainly from purchase, sale, service and fee transactions and do not bear interest nor have fixed repayment terms and are due on demand.

IMAX Fei Er Mu (Shanghai) Equity Investment Management Co., Ltd. is owned by one of the Company's subsidiary and the Group owns 50% equity interest. The loan receivable from IMAX Fei Er Mu (Shanghai) Equity Investment Management Co., Ltd. is unsecured, with a fixed interest rate and repayable within one year.

(c) Other related party transactions

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Investment in IMAX (Hong Kong) Holding, Limited	**4,000**	4,000

The Group has a preferred share investment in IMAX (Hong Kong) Holding, Limited, an entity owned by one of the Controlling Shareholder's subsidiaries, which holds an investment in a joint venture and is accounted for as available-for-sale investment at cost. The Group legally transferred a note receivable as consideration for the preferred share investment. The agreement's key terms, which will be fully defined in a subsequent agreement, currently provide the Group with right to dividends and other distributions, redemption rights should IMAX Corporation sell all or part of its interest in the investment and the right to nominate one representative to the Board of Directors.

(d) Key management compensation

Key management includes members of the executive committee. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Salaries and other short-term employee benefits	**2,068**	1,902
Post-employment benefits	**14**	9
Other benefits[1]	**637**	651
Share-based payments	**749**	673
	3,468	3,235

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

RELATED PARTY TRANSACTIONS

For details of the related party transactions, see note 17 to the Interim Financial Information. Our directors confirm that all related party transactions are conducted on normal commercial terms, and their terms are fair and reasonable.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The management discussion and analysis is based on the Company's condensed consolidated interim financial information for 1HFY2017 prepared in accordance with International Accounting Standard 34 and must be read together with the condensed consolidated interim financial information and the notes which form an integral part of the condensed consolidated interim financial information.

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

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

Revenue

We derive a majority of our revenue from our three principal business segments — the network business, the theatre business and the new business and other.

Network Business

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

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

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

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

Theatre Business

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

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

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

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

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

New Business and Other

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

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

	1HFY2017		1HFY2016	
	US$'000	***%***	*US$'000*	*%*
Network Business				
Film	**14,579**	**28.3%**	15,926	28.9%
Revenue sharing arrangements — contingent rent	**10,908**	**21.2%**	13,380	24.3%
Sales arrangements — contingent rent	**176**	**0.3%**	245	0.4%
Sub-total	**25,663**	**49.8%**	29,551	53.7%
Theatre Business				
Sales arrangements	**16,499**	**32.0%**	16,012	29.1%
Revenue sharing arrangements — upfront fees	**1,878**	**3.6%**	3,387	6.2%
Theatre system maintenance	**6,979**	**13.5%**	5,665	10.3%
Other theatre	**414**	**0.8%**	446	0.8%
Sub-total	**25,770**	**50.0%**	25,510	46.3%
New Business and Other	**139**	**0.3%**	—	—
Total	**51,572**	**100.0%**	55,061	100.0%

Cost of Sales

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

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

	1HFY2017		1HFY2016	
	US$'000	***%***	*US$'000*	*%*
Network Business				
Film	**4,592**	**31.5%**	4,197	26.4%
Revenue sharing arrangements — contingent rent	**5,165**	**47.4%**	3,325	24.9%
Sales arrangements — contingent rent	**—**	**—**	—	—
Sub-total	**9,757**	**38.0%**	7,522	25.5%
Theatre Business				
Sales arrangements	**4,607**	**27.9%**	7,668	47.9%
Revenue sharing arrangements — upfront fees	**1,656**	**88.2%**	3,000	88.6%
Theatre system maintenance	**2,698**	**38.7%**	2,364	41.7%
Other theatre	**227**	**54.8%**	236	52.9%
Sub-total	**9,188**	**35.7%**	13,268	52.0%
New Business and Other	**71**	**51.1%**	329	100.0%
Total	**19,016**	**36.9%**	21,119	38.4%

Gross Profit and Gross Profit Margin

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

	1HFY2017		1HFY2016	
	US$'000	**%**	*US$'000*	%
Network Business				
Film	**9,987**	**68.5%**	11,729	73.6%
Revenue sharing arrangements — contingent rent	**5,743**	**52.6%**	10,055	75.1%
Sales arrangements — contingent rent	**176**	**100.0%**	245	100.0%
Sub-total	**15,906**	**62.0%**	22,029	74.5%
Theatre Business				
Sales arrangements	**11,892**	**72.1%**	8,344	52.1%
Revenue sharing arrangements — upfront fees	**222**	**11.8%**	387	11.4%
Theatre system maintenance	**4,281**	**61.3%**	3,301	58.3%
Other theatre	**187**	**45.2%**	210	47.1%
Sub-total	**16,582**	**64.3%**	12,242	48.0%
New Business and Other	**68**	**48.9%**	(329)	(100.0)%
Total	**32,556**	**63.1%**	33,942	61.6%

Selling, General and Administrative Expenses

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

	1H2017		1H2016	
	US$'000	**%**	*US$'000*	%
Employee salaries and benefits	**3,172**	**6.2%**	3,165	5.7%
Share-based compensation expenses	**962**	**1.9%**	1,090	2.0%
Travel and transportation	**489**	**0.9%**	614	1.1%
Advertising and marketing	**579**	**1.1%**	749	1.4%
Professional fees	**1,037**	**2.0%**	1,269	2.3%
Other employee expense	**161**	**0.3%**	157	0.3%
Facilities	**743**	**1.4%**	879	1.6%
Depreciation	**394**	**0.8%**	279	0.5%
Foreign exchange and other expenses	**262**	**0.5%**	396	0.7%
Total	**7,799**	**15.1%**	8,598	15.6%

Restructuring Expenses

In June 2017, the Company announced the implementation of a cost-reduction plan to create cost savings aimed at increasing profitability, operating leverage and free cash flow. Restructuring expenses are comprised of employee severance costs and contract termination costs. Our restructuring expenses for 1HFY2017 were US$0.6 million (1HFY2016: US$nil). After implementation of the restructuring, we anticipate annual, run rate savings of US$2.4 million.

Other Operating Expenses

Other operating expenses primarily include the annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements, charged at an aggregate of 5% of our revenue. Our other operating expenses for 1HFY2017 and 1HFY2016 were US$3.2 million and US$3.0 million, respectively.

Interest Income

Interest income represents interest earned on various term deposits and a related party short-term loan receivable we hold. None of the term deposits had a term of more than 90 days. Our interest income for 1HFY2017 and 1HFY2016 was US$0.3 million and US$0.3 million, respectively.

Income Tax Expenses

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

Our income tax expense for 1HFY2017 and 1HFY2016 was US$4.8 million and US$4.9 million, respectively. Our effective tax rate was 22.5% and 21.6 % during 1HFY2017 and 1HFY2016, respectively.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Condensed Consolidated Interim Statements of Comprehensive Income

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

	1HFY2017		1HFY2016	
	US$'000	***%***	*US$'000*	*%*
Revenues	**51,572**	**100.0%**	55,061	100.0%
Cost of sales	**(19,016)**	**(36.9)%**	(21,119)	(38.4)%
Gross profit	**32,556**	**63.1%**	33,942	61.6%
Selling, general and administrative expenses	**(7,799)**	**(15.1)%**	(8,598)	(15.6)%
Restructuring expenses	**(584)**	**(1.1)%**	—	—
Other operating expenses	**(3,191)**	**(6.2)%**	(2,980)	(5.4)%
Operating profit	**20,982**	**40.7%**	22,364	40.6%
Interest income	**285**	**0.6%**	259	0.5%
Profit before income tax	**21,267**	**41.2%**	22,623	41.1%
Income tax expense	**(4,778)**	**(9.3)%**	(4,881)	(8.9)%
Profit for the period attributable to owners of the Company	**16,489**	**32.0%**	17,742	32.2%
Other comprehensive income (loss):				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	**3,412**	**6.6%**	(1,397)	(2.5)%
Other comprehensive income (loss)	**3,412**	**6.6%**	(1,397)	(2.5)%
Total comprehensive income for the period attributable to owners of the Company	**19,901**	**38.6%**	16,345	29.7%

Adjusted Profit

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

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

	1HFY2017 ***US$'000***	1HFY2016 *US$'000*
Profit for the period	**16,489**	17,742
Adjustments:		
Share-based compensation	**962**	1,090
Restructuring expenses	**584**	—
Tax impact on items listed above	**(346)**	(240)
Adjusted profit	**17,689**	18,592

1HFY2017 COMPARED WITH 1HFY2016

Revenue

Our revenue decreased 6.3% from US$55.1 million in 1HFY2016 to US$51.6 million in 1HFY2017 driven by a decrease of US$3.9 million in our network business revenue and an increase of US$0.3 million in the theatre business revenue explained below.

Network Business

Revenue from our network business decreased 13.2% from US$29.6 million in 1HFY2016 to US$25.7 million in 1HFY2017 primarily due to a US$13.1 million, or 7.2%, decrease in box office revenue in 1HFY2017 compared to the prior year period and a temporary decrease in Wanda Cinema's revenue sharing percentage rental rate. The revenue sharing percentage rental rate was automatically reduced under the terms of the Group's written agreement with Wanda Cinema as a result of Wanda Cinema's accelerated rollout, which is approximately 3 years ahead of schedule. Under the terms of the agreement, the reduction will expire on 31 December 2018.

Film

Film revenue decreased 8.5% from US$15.9 million in 1HFY2016 to US$14.6 million in 1HFY2017 as a result of a decrease in box office revenue. The box office revenue generated by IMAX format films decreased 7.2% from US$180.5 million in 1HFY2016 to US$167.4 million in 1HFY2017 as a result of depreciation of the RMB relative to the USD and lower box office revenue per screen in 1HFY2017. The overall PRC market on a same currency basis decreased 2.5% from 1HFY2016 to 1HFY2017. Box office revenue per screen decreased 33.2% from US$0.6 million for 1HFY2016 to US$0.4 million in 1HFY2017 driven by the relatively weaker performance of IMAX theatres in complexes located in greenfield developments and by the underperformance of certain blockbuster titles relative to blockbuster titles in the prior year period.

The following table sets out the number of films we released in the IMAX format in 1HFY2017 and 1HFY2016 in Greater China:

	1HFY2017	1HFY2016
Hollywood films	**17**	13
Hollywood films (Hong Kong and Taiwan only)	**2**	4
Chinese language films	**2**	2
Total IMAX films released	**21**	19

Revenue Sharing Arrangements — Contingent Rent

Contingent rent from revenue sharing arrangements decreased 18.5% from US$13.4 million in 1HFY2016 to US$10.9 million in 1HFY2017. We had 196 theatres operating under revenue sharing arrangements at the end of 1HFY2016 as compared to 285 at the end of 1HFY2017, which represented an increase of 45.4%.

Contingent rent from full revenue sharing arrangements decreased 21.7% from US$11.5 million in 1HFY2016 to US$9.0 million in 1HFY2017, primarily due to lower box office revenue per screen and a temporary decrease in Wanda Cinema's full revenue sharing percentage rental rate. The revenue sharing percentage rental rate was automatically reduced under the terms of the Group's written agreement with Wanda Cinema as a result of Wanda Cinema's accelerated rollout, as discussed previously. These reductions were partly offset by growth in the full revenue sharing network which increased 50.3%, from 143 IMAX theatres in 1HFY2016 to 215 IMAX theatres in 1HFY2017.

Contingent rent from hybrid revenue sharing arrangements was flat at US$1.9 million. Lower box office revenue per screen was offset by growth in the hybrid revenue sharing network which increased 32.1%, from 53 IMAX theatres in 1HFY2016 to 70 IMAX theatres in 1HFY2017.

Sales Arrangements — Contingent Rent

Contingent rent from sales arrangement was flat in 1HFY2017 and 1HFY2016 at US$0.2 million.

Theatre Business

Revenue from our theatre business increased 1.0% from US$25.5 million in 1HFY2016 to US$25.8 million in 1HFY2017.

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

	As at 30 June		
Commercial	**2017**	2016	Growth (%)
The PRC	**430**	306	40.5%
Hong Kong	**4**	4	—
Taiwan	**9**	8	12.5%
	443	318	39.3%
Institutional[1]	**17**	17	—
Total	**460**	335	37.3%

Note:

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

The following table sets out the number of IMAX theatre systems installed by business arrangements in 1HFY2017 and 1HFY2016:

	1HFY2017	1HFY2016
Sales arrangements	**12**	9
Revenue sharing arrangements	**24**	19
Laser GT upgrades	**—**	2
Total theatre systems installed	**36**	30[1]

Note:

(1) We installed 28 new IMAX theatre systems plus 2 laser GT upgrades (2 sales arrangements) in 1HFY2016.

Sales Arrangements

Theatre business revenue from sales arrangements increased 3.0% from US$16.0 million in 1HFY2016 to US$16.5 million in 1HFY2017, resulting primarily from the recognition in 1HFY2017 of one additional system sale over 1HFY2016. We recognised sales revenue on 9 new theatre systems in 1HFY2016 with a total value of US$11.9 million, compared to 12 new theatre systems in 1HFY2017 with a total value of US$15.1 million. In addition, in 1HFY2016 we installed 2 laser GT upgrades at a total value of US$2.9 million. There were no upgrades in 1HFY2017.

Average revenue per new system under sales arrangements was unchanged in 1HFY2017 and 1HFY2016 at US$1.3 million.

Revenue Sharing Arrangements — Upfront Fees

Upfront revenue from hybrid revenue sharing arrangements decreased 44.6% from US$3.4 million in 1HFY2016 to US$1.9 million in 1HFY2017, primarily due to 3 fewer hybrid revenue sharing installations in 1HFY2017.

Theatre System Maintenance

Theatre system maintenance revenue increased 23.2% from US$5.7 million in 1HFY2016 to US$7.0 million in 1HFY2017. Maintenance revenue increased in 1HFY2017 as a result of a 37.3% increase in the size of the IMAX network, which increased to 460 theatres as at 1HFY2017 from 335 theatres as at 1HFY2016.

Cost of Sales

Our cost of sales decreased 10.0% from US$21.1 million in 1HFY2016 to US$19.0 million in 1HFY2017. This decrease was primarily due to a decrease of US$4.1 million in our theatre business offset by an increase of US$2.3 million in our network business.

Network Business

The cost of sales for our network business increased 29.7% from US$7.5 million to US$9.8 million due to additional DMR conversion costs, increased one-time upfront costs associated with the installation of 8 incremental full revenue sharing arrangements in 1HFY2017 versus 1HFY2016 and increased depreciation costs associated with a larger full revenue sharing network, currently 215 theatres as at 1HFY2017 versus 143 theatres as at 1HFY2016.

Film

The cost of sales for film increased 9.4% from US$4.2 million in 1HFY2016 to US$4.6 million in 1HFY2017 driven by additional DMR conversion costs resulting from 4 more films exhibited in the PRC during 1HFY2017 as compared to 1HFY2016, while being partly offset by decreased film marketing spend due to the performance of certain films.

Revenue Sharing Arrangements — Contingent Rent

The cost of sales for contingent rent from revenue sharing arrangements increased 55.3% from US$3.3 million in 1HFY2016 to US$5.2 million in 1HFY2017, primarily due to increased depreciation costs associated with a larger full revenue sharing network, currently 215 theatres at 1HFY2017 versus 143 theatres as at 1HFY2016 and the one-time upfront costs related to the installation of 8 incremental full revenue sharing arrangements in 1HFY2017 versus 1HFY2016.

Theatre Business

The cost of sales for our theatre business decreased 30.8% from US$13.3 million in 1HFY2016 to US$9.2 million in 1HFY2017, primarily due to total 2 fewer IMAX theatre systems installations under sales arrangements and hybrid revenue sharing arrangements.

Sales Arrangements

Cost of sales from our theatre business under sales arrangements decreased 39.9% from US$7.7 million in 1HFY2016 to US$4.6 million in 1HFY2017, primarily due to the higher cost mix of systems, including 2 laser GT upgrades and 1 laser GT installation, that were installed during 1H2016 compared with the 1H2017.

Revenue Sharing Arrangements — Upfront Fees

Cost of sales from installation of hybrid revenue sharing arrangements decreased 44.8% from US$3.0 million in 1HFY2016 to US$1.7 million in 1HFY2017, primarily due to the costs recognised on 4 theatre system installations under hybrid revenue sharing arrangements in 1HFY2017 as compared to 7 in 1HFY2016.

Theatre System Maintenance

Cost of sales from our theatre business with respect to theatre system maintenance increased 14.1% from US$2.4 million in 1HFY2016 to US$2.7 million in 1HFY2017 commensurate with the additional costs associated with servicing a larger IMAX theatre network, currently 460 theatres at 1HFY2017 versus 335 theatres as at 1HFY2016.

Gross Profit and Gross Profit Margin

Our gross profit in 1HFY2016 was US$33.9 million, or 61.6% of total revenue, compared to US$32.6 million, or 63.1% of total revenue, in 1HFY2017. The decrease in gross profit was largely attributable to US$6.1 million decrease in our network business, which was partially offset by an increase of US$4.4 million of our theatre business. The increase in gross profit margin was primary due to 2 higher-cost laser GT upgrades in 1HFY2016, while there were no laser installations in 1HFY2017.

Network Business

The gross profit from our network business decreased 27.8% from US$22.0 million in 1HFY2016 to US$15.9 million in 1HFY2017, and the gross profit margin for our network business decreased from 74.5% in 1HFY2016 to 62.0% in 1HFY2017. The decrease was primarily due to a decrease in our overall box office revenue and incremental costs associated with continued growth in the IMAX theatre network under revenue sharing arrangements.

Film

The gross profit for film decreased 14.9% from US$11.7 million in 1HFY2016 to US$10.0 million in 1HFY2017, and the gross profit margin decreased 73.6% to 68.5% during the same period. Gross profit margin decreased primarily due to a decrease of 7.2% in our overall box office revenue from US$180.5 million in 1HFY2016 to US$167.4 million in 1HFY2017. Box office revenue per screen decreased from US$0.6 million in 1HFY2016 to US$0.4 million in 1HFY2017 driven by the relatively weaker performance of IMAX theatres in complexes located in greenfield developments and by the underperformance of certain blockbuster titles relative to blockbuster titles in the prior year period.

Revenue Sharing Arrangements — Contingent Rent

The gross profit for contingent rent from revenue sharing arrangements decreased 42.9% from US$10.1 million in 1HFY2016 to US$5.7 million in 1HFY2017, and the gross profit margin decreased 75.1% to 52.6% during the same period.

The gross profit for contingent rent from full revenue sharing arrangements decreased 53.7% from US$8.2 million in 1HFY2016 to US$3.8 million in 1HFY2017, and the gross profit margin decreased 71.1% to 42.4% during the same period. Gross profit margin decreased primarily due to increased depreciation costs associated with a larger full revenue sharing network, one-time costs associated with the installation of 8 incremental systems in 1HFY2017 and lower box office revenue per screen in 1HFY2017 as compared to 1HFY2016, and a temporary decrease in Wanda Cinema's full revenue sharing percentage rental rate as described previously.

The gross profit for contingent rent from hybrid revenue sharing arrangements was flat at US$1.9 million. Lower box office revenue per screen was offset by growth in the hybrid revenue sharing network which increased 32.1%, from 53 IMAX theatres in 1HFY2016 to 70 IMAX theatres in 1HFY2017.

Sales Arrangements — Contingent Rent

The gross profit for sales arrangements — contingent rent was flat in 1HFY2017 and 1HFY2016 at US$0.2 million.

Theatre Business

The gross profit for our theatres business increased 35.5% from US$12.2 million in 1HFY2016 to US$16.6 million in 1HFY2017. During the same period, our gross profit margin increased from 48.0% to 64.3%. The increase in gross profit margin was primarily driven by the installation of one additional theatre under sales arrangements in 1HFY2017 and the higher cost mix of systems, including 2 laser GT upgrades and 1 laser GT installation, that were installed during 1HFY2016 compared with 1HFY2017.

Sales Arrangements

The gross profit for our theatre business from sales of new IMAX theatre systems increased 42.5% from US$8.3 million in 1HFY2016 to US$11.9 million in 1HFY2017 primarily due to the installation of one additional theatre in 1H2017 and the higher cost mix of systems, including 2 laser GT upgrades and 1 laser GT installation, that were installed during 1H2016 compared with the 1H2017. Our gross profit margin increased from 52.1% in 1HFY2016 to 72.1% in 1HFY2017 due to the installation of 2 higher cost laser GT projector upgrades in 1HFY2016.

Revenue Sharing Arrangements — Upfront Fees

The gross profit from upfront fees derived from hybrid revenue sharing arrangements was US$0.4 million in 1HFY2016 and US$0.2 million in 1HFY2017. The decrease was driven by the installation of 3 fewer hybrid revenue sharing arrangement in 1HFY2017. The gross profit margin was relatively flat at 11.4% in 1HFY2016 compared to 11.8% in 1HFY2017.

Theatre System Maintenance

The gross profit for our theatre system maintenance increased 29.7% from US$3.3 million in 1HFY2016 to US$4.3 million in 1HFY2017 as a result of the growth of the IMAX theatre network. Our gross profit margin increased from 58.3% in 1HFY2016 to 61.3% in 1HFY2017.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, decreased 9.3% from US$8.6 million in 1HFY2016 to US$7.8 million in 1HFY2017, primarily due to: (i) a decrease in foreign exchange and other expenses resulting from a foreign exchange gain of US$0.1 million in 1HFY2017 related to the translation of foreign currency denominated monetary assets and liabilities as compared to a foreign exchange loss of US$0.1 million in 1HFY2016; (ii) a decrease in professional fees of US$0.2 million due to higher audit and legal costs incurred in 1HFY2016 as a result of it being our first year as a public company; (iii) a decrease of US$0.4 million related to travel and transportation, advertising and marketing, and facilities due to the implementation of a cost-reduction plan focused on reducing discretionary costs as a result of the underperformance of certain films.

Restructuring Expenses

Restructuring expenses of US$0.6 million were incurred in 1HFY2017 due to the implementation of a cost-reduction plan to create cost savings aimed at increasing profitability, operating leverage and free cash flow. Restructuring expenses are mainly comprised of US$0.3 million for employee severance costs, US$0.2 million for facilities, and US$0.1 million for share-based compensation expenses.

Other Operating Expenses

Other operating expenses increased 7.1% from US$3.0 million in 1HFY2016 to US$3.2 million in 1HFY2017, primarily due to a custom penalty accrual of US$0.3 million in 1HFY2017, while there was no such penalty accrual in 1HFY2016, and partially offset by a decrease of US$0.2 million in annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License agreements due to the decrease of our revenue.

Income Tax Expense

Our income tax expense was relatively flat at US$4.9 million in 1HFY2016 compared with US$4.8 million in 1HFY2017, owing to a decrease in our operating profit before income tax of US$1.4 million from US$22.4 million in 1HFY2016 to US$21.0 million in 1HFY2017. Our effective tax rate was 21.6% in 1HFY2016 as compared to 22.5% in 1HFY2017 as a result of a larger proportion of our revenue being earned in the PRC (which has a higher EIT rate than Hong Kong) in 1HFY2017 as compared to 1HFY2016.

Profit for the Period

We reported a comprehensive profit for the period of US$16.5 million in 1HFY2017 as compared to US$17.7 million in 1HFY2016. Comprehensive profit for the period in 1HFY2017 included a US$1.0 million charge (US$1.1 million in 1HFY2016) for share-based compensation.

Adjusted Profit

Adjusted profit, which consists of profit for the period adjusted for the impact of share-based compensation, restructuring expenses and the related tax impact, was US$18.6 million in 1HFY2016 as compared to adjusted profit of US$17.7 million in 1HFY2017, a decrease of 4.9%.

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2017	As at 31 December 2016
	US$'000	*US$'000*
Current assets		
Other assets	**1,697**	1,796
Film assets	**46**	10
Inventories	**10,013**	5,731
Prepayments	**2,726**	1,093
Financing receivables	**6,604**	5,831
Trade and other receivables	**45,618**	37,975
Cash and cash equivalents	**112,937**	105,903
Total Current assets	**179,641**	158,339
Current liabilities		
Trade and other payables	**30,024**	28,459
Accruals and other liabilities	**8,509**	10,820
Income tax liabilities	**4,386**	2,446
Deferred revenue	**37,556**	13,025
Total Current Liabilities	**80,475**	54,750
Net Current Assets	**99,166**	103,589

As at 30 June 2017, we had net current assets of US$99.2 million compared to net current assets of US$103.6 million as at 31 December 2016. The decrease in net current assets in 1HFY2017 was mainly attributable to a US$24.6 million increase in deferred revenue driven by new signings of sales arrangements in 1HFY2017 and funds received on the large number of sale arrangement installations scheduled to install in the next 12 months. This was offset by a US$7.0 million increase in cash and cash equivalents, a US$7.6 million increase in trade and other receivables and US$4.3 million increase in inventory necessary to accommodate increased installations anticipated for 2HFY2017 over 2HFY2016.

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

	As at 30 June 2017	As at 31 December 2016
Cash and cash equivalents denominated in US$	**$71,572**	$70,376
Cash and cash equivalents denominated in RMB (in thousands)	**¥259,161**	¥218,253
Cash denominated in Hong Kong dollars HK$ (in thousands)	**$24,266**	$31,520

CAPITAL MANAGEMENT

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

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

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

CASH FLOW ANALYSIS

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

	1HFY2017 ***US$'000***	1HFY2016 *US$'000*
Net cash provided by operating activities	**17,156**	22,250
Net cash used in investing activities	**(10,616)**	(9,340)
Net cash used in financing activities	**(122)**	(264)
Effects of exchange rate changes on cash	**616**	(130)
Increase in cash and cash equivalents during period	**7,034**	12,516
Cash and cash equivalents, beginning of period	**105,903**	90,689
Cash and cash equivalents, end of period	**112,937**	103,205

Cash From Operating Activities

1HFY2017

Our net cash provided by operations was approximately US$17.2 million in 1HFY2017. We had profit before income tax for the period of US$21.3 million in 1HFY2017 and positive adjustments for amortisation of film assets of US$3.5 million, depreciation of property, plant and equipment of US$4.2 million, and settlement of equity and other non-cash compensation of US$1.0 million, reduced by our taxes paid of US$5.1 million, our net investment in film assets of US$3.5 million and changes in working capital of US$4.6 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US$3.1 million; (ii) an increase in financing receivable of US$2.3 million; (iii) an increase in inventories of US$4.0 million; (iv) a decrease in trade and other payables of US$3.0 million; (v) a decrease in accruals and other liabilities of US$2.8 million; and (vi) a decrease of prepayments of US$1.5 million, partially offset by an increase in deferred revenue of US$12.1 million.

1HFY2016

Our net cash provided by operations was approximately US$22.3 million in 1HFY2016. We had profit before income tax for the period of US$22.6 million in 1HFY2016 and positive adjustments for amortisation of film assets of US$2.8 million, depreciation of property, plant and equipment of US$2.9 million and changes in working capital of US$2.3 million, reduced by our taxes paid of US$6.9 million and our net investment in film assets of US$2.9 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US$13.9 million; (ii) an increase in financing receivable of US$1.5 million; (iii) an increase in inventories of US$5.8 million. These increases were partially offset by: (i) an increase in trade and other payables of US$19.6 million; and (ii) an increase in deferred revenue of US$4.3 million

Cash Used in Investing Activities

1HFY2017

Our net cash used in investing activities was approximately US$10.6 million for 1HFY2017, primarily related to: (i) investments in IMAX theatre equipment amounting to US$8.0 million installed in our exhibitor partners' theatres under full revenue sharing arrangements, and (ii) a loan to a joint venture of US$2.6 million.

1HFY2016

Our net cash used in investing activities was approximately US$9.3 million for 1HFY2016, primarily related to: (i) the purchase of property, plant and equipment of US$1.1 million; and (ii) investments in IMAX theatre equipment amounting to US$8.2 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

Cash Used in Financing Activities

1HFY2017

Our net cash used in financing activities was approximately US$0.1 million for 1HFY2017 primarily related to settlement of restricted share units and options of US$0.3 million.

1HFY2016

Our net cash used in financing activities was approximately US$0.3 million for 1HFY2016 primarily related to settlement of restricted share units and options of US$0.3 million.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Lease Commitments

We have lease commitments within one year and between one and two years amounting to US$1.6 million and US$0.8 million respectively related primarily to leased office and warehouse space in Shanghai.

Capital Commitments

As at 30 June 2017, we had capital expenditures contracted but not provided for of US$25.7 million (31 December 2016: US$26.4 million), and capital expenditures authorised but not contracted for of US$5.0 million (31 December 2016: US$5.0 million).

CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

Capital Expenditures

Our capital expenditures primarily relate to the acquisition of IMAX theatre systems and acquisition of films. During 1HFY2017 and 1HFY2016, our capital expenditures were US$11.6 million and US$12.2 million, respectively.

Going forward, with respect to our theatre business, we plan to allocate a significant portion of our capital expenditures to the continued expansion of the IMAX theatre network under revenue sharing arrangements to execute on our existing contractual backlog and future signings. We expect to incur capital expenditures of approximately US$39.3 million in FY2017, which will be primarily used to expand the IMAX theatre network under full revenue sharing and invest in a China film fund.

Contingent Liabilities

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

In March 2013, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai Multimedia**"), the Company's wholly-owned subsidiary in the People's Republic of China ("**PRC**"), received notice from the Shanghai office of the General Administration of Customs ("**Customs Authority**") that it had been selected for a customs audit (the "**Audit**"). In the course of the Audit, the Customs Authority discovered the underpayment by IMAX Shanghai Multimedia of the freight and insurance portion of the customs duties and taxes applicable to the importation of certain IMAX theatre systems during the period from October, 2011 through March, 2013. Though IMAX Shanghai Multimedia's importation agent accepted responsibility for the error giving rise to the underpayment, the matter has been transferred to the Anti-Smuggling Bureau (the "**ASB**") of the Customs Authority for further review. During 1HFY2017, at the request of the ASB, the Company paid RMB1 million (approximately US$0.15 million) to the ASB to satisfy the amount owing as a result of the underpayment. Given that the amount of the underpayment exceeds RMB200,000, the Company has been advised that the matter may be treated as a criminal rather than as an administrative matter. During the period, the Company accrued US$0.3 million in respect of fines that it believes are likely to result from the matter. The Company has been advised that the range of potential penalties is between three and five times the underpayment whether the matter is assessed as criminal or administrative; however, the actual amount of any fines or other penalties remains unknown and the Company cautions that these actual fines or other penalties may be greater or less than the amount accrued or the expected range.

Except as disclosed above or as otherwise disclosed herein, as at 30 June 2017, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. The Directors confirm that there has been no material change in our commitments and contingent liabilities since 30 June 2017.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operating activities. Cash flow generated from operating activities was US$17.2 million in 1HFY2017 and US$22.3 million in 1HFY2016. As the IMAX theatre network continues to grow, we believe our cash flow from operating activities will continue to increase and fund existing business operations and any initial capital expenditures required under revenue sharing arrangements.

STATEMENT OF INDEBTEDNESS

As at 30 June 2017:

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

Since 30 June 2017, being the latest date of our condensed interim statements, there has been no material adverse change to our indebtedness.

RECENT DEVELOPMENTS

No important event affecting the Group has occurred since 30 June 2017.

OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We had no off-balance sheet arrangements as at 30 June 2017.

KEY FINANCIAL RATIOS

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

	As at 30 June 2017	As at 31 December 2016
Gearing ratio[1]	**42.9%**	40.1%
	1HFY2017	1HFY2016
Adjusted profit margin[2]	**34.3%**	33.8%

Notes:

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

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

Gearing Ratio

Our gearing ratio increased from 40.1% as at 31 December 2016 to 42.9% as at 30 June 2017, primarily due to an increase in deferred revenue of US$24.6 million.

Adjusted Profit Margin

Our adjusted profit margin increased from 33.8% as at 30 June 2016 to 34.3% as at 30 June 2017, primarily due to increased gross profit margin from 61.6% in 1HFY2016 to 63.1% in 1HFY2017, driven by 2 higher-cost laser GT upgrades and 1 laser GT installation in 1HFY2016, while there were no higher cost laser GT installations in 1HFY2017.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

The proposal of payment and the amount of our dividends will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Any dividend distribution shall also be subject to the approval of our Shareholders in a Shareholders' meeting. We do not presently intend to declare any dividends.

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

As at 30 June 2017, the Company had a total equity of US$102.1 million. Under the Companies Law of the Cayman Islands, subject to the provisions of memorandum of association of the Company or the articles of association (the "**Articles of Association**"), the Company's share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

DIVIDEND

The Board has recommended that no interim dividend be paid in respect of the period ended 30 June 2017.

MATERIAL ACQUISITIONS OR DISPOSALS

We have not undertaken any material acquisition or disposal for the period ended 30 June 2017.

SIGNIFICANT INVESTMENTS

We are entitled to IMAX Hong Kong Holding's share of any distributions and dividends paid by TCL-IMAX Entertainment in respect of profit from Greater China as a result of a preferred share we hold in IMAX Hong Kong Holding, which holds 50% of TCL-IMAX Entertainment, a 50:50 joint venture between IMAX Hong Kong Holding (which is indirectly wholly owned by IMAX Corporation) and Sino Leader (Hong Kong) Limited (which is wholly owned by TCL Multimedia Technology Holdings Limited). TCL-IMAX Entertainment engages in the design, development, manufacturing and global sale of premium home theatre systems incorporating components of IMAX's projection and sound technology adapted for a broader home environment. TCL-IMAX Entertainment has commenced offering home theatre systems in Greater China in the second half of 2016. We did not receive any distributions or dividends from TCL-IMAX Entertainment during the period ended 30 June 2017.

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

OTHER INFORMATION

CORPORATE GOVERNANCE

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 Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules (the "**CG Code**").

The Shares of the Company have listed on the Stock Exchange since 8 October 2015. The Company has in practice complied with the new requirements under the amendments to C.3.3 of the CG Code relating to risk management and internal control since 1 January 2016. The Board has adopted new terms of reference for the audit committee of the Company on 20 July 2016 to comply with the new requirements under the amendments to C.3.3 of the CG Code. Save as disclosed above, during the six months ended 30 June 2017, the Company has complied with all the code provisions of the CG Code.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2017, in connection with the vesting of RSUs to the one of the executive directors of the Company, 3,081 common shares were purchased in the open market by the trustee of the LTIP on 27 February 2017 at an average price per share of HK$36.44.

Save as disclosed, there have been no convertible securities issued or granted by the Group, no exercise of any conversion or subscription rights, nor any sale or redemption by the Group of its listed Shares for the period from 1 January 2017 to 30 June 2017.

SUPPLEMENTAL INFORMATION RELATING TO GRANT OF RSUS

We refer to the announcements by the Company dated 7 March 2017. The Company has appointed a professional trustee to make on-market purchases of shares in respect of the satisfaction of RSUs granted to the Executive Directors (184,228 RSUs). With respect to the satisfaction of RSUs granted to employees (149,983 RSUs), the Company intends to arrange for the issuance of new Shares.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Directors' dealing policy on 21 September 2015 in order to ensure compliance with the Model Code. The terms of the Directors' dealing policy are no less exacting than those set out in the Model Code. Having made specific enquiry of the Directors, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code and the Company's own Directors' dealing policy for the six months ended 30 June 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules throughout the six months ended 30 June 2017.

BOARD COMMITTEES

The Board has received appropriate delegation of its functions and powers and has established appropriate Board committees, with specific written terms of reference in order to manage and monitor specific aspects of the Group's affairs. The terms of reference of the Board Committees are posted on the websites of the Company and the Stock Exchange and are available to the Shareholders upon request. The Board and the Board committees are provided with all necessary resources including the advice of external auditors, external legal advisers and other independent professional advisors as needed.

Audit Committee

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

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

The audit committee members have reviewed the interim report, including the unaudited condensed consolidated interim financial information for the six month ended 30 June 2017.

Remuneration Committee

The Company set up the remuneration committee on 27 May 2015 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and of the CG Code. The primary duties of the remuneration committee are to assist the Board in determining the policy and structure for the remuneration of Directors, evaluating the performance of Directors and senior management, reviewing incentive schemes and Directors' service contracts and fixing the remuneration packages for all Directors and senior management. The remuneration packages of all Directors is determined by the remuneration committee in accordance with the committee's written terms of reference, and with the delegated authority of the Board. Determination of such matters is based on the Group's performance and the Directors' and senior management members' respective contributions to the Group.

The remuneration committee consists of three members: Ms. Yue-Sai Kan, an Independent Non-executive Director; Mr. John Davison, an Independent Non-executive Director; and Mr. Greg Foster, a Non-executive Director. Ms. Yue-Sai Kan is the chairman of the remuneration committee.

Nomination Committee

The Company set up the nomination committee on 27 May 2015 with written terms of reference in compliance with the CG Code. The primary duties of the nomination committee are to identify, screen and recommend to the Board appropriate candidates to serve as Directors of the Company and to oversee the process for evaluating the performance of the Board. In reviewing the composition of the Board, the nomination committee considers the skills, knowledge and experience and also the desirability of maintaining a balanced composition of executive and non-executive Directors (including independent non-executive Directors).

The nomination committee consists of three members: Mr. Richard Gelfond, a Non-executive Director; Ms. Dawn Taubin, an Independent Non-executive Director; and Ms. Yue-Sai Kan, an Independent Non-executive Director. Mr. Richard Gelfond is the chairman of the nomination committee.

In selecting candidates, the Board and the nomination committee intend to consider a large number of factors including but not limited to independence, diversity, age, competencies, skills, experience, availability of service to the Company, tenure and the Board's anticipated needs in order to achieve a diverse Board with directors from different backgrounds with varying perspectives, professional experience, education and skills. The nomination committee reports annually on the composition of the Board from the perspective of diversity, and monitors the implementation of this policy. The nomination committee is satisfied that the composition of the Board is sufficiently diverse.

INTERIM REPORT

The Company's interim report for the six months ended 30 June 2017 containing all the relevant information required by Appendix 16 of the Listing Rules has been published on the websites of the Company and the Stock Exchange and will be dispatched to Shareholders in due course.

LITIGATION

The Group did not have any material litigation outstanding as at 30 June 2017.

INSIDE INFORMATION

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

Results of IMAX Corporation

Our controlling shareholder, IMAX Corporation, is a company listed on the New York Stock Exchange in the United States. As of the date of this announcement, IMAX Corporation beneficially owns 68.22% of the issued share capital of the Company.

On or about 26 July 2017, at 5:14 p.m. New York time, IMAX Corporation made an announcement regarding its unaudited results for the second quarter of 2017 (the "**Earnings Release**"). If you wish to review the Earnings Release, please visit: https://www.sec.gov/Archives/edgar/data/921582/000119312517236530/d428348d8k.htm. Unless otherwise provided therein, all dollar amounts in the Earnings Release are denominated in United States dollars.

On or about 26 July 2017, at 5:20 p.m. New York time, IMAX Corporation filed its unaudited quarterly report on the Form 10-Q for the second quarter of 2017 (the "**Quarterly Report**") with the United States Securities and Exchange Commission (the "**SEC**"), in accordance with the ongoing disclosure obligations applicable to the companies listed on the New York Stock Exchange. If you wish to review the Quarterly Report as filed with the SEC, please visit: https://www.sec.gov/Archives/edgar/data/921582/000119312517236677/d430934d10q.htm. Unless otherwise provided therein, all dollar amounts in the Quarterly Report are denominated in United States dollars.

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

Our shareholders and potential investors are advised to exercise caution in dealing in securities in the Company

The Earnings Release and Quarterly Report may contain forward-looking statements. Forward-looking statements involve a number of risks, uncertainties or other factors beyond our control, which may cause material differences in actual results, performance or other expectations. These factors include, but are not limited to, general economic conditions, competition, changes of government policies and regulations and other factors detailed in the Company's prospectus dated 24 September 2015. We are under no obligation to (and expressly disclaim any such obligation to) update the forward-looking statements as a result of new information, future events or otherwise.

(1) QUARTERLY REPORT EXTRACTS

IMAX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. dollars)

(Unaudited)

		30 June 2017		31 December 2016
Assets				
Cash and cash equivalents	$	158,244	$	204,759
Accounts receivable, net of allowance for doubtful accounts of $991 (31 December 2016 — $1,250)		96,311		96,349
Financing receivables		119,279		122,125
Inventories		41,264		42,121
Prepaid expenses		9,455		6,626
Film assets		37,835		16,522
Property, plant and equipment		257,452		245,415
Other assets		19,083		33,195
Deferred income taxes		31,503		20,779
Other intangible assets		30,936		30,416
Goodwill		39,027		39,027
Total assets	$	840,389	$	857,334
Liabilities				
Bank indebtedness	$	26,336	$	27,316
Accounts payable		30,245		19,990
Accrued and other liabilities		87,737		93,208
Deferred revenue		113,689		90,266
Total liabilities		258,007		230,780
Commitments and contingencies				
Non-controlling interests		2,387		4,980
Shareholders' equity				
Capital stock common shares — no par value. Authorized — unlimited number. 64,892,201 issued and 64,722,846 outstanding (31 December 2016 — 66,224,467 issued and 66,159,902 outstanding)		445,466		439,213
Less: Treasury stock, 169,355 shares at cost (31 December 2016 — 64,565)		(5,412)		(1,939)
Other equity		169,301		177,304
Accumulated deficit		(91,573)		(47,366)
Accumulated other comprehensive loss		(3,061)		(5,200)
Total shareholders' equity attributable to common shareholders		514,721		562,012
Non-controlling interests		65,274		59,562
Total shareholders' equity		579,995		621,574
Total liabilities and shareholders' equity	$	840,389	$	857,334

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands of U.S. dollars, except per share amounts)

(Unaudited)

	Three Months Ended 30 June		Six Months Ended 30 June	
	2017	2016	**2017**	2016
Revenues				
Equipment and product sales	**$ 21,334**	$ 26,489	**$ 32,879**	$ 50,229
Services	**44,603**	41,385	**83,447**	85,658
Rentals	**19,438**	20,752	**35,294**	42,531
Finance income	**2,383**	2,367	**4,794**	4,703
Other	**—**	750	**—**	750
	87,758	91,743	**156,414**	183,871
Costs and expenses applicable to revenues				
Equipment and product sales	**11,453**	15,594	**18,917**	33,385
Services	**21,266**	20,528	**41,080**	38,124
Rentals	**5,580**	5,298	**11,187**	9,863
Other	**—**	46	**—**	46
	38,299	41,466	**71,184**	81,418
Gross margin	**49,459**	50,277	**85,230**	102,453
Selling, general and administrative expenses (including share-based compensation expense of $6.2 million and $11.0 million for the three and six months ended 30 June 2017, respectively (2016 — $8.9 million and $14.7 million, respectively))	**28,589**	33,101	**59,531**	62,020
Research and development	**5,678**	3,435	**10,012**	7,143
Asset impairments	**1,225**	—	**1,225**	—
Amortization of intangibles	**779**	515	**1,380**	1,006
Receivable provisions, net of recoveries	**940**	230	**1,125**	356
Impairment of investments	**—**	194	**—**	194
Restructuring charges and associated impairments	**10,258**	—	**10,258**	—
Income from operations	**1,990**	12,802	**1,699**	31,734
Interest income	**280**	380	**508**	847
Interest expense	**(435)**	(458)	**(890)**	(856)
Income from operations before income taxes	**1,835**	12,724	**1,317**	31,725
Recovery of (provision for) income taxes	**238**	(2,476)	**124**	(7,084)
Loss from equity-accounted investments, net of tax	**(264)**	(1,340)	**(519)**	(1,781)
Net income	**1,809**	8,908	**922**	22,860
Less: net income attributable to non-controlling interests	**(3,521)**	(2,892)	**(2,559)**	(5,542)
Net (loss) income attributable to common shareholders	**$ (1,712)**	$ 6,016	**$ (1,637)**	$ 17,318
Net (loss) income per share attributable to common shareholders — basic and diluted:				
Net (loss) income per share — basic	**$ (0.03)**	$ 0.09	**$ (0.02)**	$ 0.25
Net (loss) income per share — diluted	**$ (0.03)**	$ 0.09	**$ (0.02)**	$ 0.25

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands of U.S. dollars)

(Unaudited)

	Three Months Ended 30 June		Six Months Ended 30 June	
	2017	2016	**2017**	2016
Net income	**$ 1,809**	$ 8,908	**$ 922**	$ 22,860
Unrealized net gain (loss) from cash flow hedging instruments	**772**	(49)	**1,085**	2,158
Realization of cash flow hedging net (gain) loss upon settlement	**(101)**	716	**184**	1,993
Foreign currency translation adjustments	**1,304**	(1,819)	**1,762**	(1,397)
Amortization of postretirement benefit plan actuarial loss	**—**	17	**—**	34
Other comprehensive income (loss), before tax	**1,975**	(1,135)	**3,031**	2,788
Income tax expense related to other comprehensive income (loss)	**(175)**	(178)	**(332)**	(1,089)
Other comprehensive income (loss), net of tax	**1,800**	(1,313)	**2,699**	1,699
Comprehensive income	**3,609**	7,595	**3,621**	24,559
Less: Comprehensive income attributable to non-controlling interests	**(3,935)**	(2,318)	**(3,119)**	(4,269)
Comprehensive (loss) income attributable to common shareholders	**$ (326)**	$ 5,277	**$ 502**	$ 20,290

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

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

	Six Months Ended 30 June	
	2017	2016
Cash provided by (used in):		
Operating Activities		
Net income	**$ 922**	$ 22,860
Adjustments to reconcile net income to cash from operations:		
Depreciation and amortization	**25,354**	22,064
Write-downs, net of recoveries	**13,155**	1,249
Change in deferred income taxes	**(3,133)**	(29)
Stock and other non-cash compensation	**12,570**	15,014
Unrealized foreign currency exchange gain	**(462)**	(583)
Loss from equity-accounted investments	**321**	1,980
Loss (gain) on non-cash contribution to equity-accounted investees	**198**	(199)
Investment in film assets	**(19,589)**	(10,890)
Changes in other non-cash operating assets and liabilities	**7,884**	(15,399)
Net cash provided by operating activities	**37,220**	36,067
Investing Activities		
Purchase of property, plant and equipment	**(9,771)**	(8,472)
Investment in joint revenue sharing equipment	**(17,550)**	(20,700)
Investment in new business ventures	**(1,500)**	—
Acquisition of other intangible assets	**(2,624)**	(1,691)
Net cash used in investing activities	**(31,445)**	(30,863)
Financing Activities		
Repayment of bank indebtedness	**(1,000)**	(1,000)
Settlement of restricted share units and options	**(14,048)**	(8,369)
Common shares issued — stock options exercised	**14,419**	3,582
Treasury stock purchased for future settlement of restricted share units	**(5,412)**	(13)
Taxes withheld and paid on employee stock awards vested	**(187)**	(73)
Repurchase of common shares	**(46,138)**	(85,714)
Taxes paid on secondary sale and repatriation dividend	**—**	(2,991)
Net cash used in financing activities	**(52,366)**	(94,578)
Effects of exchange rate changes on cash	**76**	6
Decrease in cash and cash equivalents during period	**(46,515)**	(89,368)
Cash and cash equivalents, beginning of period	**204,759**	317,449
Cash and cash equivalents, end of period	**$ 158,244**	$ 228,081

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

1. Basis of Presentation

IMAX Corporation, together with its consolidated subsidiaries (the "**Company**"), prepares its financial statements in accordance with United States Generally Accepted Accounting Principles ("**U.S. GAAP**").

The condensed consolidated financial statements include the accounts of the Company together with its consolidated subsidiaries, except for subsidiaries which the Company has identified as variable interest entities ("**VIEs**") where the Company is not the primary beneficiary. The nature of the Company's business is such that the results of operations for the interim periods presented are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the information contained herein reflects all normal and recurring adjustments necessary to make the results of operations for the interim periods a fair statement of such operations.

All intercompany accounts and transactions, including all unrealized intercompany profits on transactions with equity-accounted investees, have been eliminated.

The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

These interim financial statements should be read in conjunction with the consolidated financial statements included in the Company's 2016 Annual Report on Form 10-K for the year ended 31 December 2016 ("**the 2016 Form 10-K**") which should be consulted for a summary of the significant accounting policies utilized by the Company. These interim financial statements are prepared following accounting policies consistent with the Company's financial statements for the year ended 31 December 2016, except as noted below. Certain prior period information has been revised to reflect the current period information.

3. Financing Receivables

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

	30 June 2017	31 December 2016
Gross minimum lease payments receivable	**$ 7,540**	$ 10,466
Unearned finance income	**(842)**	(1,710)
Minimum lease payments receivable	**6,698**	8,756
Accumulated allowance for uncollectible amounts	**(321)**	(672)
Net investment in leases	**6,377**	8,084
Gross financed sales receivables	**151,441**	154,301
Unearned finance income	**(38,112)**	(39,766)
Financed sales receivables	**113,329**	114,535
Accumulated allowance for uncollectible amounts	**(427)**	(494)
Net financed sales receivables	**112,902**	114,041
Total financing receivables	**$ 119,279**	$ 122,125
Net financed sales receivables due within one year	**$ 27,733**	$ 21,980
Net financed sales receivables due after one year	**$ 85,169**	$ 92,061

As at 30 June 2017, the financed sale receivables had a weighted average effective interest rate of 9.2% (31 December 2016 — 9.3%).

4. Inventories

	30 June 2017	31 December 2016
Raw materials	$ 25,470	$ 28,000
Work-in-process	3,995	3,818
Finished goods	11,799	10,303
	$ 41,264	$ 42,121

At 30 June 2017, finished goods inventory for which title had passed to the customer and revenue was deferred amounted to $5.7 million (31 December 2016 — $2.3 million).

During the three and six months ended 30 June 2017, the Company recognized write-downs for excess and obsolete inventory based upon current estimates of net realizable value considering future events and conditions of less than $0.1 million and less than $0.1 million, respectively (2016 — $0.1 million and $0.3 million, respectively).

5. Property Plant and Equipment

	As at 30 June 2017		
	Cost	Accumulated Depreciation	Net Book Value
Equipment leased or held for use			
Theatre system components	$ 236,521	$ 97,691	$ 138,830
Camera equipment	6,013	3,896	2,117
	242,534	101,587	140,947
Assets under construction	28,792	—	28,792
Other property, plant and equipment			
Land	8,203	—	8,203
Buildings	72,325	16,033	56,292
Office and production equipment	42,292	24,672	17,620
Leasehold improvements	9,163	3,565	5,598
	131,983	44,270	87,713
	$ 403,309	$ 145,857	$ 257,452

	As at 31 December 2016		
	Cost	Accumulated Depreciation	Net Book Value
Equipment leased or held for use			
Theatre system components	$ 224,890	$ 89,218	$ 135,672
Camera equipment	5,739	3,732	2,007
	230,629	92,950	137,679
Assets under construction	18,315	—	18,315
Other property, plant and equipment			
Land	8,203	—	8,203
Buildings	69,861	14,877	54,984
Office and production equipment	41,128	21,935	19,193
Leasehold improvements	10,067	3,026	7,041
	129,259	39,838	89,421
	$ 378,203	$ 132,788	$ 245,415

8. Commitments, Contingencies and Guarantees

Contingencies and guarantees

The Company is involved in lawsuits, claims, and proceedings, including those identified below, which arise in the ordinary course of business. In accordance with the Contingencies Topic of the FASB ASC, the Company 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. The Company believes it has adequate provisions for any such matters. The Company reviews these provisions in conjunction with any related provisions on assets related to the claims at least quarterly and adjusts these provisions to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other pertinent information related to the case. Should developments in any of these matters outlined below cause a change in the Company's determination as to an unfavorable outcome and result in the need to recognize a material provision, or, should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on the Company's results of operations, cash flows, and financial position in the period or periods in which such a change in determination, settlement or judgment occurs.

The Company expenses legal costs relating to its lawsuits, claims and proceedings as incurred.

In March 2013, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai**"), the Company's majority-owned subsidiary in China, received notice from the Shanghai office of the General Administration of Customs ("**Customs Authority**") that it had been selected for a customs audit (the "**Audit**"). In the course of the Audit, the Customs Authority discovered the underpayment by IMAX Shanghai of the freight and insurance portion of the customs duties and taxes applicable to the importation of certain IMAX theater systems during the period from October 2011 through March 2013 of approximately $0.1 million, for which payment was remitted in June 2017. Though IMAX Shanghai's importation agent accepted responsibility for the error giving rise to the underpayment, the matter has been transferred to the Anti-Smuggling Bureau (the "**ASB**") of the Customs Authority for further review. Given that the amount of the underpayment exceeds RMB200,000 (the applicable ASB threshold), the Company has been advised that the matter may be treated as a criminal rather than as an administrative matter. For the three months ended June 30, 2017, IMAX Shanghai recorded an estimate of $0.3 million in respect of fines that it believes are likely to result from the matter. IMAX Shanghai has been advised that the range of potential penalties is between three and five times the underpayment whether the matter is assessed as criminal or administrative; however, the actual amount of any fines or other penalties remains unknown and the Company cautions that these actual fines or other penalties maybe be greater or less than the amount accrued or the expected range.

9. Condensed Consolidated Statements of Operations Supplemental Information

(a) Selling Expenses

The Company defers direct selling costs such as sales commissions and other amounts related to its sale and sales-type lease arrangements until the related revenue is recognized. These costs and direct advertising and marketing, included in costs and expenses applicable to revenues-equipment and product sales, totaled $0.8 million and $1.1 million for the three and six months ended 30 June 2017, respectively (2016 — $1.0 million and $1.7 million, respectively).

Film exploitation costs, including advertising and marketing, totaled $4.1 million and $6.6 million for the three and six months ended 30 June 2017, respectively (2016 — $6.0 million and $9.0 million, respectively), and are recorded in costs and expenses applicable to revenues-services as incurred.

Commissions are recognized as costs and expenses applicable to revenues-rentals in the month they are earned. These costs totaled $0.4 million and $0.5 million for the three and six months ended 30 June 2017, respectively (2016 — $0.4 million and $0.3 million respectively). Direct advertising and marketing costs for each theatre are charged to costs and expenses applicable to revenues-rentals as incurred. These costs totaled an expense of $0.4 million and $0.7 million for the three and six months ended 30 June 2017, respectively (2016 — expense of $0.5 million and $0.6 million, respectively).

(b) Foreign Exchange

Included in selling, general and administrative expenses for the three and six months ended 30 June 2017 is a gain of $0.2 million and $0.2 million, respectively (2016 — loss of $0.4 million and gain of $0.1 million, respectively), for net foreign exchange gains/losses related to the translation of foreign currency denominated monetary assets and liabilities. See note 15(d) for additional information.

(c) Collaborative Arrangements

Joint Revenue Sharing Arrangements

In a joint revenue sharing arrangement, the Company receives a portion of a theatre's box office and concession revenues, and in some cases a small upfront or initial payment, in exchange for placing a theatre system at the theatre operator's venue. 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 equipment under joint revenue sharing arrangements 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 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 extended warranty throughout the term. The customer is responsible for obtaining insurance coverage for the theatre systems commencing on the date specified in the arrangement's shipping terms and ending on the date the theatre systems are delivered back to the Company.

The Company has signed joint revenue sharing agreements with 46 exhibitors for a total of 1,077 theatre systems, of which 671 theatres were operating as at 30 June 2017, the terms of which are similar in nature, rights and obligations. The accounting policy for the Company's joint revenue sharing arrangements is disclosed in note 2(m) of the Company's 2016 Form 10-K.

Amounts attributable to transactions arising between the Company and its customers under joint revenue sharing arrangements are included in Equipment and Product Sales and Rentals revenue and for the three and six months ended 30 June 2017 amounted to $20.3 million and $36.0 million, respectively (2016 — $23.9 million and $47.2 million, respectively).

IMAX DMR

In an IMAX DMR arrangement, the Company transforms conventional motion pictures into the Company's large screen format, allowing the release of Hollywood content to the global IMAX theatre network. In a typical IMAX DMR film arrangement, the Company receives a percentage, which in recent years has averaged approximately 12.5%, of net box office receipts, defined as gross box office receipts less applicable sales taxes, of any commercial films released in the IMAX theatre network outside of Greater China from the applicable film studio for the conversion of the film to the IMAX DMR format and for access to the Company's premium distribution platform. Within Greater China, the Company receives a lower percentage of box office receipts for certain films. The Company does not typically hold distribution rights or the copyright to these films.

For the six months ended 30 June 2017, the majority of IMAX DMR revenue was earned from the exhibition of 33 IMAX DMR films (2016 — 27) throughout the IMAX theatre network. The accounting policy for the Company's IMAX DMR arrangements is disclosed in note 2(m) of the Company's 2016 Form 10-K.

Amounts attributable to transactions arising between the Company and its customers under IMAX DMR arrangements are included in Services revenue and for the three and six months ended 30 June 2017 amounted to $27.8 million and $51.2 million, respectively (2016 — $27.4 million and $57.2 million, respectively).

11. Income Taxes

(a) Income Taxes

The Company's effective tax rate differs from the statutory tax rate and varies from year to year primarily as a result of permanent differences, investment and other tax credits, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate increases or reductions in the year, changes due to foreign exchange, changes in the Company's valuation allowance based on the Company's recoverability assessments of deferred tax assets, and favorable or unfavorable resolution of various tax examinations. During the quarter ended 30 June 2017, there was no change in the Company's estimates of the recoverability of its deferred tax assets based on an analysis of both positive and negative evidence including projected future earnings.

As at 30 June 2017, the Company had net deferred income tax assets after valuation allowance of $31.5 million (31 December 2016 — $20.8 million), which consists of a gross deferred income tax asset of $31.7 million (31 December 2016 — $21.0 million), against which the Company is carrying a $0.2 million valuation allowance (31 December 2016 — $0.2 million).

For the quarter ended 30 June 2017, the Company recorded a recovery for income taxes of $0.2 million. Included in the recovery for income taxes was a $0.2 million recovery for windfall tax benefits, offset by a less than $0.1 million provision related to other items.

The Company has elected to early adopt ASU 2016-16 related to income taxes during the first quarter of 2017. The impact from the adoption was reflected in the Company's condensed consolidated financial statements on a modified retrospective basis resulting in an increase to Accumulated deficit of $8.3 million, a decrease to Other assets of $14.8 million, an increase to Deferred taxes of $7.9 million and an increase to Accrued and other liabilities of $1.4 million.

The Company early adopted ASU 2016-09, related to stock-based compensation, in June 2016. ASU 2016-09 eliminates additional paid in capital ("**APIC**") pools and requires excess tax benefits and tax deficiencies to be recorded in the condensed consolidated statements of operations when the awards vest or are settled. In addition, modified retrospective adoption of ASC 2016-09 eliminates the requirement that excess tax benefits be realized before they can be recognized. The Company has recorded an adjustment of $0.9 million to Deferred income taxes related to the impact from adoption of the provisions related to forfeiture rates. See note 12 for further discussion of the impact from the adoption of ASU 2016-09.

Cash held outside of North America as at 30 June 2017 was $126.1 million (31 December 2016 — $117.4 million), of which $38.1 million was held in the PRC (31 December 2016 — $31.5 million). The Company's intent is to permanently reinvest these amounts outside of Canada and the Company does not currently anticipate that it will need funds generated from foreign operations to fund North American operations. In the event funds from foreign operations are needed to fund operations in North America and if withholding taxes have not already been previously provided, the Company would be required to accrue and pay these additional withholding tax amounts on repatriation of funds from China to Canada. The Company currently estimates this amount to be $5.8 million.

12. Capital Stock

(a) Stock-Based Compensation

Compensation costs recorded in the condensed consolidated statements of operations for the Company's stock-based compensation plans were $6.9 million and $12.1 million for the three and six months ended 30 June 2017, respectively (2016 — $6.2 million and $14.7 million, respectively). The following reflects the stock-based compensation expense recorded to the respective financial statement line items in the following respective periods:

	Three Months Ended 30 June 2017	Six Months Ended 30 June 2017
Cost and expenses applicable to revenues	$ 382	$ 740
Selling, general and administrative expenses	6,236	10,998
Research and development	171	315
Restructuring charges and associated impairments	73	73
	$ 6,862	$ 12,126

As at 30 June 2017, the Company has reserved a total of 11,080,860 (31 December 2016 — 12,012,572) common shares for future issuance under the Company's Stock Option Plan ("**SOP**") and the IMAX Corporation Amended and Restated Long-Term Incentive Plan ("**IMAX LTIP**"). Of the common shares reserved for issuance, there are options in respect of 5,148,626 common shares and restricted share units ("**RSUs**") in respect of 1,243,033 common shares outstanding at 30 June 2017. At 30 June 2017, options in respect of 3,895,973 common shares were vested and exercisable.

The Company early adopted ASU 2016-09, related to stock-based compensation, in June 2016. ASU 2016-09 eliminates the requirement to estimate and apply a forfeiture rate to reduce stock compensation expense during the vesting period and, instead, account for forfeitures as they occur. ASU 2016-09 also requires the presentation of employee taxes as a financing activity on the condensed consolidated statement of cash flows. Where applicable, comparative figures have been restated as if the adoption of ASU 2016-09 occurred on 1 January 2016.

Stock Option Plan

The Company recorded an expense of $1.0 million and $2.4 million for the three and six months ended June 30, 2017, respectively (2016 — expense of $1.0 million and $6.0 million, respectively) related to stock option grants issued to employees and directors in the IMAX LTIP and SOP plans. An income tax benefit is recorded in the condensed consolidated statements of operations of $0.3 million and $0.7 million for the three and six months ended 30 June 2017, respectively (2016 — $0.3 million and $1.6 million, respectively), for these costs.

The weighted average fair value of all stock options granted to employees and directors for the three and six months ended 30 June 2017 at the grant date was $nil and $9.07 per share, respectively (2016 — $8.03 and $8.23 per share, respectively). The following assumptions were used to estimate the average fair value of the stock options:

	Three Months Ended 30 June		**Six Months Ended 30 June**	
	2017	2016	**2017**	2016
Average risk-free interest rate	**n/a**	1.72%	**2.40%**	1.72%
Expected option life (in years)	**n/a**	4.79 – 5.24	**4.71 – 5.83**	4.79 – 5.24
Expected volatility	**n/a**	30%	**30%**	30%
Dividend yield	**n/a**	0%	**0%**	0%

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

The China LTIP was adopted by IMAX China Holding, Inc. ("**IMAX China**"), a subsidiary of the Company, in October 2012. Each stock option ("**China Option**"), RSU or cash settled share-based payment ("**CSSBP**") issued under the China LTIP represents an opportunity to participate economically in the future growth and value creation of IMAX China.

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 issued additional China Options and China LTIP Restricted Share Units ("**China RSUs**") for the six months ended 30 June 2017.

During the three months ended 30 June 2017, the Company recorded an expense related to the China Options, China RSUs and CSSBPs of $0.4 million, $0.2 million and $0.1 million, respectively (2016 — $0.2 million, $0.4 million and $0.1 million, respectively). During the six months ended 30 June 2017, the Company recorded an expense related to the China Options, China RSUs and CSSBPs of $0.6 million, $0.3 million and $0.2 million, respectively (2016 — $0.5 million, $0.4 million and $0.2 million, respectively). The liability recognized with respect to the CSSBPs as at 30 June 2017 was $0.4 million (31 December 2016 — $0.3 million).

Stock Option Summary

The following table summarizes certain information in respect of option activity under the SOP and IMAX LTIP for the six months ended 30 June:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2017	2016	**2017**	2016
Options outstanding, beginning of period	**5,190,542**	4,805,244	**$ 28.35**	$ 27.03
Granted	**679,030**	814,603	**32.16**	31.58
Exercised	**(658,341)**	(193,471)	**21.90**	18.28
Forfeited	**(40,336)**	(7,292)	**32.01**	25.87
Expired	**(22,269)**	—	**37.08**	—
Options outstanding, end of period	**5,148,626**	5,419,084	**29.61**	28.03
Options exercisable, end of period	**3,895,973**	3,653,921	**28.87**	27.14

No stock options were cancelled from its IMAX LTIP or SOP surrendered by Company employees during the three and six months ended 30 June 2017 and 2016.

As at 30 June 2017, options that are exercisable have an intrinsic value of $0.2 million and a weighted average remaining contractual life of 4.5 years. The intrinsic value of options exercised in the three and six months ended 30 June 2017 was $0.8 million and $6.8 million, respectively (2016 — $2.1 million and $2.7 million, respectively).

Restricted Share Units

RSUs have been granted to employees, consultants and directors under the IMAX LTIP. Each RSU represents a contingent right to receive one common share and is the economic equivalent of one common share. The grant date fair value of each RSU is equal to the share price of the Company's stock at the grant date. The Company recorded an expense of $5.2 million and $8.6 million for the three and six months ended 30 June 2017, respectively (2016 — expense of $4.5 million and $7.7 million, respectively), related to RSU grants issued to employees and directors in the plan. The Company did not issue any RSU grants to certain advisors and strategic partners of the Company during the six months ended 30 June 2017 and 2016.

During the three and six months ended 30 June 2017, in connection with the vesting of RSUs, the Company settled 50,774 and 252,567, respectively (2016 — 53,318 and 243,616, respectively) common shares to IMAX LTIP participants, of which nil and 7,127, respectively (2016 — 22,733 and 28,296, respectively) common shares, net of shares withheld for tax withholdings of 1,719 and 6,301, respectively (2016 — nil and 3,508, respectively) were issued from treasury. Common shares settled through the open market purchases by the IMAX LTIP trustee were 49,055 and 239,139 respectively (2016 — 30,585 and 211,812, respectively).

Total stock-based compensation expense related to non-vested RSUs not yet recognized at 30 June 2017 and the weighted average period over which the awards are expected to be recognized is $32.2 million and 2.4 years, respectively (2016 — $28.6 million and 2.6 years, respectively). The Company's actual tax benefits realized for the tax deductions related to the vesting of RSUs was $0.4 million and $2.3 million, respectively for the three and six months ended 30 June 2017 (2016 — $0.3 million and $2.2 million, respectively).

Historically, RSUs granted under the IMAX LTIP have vested between immediately and four years from the grant date. In connection with the amendment and restatement of the IMAX LTIP at the Company's annual and special meeting of shareholders on 6 June 2016, the IMAX LTIP plan was amended to impose a minimum one-year vesting period on future RSU grants, with a carve-out for 300,000 RSUs that may vest on a shorter schedule. In the second quarter of 2017, 46,613 RSUs (2016 — 39,726 RSUs) with a vesting period of less than one year were issued from the remaining carve-out balance of 260,274 RSUs leaving a balance of 213,661 RSUs at 30 June 2017. Vesting of the RSUs is subject to continued employment or service with the Company.

The following table summarizes certain information in respect of RSU activity under the IMAX LTIP for the six months ended 30 June:

	Number of Awards		**Weighted Average Grant Date Fair Value Per Share**	
	2017	2016	**2017**	2016
RSUs outstanding, beginning of period	**1,124,180**	973,637	**$ 33.01**	$ 32.27
Granted	**420,467**	397,441	**31.62**	31.80
Vested and settled	**(252,567)**	(243,616)	**30.06**	29.61
Forfeited	**(49,047)**	(8,028)	**32.14**	31.43
RSUs outstanding, end of period	**1,243,033**	1,119,434	**33.16**	32.69

13. Segmented Information

Management, including the Company's Chief Executive Officer ("**CEO**") who is the Company's Chief Operating Decision Maker (as defined in the Segment Reporting Topic of the FASB ASC), assesses segment performance based on segment revenues, gross margins and film performance. Selling, general and administrative expenses, research and development costs, amortization of intangibles, receivables provisions (recoveries), write-downs net of recoveries, interest income, interest expense and tax (provision) recovery are not allocated to the segments.

In the first quarter of 2017, modifications were made to the CEO's reporting package to move away from the Company's historical two primary groups — IMAX Theatre Systems and Film — and to better align with the way in which the CODM manages the business. The new structure is expected to assist users of the financial statements with an enhanced understanding of how management views the business, and the drivers behind the Company's performance. Certain of the prior period's figures have been reclassified to conform to the current period's presentation.

The Company has identified new business as an additional reportable segment in the first quarter of 2017. The Company now has the following eight reportable segments: IMAX systems; IMAX DMR; joint revenue sharing arrangements; theatre system maintenance; film distribution; film post-production; new business; and other.

The Company's reportable segments are now organized under four primary groups identified by nature of product sold or service provided: (1) Network Business, representing variable revenue generated by box office results and which includes the reportable segment of IMAX DMR and contingent rent from the joint revenue sharing arrangements and IMAX systems segments; (2) Theatre Business, representing revenue generated by the sale and installation of theatre systems and maintenance services, primarily related to the IMAX Systems and Theatre System Maintenance reportable segments, and also includes fixed hybrid revenues and upfront installation costs from the joint revenue sharing arrangements segment and after-market sales of projection system parts and 3D glasses from the other segment; (3) New Business, which includes content licensing and distribution fees associated with the Company's original content investments, virtual reality initiatives, IMAX Home Entertainment, and other business initiatives that are in the development and/or start-up phase, and (4) Other; which includes the film post-production and distribution segments and certain IMAX theatres that the Company owns and operates, camera rentals and other miscellaneous items from the other segment. The Company is presenting information at a disaggregated level to provide more relevant information to readers, as permitted by the standard. The accounting policies of the segments are the same as those described in note 2 to the audited consolidated financial statements included in the Company's 2016 Form 10-K. In addition, refer to Item 2 of the Company's Form 10-Q for additional information regarding the four primary groups mentioned above.

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

	Three Months Ended 30 June		Six Months Ended 30 June	
	2017	2016	**2017**	2016
Revenue[1]				
Network business				
IMAX DMR	**$ 27,757**	$ 27,413	**$ 51,166**	$ 57,218
Joint revenue sharing arrangements — contingent rent	**18,896**	19,498	**34,130**	40,813
IMAX systems — contingent rent	**790**	1,211	**1,478**	2,398
	47,443	48,122	**86,774**	100,429
Theatre business				
IMAX systems	**18,738**	21,750	**28,265**	42,423
Joint revenue sharing arrangements — fixed fees	**1,408**	4,358	**1,878**	6,428
Theatre system maintenance	**10,904**	9,912	**21,949**	19,738
Other theatre	**1,699**	2,857	**3,864**	5,344
	32,749	38,877	**55,956**	73,933
New business	**1,311**	86	**2,591**	86
Other				
Film post-production	**4,149**	1,702	**7,220**	4,109
Film distribution	**938**	890	**1,450**	1,253
Other	**1,168**	2,066	**2,423**	4,061
	6,255	4,658	**11,093**	9,423
Total	**$ 87,758**	$ 91,743	**$ 156,414**	$ 183,871

	Three Months Ended 30 June		Six Months Ended 30 June	
	2017	2016	**2017**	2016
Gross Margin				
Network business				
IMAX DMR[(2)]	**$ 16,998**	$ 17,127	**$ 34,466**	$ 39,950
Joint revenue sharing arrangements — contingent rent[(2)]	**13,668**	14,790	**23,920**	32,278
IMAX systems — contingent rent	**790**	1,211	**1,478**	2,398
	31,456	33,128	**59,864**	74,626
Theatre business				
IMAX systems[(2)]	**12,263**	12,464	**18,004**	19,111
Joint revenue sharing arrangements — fixed fees[(2)]	**176**	954	**264**	1,458
Theatre system maintenance	**4,434**	3,370	**8,683**	6,808
Other theatre	**405**	711	**834**	679
	17,278	17,499	**27,785**	28,056
New business	**(1,183)**	(296)	**(1,520)**	(521)
Other				
Film post-production	**2,425**	776	**3,525**	2,024
Film distribution[(2)]	**(427)**	(577)	**(4,190)**	(1,256)
Other	**(90)**	(253)	**(234)**	(476)
	1,908	(54)	**(899)**	292
Total	**$ 49,459**	$ 50,277	**$ 85,230**	$ 102,453

(1) The Company's largest customer represented 15.1 % and 15.8% of total revenues for the three and six months ended 30 June 2017, respectively (2016 -15.0% and 15.3%, respectively).

(2) IMAX DMR segment margins include marketing costs of $4.7 million and $7.3 million for the three and six months ended 30 June, 2017, respectively (2016 — $5.2 million and $7.5 million, respectively). Joint revenue sharing arrangements segment margins include advertising, marketing and commission costs of $0.8 million and $1.2 million for the three and six months ended 30 June 2017, respectively (2016 — $0.9 million and $0.9 million, respectively). IMAX systems segment margins include marketing and commission costs of $0.8 million and $1.1 million for the three and six months ended 30 June 2017, respectively (2016 — $1.0 million and $1.7 million, respectively). Film distribution segment margins include a marketing recovery of $0.6 million and recovery of $0.7 million for the three and six months ended 30 June 2017, respectively (2016 — expense of $0.8 million and expense of $1.5 million, respectively).

Geographic Information

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

	Three Months Ended 30 June		**Six Months Ended 30 June**	
	2017	2016	**2017**	2016
Revenue				
Greater China	**$ 32,982**	$ 30,122	**$ 51,572**	$ 55,061
United States	**26,511**	32,593	**51,706**	68,137
Asia (excluding Greater China)	**7,514**	8,810	**15,944**	14,369
Western Europe	**6,942**	8,896	**12,756**	20,382
Rest of the World	**4,528**	3,553	**7,035**	5,857
Latin America	**3,780**	3,627	**5,434**	7,154
Canada	**3,030**	547	**6,313**	7,624
Russia & the CIS	**2,471**	3,595	**5,654**	5,287
Total	**$ 87,758**	$ 91,743	**$ 156,414**	$ 183,871

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

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

(b) Fair Value Measurements

The carrying values of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities due within one year approximate fair values due to the short-term maturity of these instruments. The Company's other financial instruments are comprised of the following:

	As at 30 June 2017		As at 31 December 2016	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Cash and cash equivalents	**$ 158,244**	**$ 158,244**	$ 204,759	$ 204,759
Net financed sales receivable	**$ 112,902**	**$ 112,433**	$ 114,041	$ 115,014
Net investment in sales-type leases	**$ 6,377**	**$ 6,395**	$ 8,084	$ 8,372
Convertible loan receivable	**$ 1,500**	**$ 1,500**	$ 1,000	$ 1,000
Available-for-sale investment	**$ 1,000**	**$ 1,014**	$ 1,000	$ 1,007
Foreign exchange contracts — designated forwards	**$ 973**	**$ 973**	$ (296)	$ (296)
Borrowings under the Playa Vista Loan	**$ (26,667)**	**$ (26,667)**	$ (27,667)	$ (27,667)

Cash and cash equivalents are comprised of cash and interest-bearing investments with original maturity dates of 90 days or less. Cash and cash equivalents are recorded at cost, which approximates fair value (Level 1 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at 30 June 2017 and 31 December 2016, respectively.

The estimated fair values of the net financed sales receivable and net investment in sales-type leases are estimated based on discounting future cash flows at currently available interest rates with comparable terms (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at 30 June 2017 and 31 December 2016, respectively.

The estimated fair value of the Company's convertible loan receivable is based on discounting future cash flows at currently available interest rates with comparable terms (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at 30 June 2017 and 31 December 2016, respectively.

The fair value of the Company's available-for-sale investment is determined using quoted prices in active markets (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at 30 June 2017 and 31 December 2016, respectively.

The fair value of foreign currency derivatives is determined using quoted prices in active markets (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at 30 June 2017 and 31 December 2016, respectively. These identical instruments are traded on a closed exchange.

The carrying value of borrowings under the Playa Vista Loan approximates fair value as the interest rates offered under the Playa Vista Loan are close to 30 June 2017 market rates for the Company for debt of the same remaining maturities (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at 30 June 2017.

There were no significant transfers between Level 1 and Level 2 during the six months ended 30 June 2017 or 2016. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. There were no transfers in or out of the Company's level 3 assets during the six months ended 30 June 2017.

(c) Financing Receivables

The Company's net investment in leases and its net financed sale receivables are subject to the disclosure requirements of ASC 310 "Receivables". Due to differing risk profiles of its net investment in leases and its net financed sales receivables, the Company views its net investment in leases and its net financed sale receivables as separate classes of financing receivables. The Company does not aggregate financing receivables to assess impairment.

The Company monitors the credit quality of each customer on a frequent basis through collections and aging analyses. The Company also holds meetings monthly in order to identify credit concerns and whether a change in credit quality classification is required for the customer. A customer may improve in their credit quality classification once a substantial payment is made on overdue balances or the customer has agreed to a payment plan with the Company and payments have commenced in accordance to the payment plan. The change in credit quality indicator is dependent upon management approval.

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

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

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

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

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

The following table discloses the recorded investment in financing receivables by credit quality indicator:

	As at 30 June 2017			As at 31 December 2016		
	Minimum Lease Payments	**Financed Sales Receivables**	**Total**	Minimum Lease Payments	Financed Sales Receivables	Total
In good standing	**$ 5,987**	**$ 110,855**	**$ 116,842**	$ 7,741	$ 111,568	$ 119,309
Credit Watch	**—**	**1,402**	**1,402**	—	1,514	1,514
Pre-approved transactions	**567**	**645**	**1,212**	—	842	842
Transactions suspended	**144**	**427**	**571**	1,015	611	1,626
	$ 6,698	**$ 113,329**	**$ 120,027**	$ 8,756	$ 114,535	$ 123,291

While recognition of finance income is suspended, payments received by a customer are applied against the outstanding balance owed. If payments are sufficient to cover any unreserved receivables, a recovery of provision taken on the billed amount, if applicable, is recorded to the extent of the residual cash received. Once the collectibility issues are resolved and the customer has returned to being in good standing, the Company will resume recognition of finance income.

The Company's investment in financing receivables on nonaccrual status is as follows:

	As at 30 June 2017 Recorded Investment	As at 30 June 2017 Related Allowance	As at 31 December 2016 Recorded Investment	As at 31 December 2016 Related Allowance
Net investment in leases	**$ 144**	**$ (144)**	$ 1,015	$ (672)
Net financed sales receivables	**427**	**(427)**	611	(494)
Total	**$ 571**	**$ (571)**	$ 1,626	$ (1,166)

The Company considers financing receivables with aging between 60–89 days as indications of theatres with potential collection concerns. The Company will begin to focus its review on these financing receivables and increase its discussions internally and with the theatre regarding payment status. Once a theatre's aging exceeds 90 days, the Company's policy is to review and assess collectibility on the theatre's past due accounts. Over 90 days past due is used by the Company as an indicator of potential impairment as invoices up to 90 days outstanding could be considered reasonable due to the time required for dispute resolution or for the provision of further information or supporting documentation to the customer.

The Company's aged financing receivables are as follows:

As at 30 June 2017

	Accrued and Current	**30–89 Days**	**90+ Days**	**Billed Financing Receivables**	**Related Unbilled Recorded Investment**	**Total Recorded Investment**	**Related Allowances**	**Recorded Investment Net of Allowances**
Net investment in leases	**$ 45**	**$ 121**	**$ 281**	**$ 447**	**$ 6,251**	**$ 6,698**	**$ (321)**	**$ 6,377**
Net financed sales receivables	**1,973**	**1,416**	**2,645**	**6,034**	**107,295**	**113,329**	**(427)**	**112,902**
Total	**$ 2,018**	**$ 1,537**	**$ 2,926**	**$ 6,481**	**$ 113,546**	**$ 120,027**	**$ (748)**	**$ 119,279**

As at 31 December 2016

	Accrued and Current	30–89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Total Recorded Investment	Related Allowances	Recorded Investment Net of Allowances
Net investment in leases	$ 28	$ 159	$ 781	$ 968	$ 7,788	$ 8,756	$ (672)	$ 8,084
Net financed sales receivables	2,393	1,724	2,368	6,485	108,050	114,535	(494)	114,041
Total	$ 2,421	$ 1,883	$ 3,149	$ 7,453	$ 115,838	$ 123,291	$ (1,166)	$ 122,125

The Company's recorded investment in past due financing receivables for which the Company continues to accrue finance income is as follows:

As at 30 June 2017

	Accrued and Current	30–89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Related Allowance	Recorded Investment Past Due and Accruing
Net investment in leases	**$ 17**	**$ 34**	**$ 269**	**$ 320**	**$ 857**	**$ —**	**$ 1,177**
Net financed sales receivables	**505**	**443**	**2,378**	**3,326**	**19,861**	**—**	**23,187**
Total	**$ 522**	**$ 477**	**$ 2,647**	**$ 3,646**	**$ 20,718**	**$ —**	**$ 24,364**

As at 31 December 2016

	Accrued and Current	30–89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Related Allowance	Recorded Investment Past Due and Accruing
Net investment in leases	$ —	$ 54	$ 244	$ 298	$ 1,646	$ —	$ 1,944
Net financed sales receivables	284	634	1,854	2,772	20,147	—	22,919
Total	$ 284	$ 688	$ 2,098	$ 3,070	$ 21,793	$ —	$ 24,863

The Company considers financing receivables to be impaired when it believes it to be probable that it will not recover the full amount of principal or interest owing under the arrangement. The Company uses its knowledge of the industry and economic trends, as well as its prior experiences to determine the amount recoverable for impaired financing receivables. The following table discloses information regarding the Company's impaired financing receivables:

	For the Three Months Ended 30 June 2017				
	Recorded Investment	**Unpaid Principal**	**Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
Recorded investment for which there is a related allowance:					
Net financed sales receivables	**$ 427**	**$ —**	**$ (427)**	**$ 463**	**$ —**
Recorded investment for which there is no related allowance:					
Net financed sales receivables	**—**	**—**	**—**	**—**	**—**
Total recorded investment in impaired loans:					
Net financed sales receivables	**$ 427**	**$ —**	**$ (427)**	**$ 463**	**$ —**

	For the Three Months Ended 30 June 2016				
	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
Recorded investment for which there is a related allowance:					
Net financed sales receivables	$ 748	$ 269	$ (643)	$ 748	$ —
Recorded investment for which there is no related allowance:					
Net financed sales receivables	—	—	—	—	—
Total recorded investment in impaired loans:					
Net financed sales receivables	$ 748	$ 269	$ (643)	$ 748	$ —

For the Six Months Ended 30 June 2017	**Recorded Investment**	**Unpaid Principal**	**Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
Recorded investment for which there is a related allowance:					
Net financed sales receivables	**$ 427**	**$ —**	**$ (427)**	**$ 494**	**$ —**
Recorded investment for which there is no related allowance:					
Net financed sales receivables	**—**	**—**	**—**	**—**	**—**
Total recorded investment in impaired loans:					
Net financed sales receivables	**$ 427**	**$ —**	**$ (427)**	**$ 494**	**$ —**

For the Six Months Ended 30 June 2016	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
Recorded investment for which there is a related allowance:					
Net financed sales receivables	$ 748	$ 269	$ (643)	$ 748	$ —
Recorded investment for which there is no related allowance:					
Net financed sales receivables	—	—	—	—	—
Total recorded investment in impaired loans:					
Net financed sales receivables	$ 748	$ 269	$ (643)	$ 748	$ —

The Company's activity in the allowance for credit losses for the period and the Company's recorded investment in financing receivables are as follows:

	Three Months Ended 30 June 2017		**Six Months Ended 30 June 2017**	
	Net Investment in Leases	**Net Financed Sales Receivables**	**Net Investment in Leases**	**Net Financed Sales Receivables**
Allowance for credit losses:				
Beginning balance	**$ 672**	**$ 494**	**$ 672**	**$ 494**
Charge-offs	**(351)**	**(67)**	**(351)**	**(67)**
Recoveries	**—**	**—**	**—**	**—**
Provision	**—**	**—**	**—**	**—**
Ending balance	**$ 321**	**$ 427**	**$ 321**	**$ 427**
Ending balance: individually evaluated for impairment	**$ 321**	**$ 427**	**$ 321**	**$ 427**
Financing receivables:				
Ending balance: individually evaluated for impairment	**$ 6,698**	**$ 113,329**	**$ 6,698**	**$ 113,329**

	Three Months Ended 30 June 2016		Six Months Ended 30 June 2016	
	Net Investment in Leases	Net Financed Sales Receivables	Net Investment in Leases	Net Financed Sales Receivables
Allowance for credit losses:				
Beginning balance	$ 672	$ 643	$ 672	$ 568
Charge-offs	—	—	—	—
Recoveries	—	—	—	—
Provision	—	—	—	75
Ending balance	$ 672	$ 643	$ 672	$ 643
Ending balance: individually evaluated for impairment	$ 672	$ 643	$ 672	$ 643
Financing receivables:				
Ending balance: individually evaluated for impairment	$ 9,697	$ 110,502	$ 9,697	$ 110,502

(d) Foreign Exchange Risk Management

The Company is exposed to market risk from changes in foreign currency rates. A majority portion of the Company's revenues is denominated in U.S. dollars while a substantial portion of its costs and expenses is denominated in Canadian dollars. A portion of the net U.S. dollar cash flows of the Company is periodically 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 Chinese Renminbi 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 Chinese Renminbi, 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 75 different countries, unfavourable exchange rates between applicable local currencies, and the U.S. dollar affect the Company's reported gross box office and revenues, further impacting the Company's results of operations. The Company's policy is to not use any financial instruments for trading or other speculative purposes.

The Company entered into a series of foreign currency forward contracts to manage the Company's 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 at 30 June 2017 (the "**Foreign Currency Hedges**"), with settlement dates throughout 2017 and 2018. Foreign currency derivatives are recognized and measured in the balance sheet at fair value. Changes in the fair value (gains or losses) are recognized in the condensed consolidated statements of operations except for derivatives designated and qualifying as foreign currency cash flow hedging instruments. For foreign currency cash flow hedging instruments, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in other comprehensive income and reclassified to the condensed consolidated statements of operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the condensed consolidated statements of operations. The Company currently does not hold any derivatives which are not designated as hedging instruments.

The following tabular disclosures reflect the impact that derivative instruments and hedging activities have on the Company's condensed consolidated financial statements:

Notional value of foreign exchange contracts:

	30 June 2017	31 December 2016
Derivatives designated as hedging instruments:		
Foreign exchange contracts — Forwards	**$ 37,017**	$ 37,825

Fair value of derivatives in foreign exchange contracts:

	Balance Sheet Location	**30 June 2017**	31 December 2016
Derivatives designated as hedging instruments:			
Foreign exchange contracts — Forwards	Other assets	**$ 1,048**	$ 480
	Accrued and other liabilities	**(75)**	(776)
		$ 973	$ (296)

Derivatives in Foreign Currency Hedging relationships for the three months ended 30 June:

		Three Months Ended 30 June		Six Months Ended 30 June	
		2017	2016	**2017**	2016
Foreign exchange contracts — Forwards	Derivative Gain (Loss) Recognized in OCI (Effective Portion)	**$ 772**	$ (49)	**$ 1,085**	$ 2,158

	Location of Derivative Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Three Months Ended 30 June		Six Months Ended 30 June	
		2017	2016	**2017**	2016
Foreign exchange contracts — Forwards	Selling, general and administrative expenses	**$ 101**	$ (716)	**$ (184)**	$ (1,993)

		Three Months Ended 30 June		Six Months Ended 30 June	
		2017	2016	**2017**	2016
Foreign exchange contracts — Forwards	Derivative Loss Recognized In and Out of OCI (Effective Portion)	**$ (33)**	$ —	**$ (80)**	$ —

The Company's estimated net amount of the existing gains as at 30 June 2017 is $0.7 million, which is expected to be reclassified to earnings within the next twelve months.

16. Non-Controlling Interests

(a) IMAX China Non-Controlling Interest

On 8 April 2014, the Company announced sale and issuance of 20% of the shares of IMAX China to entities owned and controlled by CMC Capital Partners (“**CMC**”), an investment fund that is focused on media and entertainment, and FountainVest Partners (“**FountainVest**”), a China-focused private equity firm. The sale price for the interest was $80.0 million, and was paid by the investors in two equal installments on 8 April 2014 and 10 February 2015.

On 8 October 2015, IMAX China completed the IMAX China IPO. Following the IMAX China IPO, the Company continues to indirectly own approximately 68.2% of IMAX China, which remains a consolidated subsidiary of the Company. On 15 October 2015, in satisfaction of its obligations under the shareholders’ agreement, IMAX China paid a dividend of $9.5 million to the non-controlling interest shareholders.

The following summarizes the movement of the non-controlling interest in shareholders’ equity, in the Company’s subsidiary for the six months ended 30 June 2017:

Balance as at 31 December 2016	$	59,562
Net income		5,152
Other comprehensive income		560
Balance as at 30 June 2017	$	65,274

17. Restructuring charges and associated impairments

(a) Restructuring charges

In June 2017, the Company announced the implementation of a cost reduction plan with the goal of increasing profitability, operating leverage and free cash flow. The cost reduction plan included the exit from certain non-core businesses or initiatives, as well as a one-time reduction in workforce. Restructuring charges are comprised of employee severance costs including benefits and stock-based compensation, costs of consolidating facilities and contract termination costs. Restructuring charges are based upon plans that have been committed to by the Company, but may be refined in subsequent periods. These charges are recognized pursuant to FASB ASC 420, “Exit or Disposal Cost Obligations”. A liability for a cost associated with an exit or disposal activity is recognized and measured at its fair value in the condensed consolidated statement of operations in the period in which the liability is incurred. When estimating the value of facility restructuring activities, assumptions are applied regarding estimated sub-lease payments to be received, which can differ from actual results.

In connection with the Company's restructuring initiatives, the Company incurred $4.7 million in restructuring charges for the three and six months ended 30 June 2017, respectively. A summary of the restructuring and other costs by reporting groups identified by nature of product sold, or service provided as disclosed in note 13 recognized during the three and six months ended 30 June 2017, respectively, are as follows:

	Employee Severance and Benefits	Other Exit Costs	Total
IMAX DMR	$ 548	$ —	$ 548
Joint revenue sharing arrangements	59	—	59
IMAX systems	218	222	440
Theatre system maintenance	738	—	738
New business	105	298	403
Film post-production	19	—	19
Other	556	—	556
Corporate	1,917	25	1,942
	$ 4,160	$ 545	$ 4,705

The Company expects to incur restructuring charges of $3.2 million during the remainder of 2017.

The following table sets forth a summary of restructuring accrual activities for the six months ended 30 June 2017:

	Employee Severance and Benefits	Other Exit Costs	Total
Balance as at 31 December 2016	$ —	$ —	$ —
Restructuring charges	4,160	545	4,705
Cash payments	(1,579)	—	(1,579)
Balance as at 30 June 2017	$ 2,581	$ 545	$ 3,126

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

OVERVIEW

IMAX Corporation, together with its consolidated subsidiaries (the "**Company**"), is one of the world's leading entertainment technology companies, specializing in motion picture technologies and presentations. The Company refers to all theatres using the IMAX theatre system as "IMAX theatres". IMAX offers a unique end-to-end cinematic solution combining proprietary software, theatre architecture and equipment to create the highest-quality, most immersive motion picture experience for which the IMAX® brand has become known globally. Top filmmakers and studios utilize IMAX theatres to connect with audiences in innovative ways, and, as such, IMAX's network is among the most important and successful theatrical distribution platforms for major event films around the world. There were 1,257 IMAX theatre systems (1,154 commercial multiplexes, 13 commercial destinations, 90 institutional) operating in 75 countries as of 30 June 2017. This compares to 1,215 theatre systems (1,107 commercial multiplexes, 16 commercial destinations, 92 institutional) operating in 75 countries as of 31 December 2016.

NEW BUSINESS INITIATIVES

The Company is exploring new lines of business outside of its core business, with a focus on investments in original content, alternative location-based entertainment experiences, as well as premium IMAX home entertainment technologies and services.

Original Content

The Company has also created two film funds to help finance the production of original content. In 2015, the Company announced the creation of the IMAX China Film Fund (the "**China Film Fund**") with its subsidiary IMAX China, its partner CMC and several other large investors to help fund Mandarin language commercial films. The China Film Fund, which is expected initially to be capitalized with over $100.0 million, will target productions that can leverage the Company's brand, relationships, technology and release windows in China. The China Film Fund is expected to co-finance approximately 15 Mandarin-language tent-pole films over three years, and will target contributions of between $3.0 million and $7.0 million per film. The China Film Fund will operate under an IMAX China-CMC controlled greenlight committee.

Virtual Reality

In 2016, the Company announced its comprehensive virtual reality ("**VR**") strategy to develop a premium, location-based VR offering that will deliver immersive, multi-dimensional experiences, including entertainment content and games, to branded VR centers ("**IMAX VR Centers**"). IMAX VR Centers are expected to be located in both stand-alone venues as well as multiplexes, malls and other commercial destinations, and will be retrofitted with proprietary VR pods that permit interactive, moveable VR experiences. The Company's VR initiative is premised on a unique combination of premium content, proprietary design and best-in-class technology.

In January 2017, the Company launched its flagship pilot IMAX VR Center in Los Angeles and in May 2017, the Company opened a second IMAX VR Center at the AMC Kips Bay theatre in New York City. The Company has signed agreements for additional IMAX VR Center pilots, including in China, the United States and the United Kingdom, which are scheduled to open in the coming months. The Company plans to use these pilot locations to test several factors including the overall customer experience, pricing models, throughput, types of content featured and differences in geographic areas. If successful, the Company's intent is to roll out IMAX VR Centers globally.

In order to deliver high quality content to the IMAX VR Centers, the Company has partnered with Google to design and develop a cinema-grade IMAX VR camera, which will enable filmmakers and content creators to capture and deliver high-quality, 360-degree content experiences to audiences. In addition, the Company recently announced the creation of a virtual reality fund (the "**VR Fund**") among the Company, its subsidiary IMAX China Holding Inc. ("**IMAX China**") and other strategic investors. The VR Fund will help finance the creation of an estimated 25–30 interactive VR content experiences over the next three years for use across all VR platforms, including in the IMAX VR Centers. The VR Fund will target premium productions with its Hollywood studio and filmmaker partners, as well as gaming publishers and other leading content developers. To further supplement these content experiences, in March 2017, the Company and Warner Bros. Home Entertainment announced a new VR co-financing and production agreement to develop and release three premium, interactive VR experiences based on some of Warner Bros. Pictures' most highly anticipated upcoming blockbuster films, including *Justice League*, *Aquaman* and a third experience that has yet to be announced. The companies plan to launch one experience each year, beginning with *Justice League* in late 2017, and the experiences will receive an exclusive release window in IMAX VR Centers before being made available to other VR platforms.

Through its VR initiative, the Company sees a unique opportunity to combine premium equipment, more robust computing power, and specially designed spaces to create a highly differentiated, destination-based VR experience that will draw consumers out of their homes, similar to the strategy it has successfully employed in the cinema space.

IMAX Home Entertainment Technologies and Services

With respect to IMAX home entertainment, the Company has announced home theatre initiatives, including a joint venture with TCL Multimedia Technology Holding Limited ("**TCL**") to design, develop, manufacture and sell a premium home theatre system. Since 2013, the joint venture has signed agreements with end users for the sale of more than 170 premium home theatre systems, and has signed agreements with distributors for the sale of more than 470 home theatre systems. Beyond its premium home theatre, the Company is also currently developing other components of broader home entertainment platform designed to allow consumers to experience elements of *The* IMAX *Experience*® in their homes.

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

Digital Re-Mastering (IMAX DMR)

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

IMAX films also benefit from enhancements made by individual filmmakers exclusively for the IMAX release, and filmmakers and studios have sought IMAX-specific enhancements in recent years to generate interest in and excitement for their films. Such enhancements include shooting select scenes with IMAX cameras to increase the audience's immersion in the film and taking advantage of the unique dimensions of the IMAX screen by projecting the film in a larger aspect ratio. Recent films that have incorporated IMAX enhancements include *Guardians of the Galaxy Vol. 2*: *An* IMAX *3D Experience*, released in May 2017; *Pirates of the Caribbean: Dead Men Tell No Tales*: *An* IMAX *3D Experience* released in May 2017; *Transformers: The Last Knight: An* IMAX *3D Experience*, released in June 2017; *Dunkirk: The* IMAX *Experience*, to be released in July 2017; *Star Wars: The Last Jedi: An* IMAX *3D Experience*, to be released in December 2017. In addition, Marvel's *Avengers: Infinity War* and the *Untitled Avenger Sequel* will be shot in their entireties using IMAX cameras.

The original soundtrack of a film to be released to the IMAX theatre network is re-mastered for the IMAX digital sound systems in connection with the IMAX DMR release. Unlike the soundtracks played in conventional theatres, IMAX re-mastered soundtracks are uncompressed and full fidelity. IMAX sound systems use proprietary loudspeaker systems and proprietary surround sound configurations that ensure every theatre seat is in a good listening position.

The Company believes that the growth in international box office remains an important driver of future growth for the Company. During the six months ended 30 June 2017, 68.1% of the Company's gross box office from IMAX DMR films was generated in international markets, as compared to 61.8% in the year ended 31 December 2016. To support continued growth in international markets, the Company has sought to bolster its international film strategy, supplementing the Company's film slate of Hollywood DMR titles with appealing local IMAX DMR releases in select markets. During 2016, 12 local language IMAX DMR films, including nine in China, two in Russia and one in Japan, were released to the IMAX theatre network. During the six months ended 30 June 2017, five local language IMAX DMR films including two in China, one in Russia, one in Japan and one in India, were released to the IMAX theatre network. The Company expects to announce additional local language IMAX DMR films to be released to the IMAX theatre network in the remainder of 2017 and beyond.

In addition to the 23 IMAX DMR films released to the IMAX theatre network during the first six months ended 30 June 2017, 11 additional IMAX DMR films have been announced so far to be released in the remainder of 2017:

- *Wu Kong: The* IMAX *Experience* (New Classic Media. Pictures, July 2017, China only);

- *Dunkirk: The* IMAX *Experience* (Warner Bros. Pictures, July 2017);

- *The Founding of an Army: The* IMAX *Experience* (Bona Film Group. Pictures, July 2017, China only);

- *Once Upon a Time: The* IMAX *Experience* (Alibaba. Pictures, August 2017, China only);

- *Atomic Blonde: The* IMAX *Experience* (Universal. Pictures, August 2017, select territories only);

- *Kingsman: The Golden Circle: The* IMAX *Experience* (20th Century Fox, September 2017);

- *Blade Runner 2049: The* IMAX *Experience* (Sony Pictures, October 2017);

- *Geostorm: The* IMAX *Experience* (Warner Bros. Pictures, October 2017);

- *Thor: Ragnarök: The* IMAX *Experience* (Walt Disney Studios, October 2017);

- *Justice League: The* IMAX *Experience* (Warner Bros. Pictures, November 2017); and

- *Star Wars: The Last Jedi: The* IMAX *Experience* (Walt Disney Studios, December 2017).

In addition, in conjunction with Marvel and Disney|ABC Television Group, the Company will be co-producing and exclusively premiering theatrically the new television series "*Marvel's Inhumans*" in IMAX theatres. The first two episodes of the series are expected to run worldwide exclusively in IMAX theatres for two weeks in September 2017, and several weeks later, the series will premiere on the ABC network. The Company will earn a return for its participation across the venture, including in the theatrical and television platforms, representing the first time the Company will have an economic interest in a television property.

To date, the Company has announced the following 19 titles to be released in 2018 to the IMAX theatre network:

- *Maze Runner: The Death Cure: The* IMAX *Experience* (20th Century Fox, February 2018);

- *Marvel's Black Panther: The* IMAX *Experience* (Walt Disney Studios, February 2018);

- *A Wrinkle in Time: The* IMAX *Experience* (Walt Disney Studios, March 2018);

- *Tomb Raider: The* IMAX *Experience* (Warner Bros. Pictures, March 2018);

- *Robin Hood: The* IMAX *Experience* (Lionsgate, March 2018);

- *Ready Player One: The* IMAX *Experience* (Warner Bros. Pictures, March 2018);
- *Rampage: The* IMAX *Experience* (Warner Bros. Pictures, April 2018);
- *Avengers: Infinity War: The* IMAX *Experience* (Walt Disney Studios, April 2018);
- *The Lego Movie 2: The* IMAX *Experience* (Warner Bros. Pictures, May 2018);
- *Untitled Han Solo Star Wars Anthology: The* IMAX *Experience* (Walt Disney Studios, May 2018);
- *Jurassic World Sequel: The* IMAX *Experience* (Universal Pictures, June 2018);
- *The Incredibles 2: The* IMAX *Experience* (Walt Disney Studios, June 2018);
- *Ant-Man and the Wasp: The* IMAX *Experience* (Walt Disney Studios, July 2018);
- *Alita: Battle Angel: The* IMAX *Experience* (20^{th} Century Fox, July 2018);
- *Predator: The* IMAX *Experience* (20^{th} Century Fox, August 2018);
- *Mulan*: *The* IMAX *Experience* (Walt Disney Studios, November 2018);
- *Fantastic Beasts and Where to Find Them 2: The* IMAX *Experience* (Warner Bros. Pictures, November 2018);
- *Ralph Breaks the Internet: Wreck-It Ralph 2: The* IMAX *Experience* (Walt Disney Studios, November 2018); and
- *Aquaman: The* IMAX *Experience* (Warner Bros. Pictures, December 2018).

The Company remains in active negotiations with all of the major Hollywood studios for additional films to fill out its short and long-term film slate, and anticipates that the number of IMAX DMR films to be released to the IMAX theatre network in 2017 will be similar to the 51 IMAX DMR films released to the IMAX theatre network in 2016.

Joint Revenue Sharing Arrangements — Contingent Rent

The Company provides IMAX theatre systems to certain of its customers under joint revenue sharing arrangements ("**JRSA**"). The Company has two basic types of joint revenue sharing arrangements: traditional and hybrid.

Under a traditional joint revenue sharing arrangement, the Company provides the IMAX theatre system to a customer in return for a portion of the customer's IMAX box office receipts and, in some cases, concession revenues, rather than requiring the customer to pay a fixed upfront payment or annual minimum payments, as would be required under a sales or sales-type lease arrangement. Payments, which are based on box office receipts, are required throughout the term of the arrangement and are due either monthly or quarterly. Certain maintenance and extended warranty services are provided to the customer for a separate fixed annual fee. The Company retains title to the theatre system equipment components, and the equipment is returned to the Company at the conclusion of the arrangement.

Under a hybrid joint revenue sharing arrangement, by contrast, the customer is responsible for making upfront payments prior to the delivery and installation of the IMAX theatre system in an amount that is typically half of what the Company would receive from a straight sale transaction. As with a traditional joint revenue sharing arrangement, the customer also pays the Company a portion of the customer's IMAX box office receipts over the term of the arrangement, although the percentage of box office receipts owing to the Company is typically half that of a traditional joint revenue sharing arrangement. The fixed revenues under a hybrid joint revenue sharing arrangement are reported in the Company's theatre business operations, while the contingent box office receipts are included in the Company's network business operations.

Under the significant majority of joint revenue sharing arrangements (both traditional and hybrid), the initial non-cancellable term of IMAX theatre systems is 10 years or longer, and is renewable by the customer for one to two additional terms of between three to five years. The Company has the right to remove the equipment for non-payment or other defaults by the customer. The contracts are non-cancellable by the customer unless the Company fails to perform its obligations.

The introduction of joint revenue sharing arrangements has been an important factor in the expansion of the Company's commercial theatre network. Joint revenue sharing arrangements allow commercial theatre exhibitors to install IMAX theatre systems without the significant initial capital investment required in a sale or sales-type lease arrangement. Joint revenue sharing arrangements drive recurring cash flows and earnings for the Company, as customers under joint revenue sharing arrangements pay the Company a portion of their ongoing box office. The Company funds its joint revenue sharing arrangements through cash flows from operations. As at 30 June 2017, the Company had 671 theatres in operation under joint revenue sharing arrangements, a 4.8% increase as compared to the 640 joint revenue sharing arrangements open as at 31 December 2016. The Company also had contracts in backlog for an additional 406 theatres under joint revenue sharing arrangements as at 30 June 2017.

The revenue earned from customers under the Company's joint revenue sharing arrangements can vary from quarter to quarter and year to year based on a number of factors including film performance, the mix of theatre system configurations, the timing of installation of these theatre systems, the nature of the arrangement, the location, size and management of the theatre and other factors specific to individual arrangements.

IMAX Systems — Contingent Rent

The Company's sales and sales type lease arrangements include contingent rent in excess of fixed minimum ongoing payments. This contingent rent, which is included in the Company's network business operations, is recognized after the fixed minimum amount per annum is exceeded as driven by box office performance. Contingent payments in excess of fixed minimum ongoing payments of sales or sales type lease arrangements are recognized as revenue when reported by theatre operators, provided collectibility is reasonably assured. In addition, contingent rent includes amounts realized for changes in rent and maintenance payments which are indexed to a local consumer price index.

Theatre Business: IMAX Systems, Theatre System Maintenance and Fixed Fees from Joint Revenue Sharing Arrangements

IMAX Systems

The Company also provides IMAX theatre systems to customers on a sales or long-term lease basis, typically with an initial 10-year term. These agreements typically require the payment of initial fees and ongoing fees (which can include a fixed minimum amount per annum and contingent fees in excess of the minimum payments), as well as maintenance and extended warranty fees. The initial fees vary depending on the system configuration and location of the theatre. Initial fees are paid to the Company in installments between the time of system signing and the time of system installation, which is when the total of these fees, in addition to the present value of future annual minimum payments, are recognized as revenue. Ongoing fees are paid over the term of the contract, commencing after the theatre system has been installed, and is a fixed minimum amount per annum. Finance income is derived over the term of a financed sale or sales-type lease arrangement as the unearned income on that financed sale or sales-type lease is earned. Certain maintenance and extended warranty services are provided to the customer for a separate fixed annual fee.

Under the Company's sales agreements, title to the theatre system equipment components passes to the customer. In certain instances, however, the Company retains title or a security interest in the equipment until the customer has made all payments required under the agreement. Under the terms of a sales-type lease agreement, title to the theatre system equipment components remains with the Company. The Company has the right to remove the equipment for non-payment or other defaults by the customer.

The revenue earned from customers under the Company's theatre system sales or lease agreements varies from quarter to quarter and year to year based on a number of factors, including the number and mix of theatre system configurations sold or leased, the timing of installation of the theatre systems, the nature of the arrangement and other factors specific to individual contracts.

Joint Revenue Sharing Arrangements — Fixed Fees

As discussed in joint revenue sharing arrangements above, under a hybrid joint revenue sharing arrangement the customer is responsible for making upfront payments prior to the delivery and installation of the IMAX theatre system in an amount that is typically half of what the Company would receive from a straight sale transaction. These fixed upfront payments are included in the Company's theatre business operations.

Theatre System Maintenance

For all IMAX theatres, theatre owners or operators are also responsible for paying the Company an annual maintenance and extended warranty fee. Under these arrangements, the Company provides proactive and emergency maintenance services to every theatre in its network to ensure that each presentation is up to the highest IMAX quality standard. Annual maintenance fees are paid throughout the duration of the term of the theatre agreements.

Other Theatre Revenues

Additionally, the Company generates revenues from the sale of after-market parts and 3D glasses.

Revenue from theatre business arrangements is recognized at a different time from when cash is collected. See "Critical Accounting Policies" in Item 1 of the Company's Form 10-K for the year ended 31 December 2016 (the **"2016 Form 10-K**") for further discussion on the Company's revenue recognition policies.

New Business

The Company's new businesses include its original content and VR initiatives, IMAX Home Entertainment, and other new business initiatives that are in the development and/or start-up phase. If successful, the Company's intent is to continue its focus on developing these areas of new business.

Other

The Company is also a distributor of large-format films, primarily for its institutional theatre partners. The Company generally distributes films which it produces or for which it has acquired distribution rights from independent producers. The Company receives either a percentage of the theatre box office receipts or a fixed amount as a distribution fee.

The Company also provides film post-production and quality control services for large-format films (whether produced internally or externally), and digital post-production services.

The Company derives a small portion of its revenues from other sources. As at 30 June 2017, the Company had two owned and operated IMAX theatres (30 June 2016 — three owned and operated theatres). In addition, the Company has a commercial arrangement with one theatre resulting in the sharing of profits and losses and provides management services to three other theatres. The Company also rents its proprietary 2D and 3D large-format film and digital cameras to third party production companies. The Company maintains cameras and other film equipment and also offers production advice and technical assistance to both documentary and Hollywood filmmakers.

IMAX Theatre Network

The following table outlines the breakdown of the IMAX theatre network by type and geographic location as at;

	30 June 2017 Theatre Network Base				31 December 2016 Theatre Network Base			
	Commercial Multiplex	**Commercial Destination**	**Institutional**	**Total**	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	**354**	**4**	**39**	**397**	349	5	41	395
Canada	**37**	**2**	**7**	**46**	37	2	7	46
Greater China[(1)]	**443**	**—**	**17**	**460**	407	—	17	424
Asia (excluding Greater China)	**95**	**2**	**3**	**100**	93	2	3	98
Western Europe	**77**	**4**	**10**	**91**	76	6	10	92
Russia & the CIS	**57**	**—**	**—**	**57**	56	—	—	56
Latin America[(2)]	**40**	**—**	**12**	**52**	38	—	12	50
Rest of the World	**51**	**1**	**2**	**54**	51	1	2	54
Total	**1,154**	**13**	**90**	**1,257**	1,107	16	92	1,215

(1) Greater China includes China, Hong Kong, Taiwan and Macau.
(2) Latin America includes South America, Central America and Mexico.

As of 30 June 2017, 35.2% of IMAX systems in operation were located in the United States and Canada compared to 36.3% as at 31 December 2016.

To minimize the Company's credit risk, the Company retains title to the underlying theatre systems under lease arrangements, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimates of potentially uncollectible amounts.

The Company currently believes that over time its commercial multiplex theatre network could grow to approximately 2,855 IMAX theatres worldwide from 1,154 commercial multiplex IMAX theatres operating as 30 June 2017. The Company believes that the majority of its future growth will come from international markets. As at 30 June 2017, 64.8% of IMAX theatre systems in operation were located within international markets (defined as all countries other than the United States and Canada), up from 63.7% as at 31 December 2016. Revenues and gross box office derived from outside the United States and Canada continue to exceed revenues and gross box office from the United States and Canada. Risks associated with the Company's international business are outlined in Risk Factors — "The Company conducts business internationally, which exposes it to uncertainties and risks that could negatively affect its operations, sales and future growth prospects" in Item 1A of the Company's 2016 Form 10-K.

Greater China continues to be the Company's second-largest and fastest-growing market, measured by revenues. The Company's Greater China operations have accounted for an increasingly significant portion of its overall revenues, with nearly 33% of overall revenues generated from the Company's China operations in the six months ended 30 June 2017. As at 30 June 2017, the Company had 460 theatres operating in Greater China with an additional 381 theatres in backlog that are scheduled to be installed in Greater China by 2022. The Company's backlog in Greater China represents 65.7% of the Company's current backlog. The Company continues to invest in joint revenue sharing arrangements with select partners to ensure ongoing revenue in this key market. The Company's largest single international partnership is in China with Wanda Cinema Line Corporation ("**Wanda**"). In 2016, the Company and Wanda signed an agreement for an additional 150 theatre systems under a joint revenue sharing arrangement. This increases Wanda's total commitment to the Company to 360 theatre systems in Greater China, of which 345 theatre systems are under the parties' joint revenue sharing arrangement. See Risk Factors — "The Company faces risks in connection with the continued expansion of its business in China" in Item 1A of the Company's 2016 Form 10-K.

The following table outlines the breakdown of the Commercial Multiplex theatre network by arrangement type and geographic location as at;

	30 June 2017 IMAX Commercial Multiplex Theatre Network			31 December 2016 IMAX Commercial Multiplex Theatre Network		
	JRSA	**Sale/Sales-type lease**	**Total**	JRSA	Sale/Sales-type lease	Total
Domestic Total (United States & Canada)	**271**	**120**	**391**	266	120	386
International:						
Greater China	**285**	**158**	**443**	261	146	407
Asia (excluding Greater China)	**54**	**41**	**95**	54	39	93
Western Europe	**46**	**31**	**77**	44	32	76
Russia & the CIS	**—**	**57**	**57**	—	56	56
Latin America	**—**	**40**	**40**	—	38	38
Rest of the World	**15**	**36**	**51**	15	36	51
International Total	**400**	**363**	**763**	374	347	721
Worldwide Total	**671**	**483**	**1,154**	640	467	1,107

As at 30 June 2017, 271 (31 December 2016 — 266) of the 671 (31 December 2016 — 640) theatres under joint revenue sharing arrangements in operation, or 40.4% (31 December 2016 — 41.6%), were located in the United States and Canada, with the remaining 400 (31 December 2016 — 374) or 59.6% (31 December 2016 — 58.4%) of arrangements being located in international markets. The Company continues to seek to expand its network of theatres under joint revenue sharing arrangements, particularly in select international markets.

Sales Backlog

The Company's current sales backlog is as follows:

	30 June 2017		31 December 2016	
	Number of Systems	**Fixed Contractual Dollar Value** *(in thousands)*	Number of Systems	Fixed Contractual Dollar Value *(in thousands)*
Sales and sales-type lease arrangements	**174**	**$ 219,087**	143	$ 175,331
Joint revenue sharing arrangements				
Hybrid arrangements	**137**	**72,585**(1)	92	48,658(1)
Traditional arrangements	**269**	**8,969**(2)	263	3,680(2)
	580(3)	**$ 300,641**	498(4)	$ 227,669

(1) Reflects contractual upfront payments. Future contingent payments are not reflected as these are based on negotiated shares of box office results.

(2) No fixed upfront or annual minimum payments. Future contingent payments are not reflected as these are based on negotiated shares of box office results.

(3) Includes 28 laser-based digital theatre system configurations, including four upgrades. The Company continues to develop and roll out its laser-based digital projection system. See "Research and Development" in Item 2 of this Part I for additional information.

(4) Includes 20 laser-based digital theatre system configurations, including three upgrades.

The number of theatre systems in the backlog reflects the minimum number of commitments under signed contracts. The dollar value fluctuates depending on the number of new theatre system arrangements signed from year to year, which adds to backlog, and the installation and acceptance of theatre systems and the settlement of contracts, both of which reduce backlog. Sales backlog typically represents the fixed contracted revenue under signed theatre system sale and lease agreements that the Company believes will be recognized as revenue upon installation and acceptance of the associated theatre. Sales backlog includes initial fees along with the estimated present value of contractual ongoing fees due over the term; however, it excludes amounts allocated to maintenance and extended warranty revenues as well as fees (contingent rent) in excess of contractual ongoing fees that may be received in the future. The value of sales backlog does not include revenue from theatres in which the Company has an equity interest, operating leases, letters of intent or long-term conditional theatre commitments. The value of theatres under joint revenue sharing arrangements is excluded from the dollar value of sales backlog, although certain theatre systems under joint revenue sharing arrangements provide for contracted upfront payments and therefore carry a backlog value based on those payments. The Company believes that the contractual obligations for theatre system installations that are listed in sales backlog are valid and binding commitments.

From time to time, in the normal course of its business, the Company will have customers who are unable to proceed with a theatre system installation for a variety of reasons, including the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the agreement with the customer is terminated or amended. If the agreement is terminated, once the Company and the customer are released from all their future obligations under the agreement, all or a portion of the initial rents or fees that the customer previously made to the Company are recognized as revenue.

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

	30 June 2017 IMAX Theatre Backlog			31 December 2016 IMAX Theatre Backlog		
	JRSA	**Sale/Lease**	**Total**	JRSA	Sale/Lease	Total
Domestic Total (United States & Canada)	**46**	**12**	**58**	51	10	61
International:						
Greater China	**291**	**90**	**381**	275	59	334
Asia (excluding Greater China)	**19**	**19**	**38**	12	20	32
Western Europe	**43**	**7**	**50**	12	6	18
Russia & the CIS	**—**	**17**	**17**	—	18	18
Latin America	**—**	**14**	**14**	—	15	15
Rest of the World	**7**	**15**	**22**	5	15	20
International Total	**360**	**162**	**522**	304	133	437
Worldwide Total	**406**	**174**	**580**	355	143	498

Approximately 90.0% of IMAX theatre system arrangements in backlog as at 30 June 2017 are scheduled to be installed in international markets (31 December 2016 — 87.8%).

The following reflects the Company's signings and installations:

	For the Three Months Ended 30 June		For the Six Months Ended 30 June	
	2017	2016	**2017**	2016
Theatre System Signings:				
Full new sales and sales-type lease arrangements	**14**	19	**50**	47
New joint revenue sharing arrangements	**78**	75	**80**	82
Total new theatres	**92**	94	**130**	129
Upgrades of IMAX theatre systems	**3**	1	**4**	2
Total theatre signings	**95**	95	**134**	131

	For the Three Months Ended 30 June		For the Six Months Ended 30 June	
	2017	2016	**2017**	2016
Theatre System Installations:				
Full new sales and sales-type lease arrangements	**12**	13	**17**	18
New joint revenue sharing arrangements	**21**	25	**30**	30
Total new theatres	**33**	38	**47**	48
Upgrades of IMAX theatre systems	**1**[(1)]	2[(1)]	**2**[(2)]	11[(2)(3)]
Total theatre installations	**34**	40	**49**	59

(1) Includes one installation of an upgrade to a laser-based digital system under a sales arrangement (2016 — one laser-based digital system and one xenon-based digital system under sales and sales-type lease arrangements).

(2) Includes two installations of an upgrade to a laser-based digital system under sales arrangements (2016 — nine laser-based digital systems under sales and sales-type lease arrangements).

(3) Includes two installations of an upgrade to xenon-based digital system under sales arrangements.

The Company anticipates that it will install approximately 160 new theatre systems (excluding upgrades) in 2017. The Company's installation estimates include scheduled systems from backlog, as well as the Company's estimate of installations from arrangements that will sign and install in the same calendar year. The Company cautions, however, that theatre system installations may slip from period to period over the course of the Company's business, usually for reasons beyond its control.

RESULTS OF OPERATIONS

Important factors that the Company's Chief Executive Officer ("**CEO**") Richard L. Gelfond uses in assessing the Company's business and prospects include:

- the signing, installation and financial performance of theatre system arrangements (particularly its joint revenue sharing arrangements and new laser-based projection systems);
- film performance and the securing of new film projects (particularly IMAX DMR films);
- revenue and gross margins from the Company's segments;
- earnings from operations as adjusted for unusual items that the Company views as non-recurring;
- the success of new business initiatives (including new content and VR initiatives);
- short- and long-term cash flow projections;
- the continuing ability to invest in and improve the Company's technology to enhance its differentiation of presentation versus other cinematic experiences; and
- the overall execution, reliability and consumer acceptance of *The* IMAX *Experience*.

Management, including the Company's CEO, who is the Company's Chief Operating Decision Maker ("**CODM**") (as defined in the Segment Reporting Topic of the FASB ASC), assesses segment performance based on segment revenues, gross margins and film performance. Selling, general and administrative expenses, research and development costs, amortization of intangibles, receivables provisions (recoveries), write-downs net of recoveries, interest income, interest expense and tax (provision) recovery are not allocated to the segments. As identified in note 13 to the accompanying condensed consolidated financial statements in Item 1, the Company has identified new business as an additional reportable segment in the first quarter of 2017. The Company now has the following eight reportable segments: IMAX DMR; joint revenue sharing arrangements; IMAX systems; theatre system maintenance; other; new business; film distribution; and film post-production. The Company is presenting the following information at a disaggregated level to provide more relevant information to readers, as permitted by the standard:

- **Network Business**
  - o The IMAX DMR segment consists of variable revenues from studios for the conversion of films into the IMAX DMR format generated by the box office results from the exhibition of those films in the IMAX theatre network.
  - o Joint revenue sharing arrangements — contingent rent, consists of variable rent revenues from box office exhibited in IMAX theatres in exchange for the provision of IMAX theatre projection system equipment to exhibitors. This excludes fixed hybrid revenues and upfront installation costs from the Company's hybrid joint revenue sharing arrangements.
  - o IMAX systems — contingent rent consists of variable payments in excess of certain fixed minimum ongoing payments, under arrangements in the IMAX systems segment, which are recognized when reported by theatre operators, provided collectibility is reasonably assured.

- **Theatre Business**

  - o The IMAX systems segment consists of the design, manufacture and installation of IMAX theatre projection system equipment under sales or sales-type lease arrangements for fixed upfront and ongoing consideration, including ongoing fees and finance income.

  - o Joint revenue sharing arrangements — fixed fee consists of fixed hybrid revenues and upfront installation costs from the joint revenue sharing arrangement segment.

  - o The theatre system maintenance segment consists of the provision of IMAX theatre projection system equipment maintenance services to the IMAX theatre network and the associated costs of those services.

  - o Other theatre includes after-market sales of IMAX theatre projection system parts and 3D glasses from the other segment.

- **New Business**

  - o The new business segment consists of content licensing and distribution fees associated with the Company's original content investments, VR initiatives, IMAX Home Entertainment, and other new business initiatives that are in the development and/or start-up phase.

- **Other**

  - o The film distribution segment consists of revenues and costs associated with the distribution of documentary films for which the Company has distribution rights.

  - o The film post-production segment consists of the provision of film post-production, and their associated costs.

  - o The other segment consists of certain IMAX theatres that the Company owns and operates, camera rentals and other miscellaneous items.

The Company's Management's Discussion and Analysis ("**MD&A**") of Financial Condition and Results of Operations has been organized by the Company into four primary groups — Network Business, Theatre Business, New Business and Other. Each of the Company's reportable segments, as identified above, has been classified into one of these broader groups for purposes of MD&A discussion. The Company believes that this approach is consistent with how the CODM reviews the financial performance of the business and makes strategic decisions regarding resource allocation and investments to meet long-term business goals. Management believes that a discussion and analysis based on these groups is significantly more relevant and useful to readers, as the Company's condensed consolidated statements of operations captions combine results from several segments. Certain of the prior period's figures have been reclassified to conform to the current period's presentation.

Three Months Ended 30 June 2017 versus Three Months Ended 30 June 2016

The Company reported net income of $1.8 million, or $0.03 per basic and diluted share, for the second quarter of 2017 as compared to net income of $8.9 million, or $0.13 per basic and diluted share for the second quarter of 2016. Net income for the second quarter of 2017 includes a $6.8 million charge, or $0.10 per diluted share (2016 — $8.9 million or $0.13 per diluted share), for stock-based compensation and a $10.3 million charge, or $0.15 per diluted share for restructuring charges and associated impairments. Adjusted net income, which consists of net income excluding the impact of stock-based compensation, restructuring charges and associated impairments and the related tax impact, was $13.5 million, or $0.20 per diluted share, for the second quarter of 2017 as compared to adjusted net income of $15.4 million, or $0.22 per diluted share, for the second quarter of 2016. The Company reported a net loss attributable to common shareholders of $1.7 million, or a $0.03 loss per basic and diluted share for the second quarter of 2017 (2016 — $6.0 million net income or $0.09 per basic and diluted share). Adjusted net income attributable to common shareholders, which consists of net income attributable to common shareholders excluding the impact of stock-based compensation, restructuring charges and associated impairments and the related tax impact, was $9.6 million, or $0.15 per diluted share, for the second quarter of 2017 as compared to adjusted net income attributable to common shareholders of $12.3 million, or $0.18 per diluted share, for the second quarter of 2016. A reconciliation of net income and net income attributable to common shareholders, the most directly comparable U.S. GAAP measure, to adjusted net income, adjusted net income per diluted share, adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share is presented in the table below:

(In thousands of U.S. dollars, except per share amounts)	**Three Months Ended 30 June 2017**		Three Months Ended 30 June 2016	
	Net Income	**Diluted EPS**	Net Income	Diluted EPS
Reported net income	**$ 1,809**	**$ 0.03**	$ 8,908	$ 0.13
Adjustments:				
Stock-based compensation	**6,793**	**0.10**	8,870	0.13
Restructuring charges and associated impairments	**10,258**	**0.15**	—	—
Tax impact on items listed above	**(5,382)**	**(0.08)**	(2,384)	(0.04)
Adjusted net income	**13,478**	**0.20**	15,394	0.22
Net income attributable to non-controlling interests [(1)]	**(3,521)**	**(0.05)**	(2,892)	(0.04)
Stock-based compensation (net of tax of less than $0.1 million and less than $0.1 million, respectively) [(1)]	**(153)**	**—**	(168)	—
Restructuring charges and associated impairments (net of tax of less than $0.1 million) [(1)]	**(168)**	**—**	—	—
Adjusted net income attributable to common shareholders	**$ 9,636**	**$ 0.15**	$ 12,334	$ 0.18
Weighted average diluted shares outstanding		**65,992**		68,455

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

The following table sets forth the breakdown of revenue and gross margin by nature for the three months ended 30 June:

(In thousands of U.S. dollars)	**Revenue**		**Gross Margin**	
	2017	2016	**2017**	2016
Network business				
IMAX DMR	**$ 27,757**	$ 27,413	**$ 16,998**	$ 17,127
Joint revenue sharing arrangements — contingent rent	**18,896**	19,498	**13,668**	14,790
IMAX systems — contingent rent	**790**	1,211	**790**	1,211
	47,443	48,122	**31,456**	33,128
Theatre business				
IMAX systems				
Sales and sales-type leases[1]	**16,125**	18,720	**9,724**	9,540
Ongoing fees and finance income[2]	**2,613**	3,030	**2,539**	2,924
Joint revenue sharing arrangements — fixed fees	**1,408**	4,358	**176**	954
Theatre system maintenance	**10,904**	9,912	**4,434**	3,370
Other theatre	**1,699**	2,857	**405**	711
	32,749	38,877	**17,278**	17,499
New business	**1,311**	86	**(1,183)**	(296)
Other				
Film distribution and post-production	**5,087**	2,592	**1,998**	199
Other	**1,168**	2,066	**(90)**	(253)
	6,255	4,658	**1,908**	(54)
	$ 87,758	$ 91,743	**$ 49,459**	$ 50,277

(1) Includes initial payments and the present value of fixed minimum payments from equipment, sales and sales-type lease transactions.

(2) Includes rental income from operating leases and finance income.

Revenues and Gross Margin

The Company's revenues for the second quarter of 2017 decreased 4.3% to $87.8 million from $91.7 million in second quarter of 2016, largely due to the performance of its segments within the network and theatre business operational areas. The gross margin across all segments in the second quarter of 2017 was $49.5 million, or 56.4% of total revenue, compared to $50.3 million, or 54.8% of total revenue in the second quarter of 2016.

Network Business

The performance of the Company's segments within its network business is impacted by the timing of a release to the IMAX theatre network and customer reaction to the film, among other factors that may be outside of the Company's direct control, including fluctuations in the value of foreign currencies versus the U.S. dollar and potential currency devaluations. The distribution window for the release of films in theatres has been compressing and may continue to change in the future. A further reduction in timing between film releases could adversely affect box office performance and consequently future revenues and gross margin. Revenue from the Company's network business decreased 1.4% to $47.4 million in the second quarter of 2017 from $48.1 million in the second quarter of 2016. The Company's network business revenue is driven by box office performance, and specifically the impact of its performance on per-screen averages.

IMAX DMR revenues increased slightly by 1.3% to $27.8 million in the second quarter of 2017 from $27.4 million in the second quarter of 2016, which reflects an increase in box office performance and continued growth in the IMAX theatre network. IMAX DMR gross margins were consistent at $17.0 million and $17.1 million in the second quarter of 2017 and 2016, respectively.

Gross box office generated by IMAX DMR films increased slightly by 3.1% to $268.9 million in the second quarter of 2017 from $260.8 million in the second quarter of 2016, resulting in increased DMR revenues. Gross box office per-screen for the second quarter of 2017 averaged $237,800, in comparison to $268,200 in the second quarter of 2016 as the increase in gross box office did not increase at the same growth rate of the IMAX theatre network. In the second quarter of 2017, gross box office was generated primarily by the exhibition of 16 films (11 new and 5 carryovers), as compared to 17 films (10 new and 7 carryovers) exhibited in the second quarter of 2016.

Contingent revenues from joint revenue sharing arrangements decreased to $18.9 million in the second quarter of 2017 from $19.5 million in the second quarter of 2016, largely due to the lower per-screen averages experienced in the current period, offset partially by continued network growth. The Company ended the second quarter of 2017 with 671 theatres operating under joint revenue sharing arrangements, as compared to 559 theatres at the end of the second quarter of 2016, an increase of 20.0%. Gross box office generated by the joint revenue sharing arrangements was 6.5% higher at $143.7 million in the second quarter of 2017 from $134.9 million in the second quarter of 2016.

The gross margin from joint revenue sharing arrangements decreased 7.6% to $13.7 million in the second quarter of 2017 from $14.8 million in the second quarter of 2016. Included in the calculation of gross margin for the second quarter of 2017 were certain advertising, marketing and commission costs primarily associated with new theatre launches of $0.8 million, as compared to $0.9 million during the second quarter of 2016.

Contingent rent revenue from IMAX systems decreased to $0.8 million in the second quarter of 2017 from $1.2 million in the second quarter of 2016. Contingent rent revenue are variable payments received in excess of the fixed minimum ongoing payments which are primarily driven by box office performance reported by theatre operators. The decrease in revenue is primarily due to a decrease in the IMAX theatre network's ability to meet minimum rent requirements as the per-screen gross box office levels have decreased in comparison to the prior year period.

Theatre Business

Theatre Business revenue decreased 15.8% to $32.7 million in the second quarter of 2017 as compared to $38.9 million in second quarter of 2016.

The decrease in revenue is primarily due to seven fewer installations and recognitions in the first quarter of 2017 as compared to the comparative period in 2016. In the second quarter of 2017, the Company installed 16 theatre systems under sales or sales-type lease arrangements, which includes three theatre systems under hybrid joint revenue sharing arrangements, versus 23 theatre systems, which includes eight theatre systems under hybrid joint revenue sharing arrangements, in the second quarter of 2016.

Revenue from sales and sales-type leases was $16.1 million in the second quarter of 2017, as compared to $18.7 million in the second quarter of 2016. The Company recognized revenue on 12 full, new theatre systems which qualified as either sales or sales-type leases in the second quarter of 2017, with a total value of $14.7 million, versus 12 full, new theatre systems in the second quarter of 2016 with a total value of $16.0 million. Average revenue per full, new theatre system under a sales and sales-type lease arrangement was $1.2 million for the three months ended 30 June 2017, as compared to $1.3 million in the three months ended 30 June 2016. The average revenue per full, new theatre system varies depending upon the number of theatre system commitments with a single respective exhibitor, an exhibitor's location or other various factors.

The Company recognized revenue from three full, new theatre systems under hybrid joint revenue sharing arrangements in the second quarter of 2017, with a total value of $1.4 million, versus eight full, new theatre systems in the second quarter of 2016 with a total value of $4.3 million.

The installation of theatre systems in newly-built theatres or multiplexes, which make up a large portion of the Company's theatre system backlog, depends primarily on the timing of the construction of those projects, which is not under the Company's control. The breakdown in mix of sales and sales-type lease and joint revenue sharing arrangement (see discussion below) installations by theatre system configuration is outlined in the table below:

	Three Months Ended 30 June	
	2017	2016
New IMAX digital theatre systems — installed and recognized		
Sales and sales-types lease arrangements	**12**	13
Joint revenue sharing arrangements	**21**[(1)]	25[(1)]
Total new theatre systems	**33**	38
IMAX digital theatre system upgrades — installed and recognized		
Sales and sales-types lease arrangements	**1**[(2)]	2[(2)]
Total upgraded theatre systems	**1**	2
Total theatre systems installed	**34**	40

(1) Includes three hybrids and 18 traditional theatre systems under joint revenue sharing arrangements (2016 — eight hybrids and 17 traditional theatre systems under joint revenue sharing arrangements).

(2) Includes one laser-based digital system configuration under a sales arrangement (2016 — one laser-based digital system configuration upgrade under a sales arrangement).

Theatre business margin from full, new theatre systems, excluding theatre systems under hybrid arrangements, was 69.9% in the second quarter of 2017, which was higher than the 58.0% experienced in the second quarter of 2016. Gross margin varies depending upon the number of theatre system commitments with a single respective exhibitor, an exhibitor's location and other various factors. For the three months ended 30 June 2017, the exhibitor's location played a significant role in the higher gross margin as compared to the prior year period.

Gross margin from the installation and recognition of hybrid joint revenue sharing arrangements was $0.2 million in the second quarter of 2017, as compared to $1.0 million in the second quarter of 2016, as five fewer systems were recognized in the current period.

Theatre system maintenance revenue increased 10.0% to $10.9 million in the second quarter of 2017 from $9.9 million in the second quarter of 2016. Theatre system maintenance gross margin was $4.4 million in the second quarter of 2017 versus $3.4 million in the second quarter of 2016. Maintenance revenue continues to grow as the number of theatres in the IMAX theatre network grows. Maintenance margins vary depending on the mix of theatre system configurations in the theatre network, volume-pricing related to larger relationships and the timing and the date(s) of installation and/or service.

Ongoing fees and finance income was $2.6 million in the second quarter of 2017 compared to $3.0 million in the second quarter of 2016. Gross margin for ongoing fees and finance income decreased to $2.5 million in the second quarter of 2017 from $2.9 million in the second quarter of 2016.

Other theatre revenue decreased to $1.7 million in the second quarter of 2017 as compared to $2.9 million in the second quarter of 2016, largely driven by the overall weaker performance of the Company's owned and operated theatres partly due to two owned and operated theatres in the current period whereas the prior year comparative period reflects three owned and operated theatres. Other theatre revenue primarily includes revenue generated from the Company's after-market sales of projection system parts and 3D glasses. The gross margin recognized from other theatre revenue was $0.4 million in the second quarter of 2017 as compared to $0.7 million in the second quarter of 2016.

New Business

New business revenue was primarily generated from contractual payments relating to progress on the development of an IMAX VR camera. Revenue earned from the Company's new business initiatives was $1.3 million in the second quarter of 2017, as compared to $0.1 million in the second quarter of 2016.

Gross margin decreased to a loss of $1.2 million in the second quarter of 2017 from a loss of $0.3 million in the second quarter of 2016, primarily due to the launch of the Company's first IMAX VR Center in Los Angeles, the opening of the AMC Kips Bay VR location and the performance of the Company's other new business initiatives, as compared to the prior year comparative period.

The Company is evaluating its new business initiatives separately from its core business as the nature of its activities is separate and distinct from its ongoing operations. The Company recognized a loss before tax from its new business initiatives for the second quarter of 2017 of $7.2 million, which includes amortization of $0.4 million, restructuring charges and associated impairments of $3.4 million and an equity loss of $0.3 million, as compared to net loss of $3.0 million, which includes amortization of $0.2 million and an equity loss of $1.4 million, in the prior year comparative period. Negative EBITDA from the Company's new business initiatives was $3.1 million in the second quarter of 2017, as compared to $1.6 million in the second quarter of 2016.

Other

Film distribution and post-production revenues was $5.1 million in the second quarter of 2017, as compared to $2.6 million in the second quarter of 2016, primarily due to an increase in film distribution revenue from IMAX original films. Film distribution and post-production gross margin was $2.0 million in the second quarter of 2017 as compared to $0.2 million in the second quarter of 2016 primarily due to a charge against film assets. The Company reviewed the carrying value of certain documentary film assets as a result of lower than expected revenue being generated during the period and revised expectations for future revenues based on the latest information available. An impairment of $1.2 million was recorded based on the carrying value of these documentary films as compared to the related estimated future box office and revenues that would ultimately be generated by these films. No similar charge was recorded in the second quarter of 2016.

Other revenue decreased to $1.2 million in the second quarter of 2017, as compared to $2.1 million in the second quarter of 2016. Other revenue primarily includes revenue generated from the Company's theatre operations and camera rental business. The decrease in revenue is primarily the result of two IMAX owned and operational theatres in the second quarter of 2017, as compared to three such theatres in the prior year comparative period.

The gross margin recognized from other revenue was a loss of $0.1 million in the second quarter of 2017 as compared to a loss of $0.3 million in the second quarter of 2016.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased to $28.6 million in the second quarter of 2017, as compared to $33.1 million in the second quarter of 2016. Selling, general and administrative expenses excluding the impact of stock-based compensation were $22.4 million in the second quarter of 2017, as compared to $24.2 million in the second quarter of 2016. The following reflects the significant items impacting selling, general and administrative expenses as compared to the prior year comparative period:

- a $2.7 million decrease in the Company's stock-based compensation.

- a $1.6 million net decrease in other general corporate expenditures including consulting, professional fees, travel and entertainment; and

- a $0.6 million decrease due to a change in foreign exchange rates. During the second quarter ended 30 June 2017, the Company recorded a foreign exchange gain of $0.2 million for net foreign exchange gains/losses related to the translation of foreign currency denominated monetary assets and liabilities as compared to a loss of $0.4 million recorded in 2016.

These decreases were offset by a $0.4 million increase in staff costs, including salaries and benefits.

Receivable Provisions, Net of Recoveries

Receivable provisions, net of recoveries for accounts receivable and financing receivables amounted to a net provision of $0.9 million in the second quarter of 2017 as compared to a net provision of $0.2 million in the second quarter of 2016.

The Company's accounts receivables and financing receivables are subject to credit risk, as a result of geographical location, exchange rate fluctuations, and other factors. These receivables are concentrated with the leading theatre exhibitors and studios in the film entertainment industry. To minimize the Company's credit risk, the Company retains title to underlying theatre systems leased, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimate of potentially uncollectible amounts. Accordingly, the Company believes it has adequately protected itself against exposures relating to receivables and contractual commitments.

Interest Income and Expense

Interest income was $0.3 million in the second quarter of 2017, as compared to $0.4 million in the second quarter of 2016.

Interest expense was $0.4 million in the second quarter of 2017, as compared to $0.5 million in the second quarter of 2016. Included in interest expense is the amortization of deferred finance costs in the amount of $0.2 million in the second quarter of 2017, as compared to $0.2 million in the second quarter of 2016. The Company's policy is to defer and amortize all the costs relating to debt financing which are paid directly to the debt provider, over the life of the debt instrument.

Restructuring charges and associated impairments

Restructuring charges and associated impairments were $10.3 million in the second quarter of 2017. Restructuring charges comprised of employee severance costs, costs of consolidating facilities and contract termination costs totaled $4.7 million in the second quarter of 2017. Associated impairments related to certain exit activities were $5.6 million in the second quarter of 2017. No such charges were incurred in the prior year comparative period.

Income Taxes

The Company's effective tax rate differs from the statutory tax rate and varies from year to year primarily as a result of numerous permanent differences, investment and other tax credits, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate increases or reductions in the year, changes due to foreign exchange, changes in the Company's valuation allowance based on the Company's recoverability assessments of deferred tax assets, and favorable or unfavorable resolution of various tax examinations.

As at 30 June 2017, the Company had a gross deferred income tax asset of $31.7 million, against which the Company is carrying a $0.2 million valuation allowance. For the three months ended 30 June 2017, the Company recorded an income tax recovery of $0.2 million, of which a provision of less than $0.1 million was related to its provision for uncertain tax positions. In addition, included in the provision for income taxes was a $0.2 million recovery for windfall tax benefits, offset by a less than $0.1 million provision related to other items.

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

Non-Controlling Interests

The Company's condensed consolidated financial statements include the non-controlling interest in the net income of IMAX China resulting from the IMAX China Investment and the IMAX China IPO as well as the impact of a non-controlling interest in its subsidiary created for the Film Fund activity. For the three months ended 30 June 2017, the net income attributable to non-controlling interests of the Company's subsidiaries was $3.5 million (2016 — $2.9 million).

Six Months Ended 30 June 2017 versus Six Months Ended 30 June 2016

The Company reported net income of $0.9 million, or $0.01 per basic and diluted share, for the six months ended 30 June 2017 as compared to net income of $22.9 million, or $0.33 per basic and diluted share for the six months ended 30 June 2016. Net income for the six months ended 30 June 2017 includes a $12.1 million charge, or $0.18 per diluted share (2016 — $14.7 million or $0.21 per diluted share), for stock-based compensation and a $10.3 million charge, or $0.15 per diluted share for restructuring charges and associated impairments. Adjusted net income, which consists of net income excluding the impact of stock-based compensation, restructuring charges and associated impairments and the related tax impact, was $16.5 million, or $0.24 per diluted share, for the six months ended 30 June 2017 as compared to adjusted net income of $33.4 million, or $0.48 per diluted share, for the six months ended 30 June 2016. The Company reported a net loss attributable to common shareholders of $1.6 million, or a loss of $0.02 per basic and diluted share for the six months ended 30 June 2017 (2016 — net income of $17.3 million, or $0.25 per basic and diluted share). Adjusted net income attributable to common shareholders, which consists of net income attributable to common shareholders excluding the impact of stock-based compensation, restructuring charges and associated impairments and the related tax impact, was $13.5 million, or $0.20 per diluted share, for the six months ended 30 June 2017 as compared to adjusted net income attributable to common shareholders of $27.6 million, or $0.40 per diluted share, for the six months ended 30 June 2016. A reconciliation of net income and net income attributable to common shareholders, the most directly comparable U.S. GAAP measure, to adjusted net income, adjusted net income per diluted share, adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share is presented in the table below:

(In thousands of U.S. dollars, except per share amounts)	**Six Months Ended 30 June 2017**		Six Months Ended 30 June 2016	
	Net Income	**Diluted EPS**	Net Income	Diluted EPS
Reported net income	**$ 922**	**$ 0.01**	$ 22,860	$ 0.33
Adjustments:				
Stock-based compensation	**12,057**	**0.18**	14,743	0.21
Restructuring charges and associated impairments	**10,258**	**0.15**	—	—
Tax impact on items listed above	**(6,723)**	**(0.10)**	(4,184)	(0.06)
Adjusted net income	**16,514**	**0.24**	33,419	0.48
Net income attributable to non-controlling interests [(1)]	**(2,559)**	**(0.04)**	(5,542)	(0.08)
Stock-based compensation (net of tax of $0.1 million and $0.1 million, respectively) [(1)]	**(281)**	**—**	(293)	—
Restructuring charges and associated impairments (net of tax of less than $0.1 million) [(1)]	**(168)**	**—**	—	—
Adjusted net income attributable to common shareholders	**$ 13,506**	**$ 0.20**	$ 27,584	$ 0.40
Weighted average diluted shares outstanding		**66,548**		69,222

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

The following table sets forth the breakdown of revenue and gross margin by nature for the six months ended 30 June:

(In thousands of U.S. dollars)	Revenue		Gross Margin	
	2017	2016	**2017**	2016
Network Business				
IMAX DMR	**$ 51,166**	$ 57,218	**$ 34,466**	$ 39,950
Joint revenue sharing arrangements — contingent rent	**34,130**	40,813	**23,920**	32,278
IMAX systems — contingent rent	**1,478**	2,398	**1,478**	2,398
	86,774	100,429	**59,864**	74,626
Theatre Business				
IMAX systems				
Sales and sales-type leases(1)	**23,067**	36,719	**12,944**	13,859
Ongoing fees and finance income(2)	**5,198**	5,704	**5,060**	5,252
Joint revenue sharing arrangements — fixed fees	**1,878**	6,428	**264**	1,458
Theatre system maintenance	**21,949**	19,738	**8,683**	6,808
Other theatre	**3,864**	5,344	**834**	679
	55,956	73,933	**27,785**	28,056
New Business	**2,591**	86	**(1,520)**	(521)
Other				
Film distribution and post-production	**8,670**	5,362	**(665)**	768
Other	**2,423**	4,061	**(234)**	(476)
	11,093	9,423	**(899)**	292
	$ 156,414	$ 183,871	**$ 85,230**	$ 102,453

(1) Includes initial payments and the present value of fixed minimum payments from equipment, sales and sales-type lease transactions.

(2) Includes rental income from operating leases and finance income.

Revenues and Gross Margin

The Company's revenues for the six months ended 30 June 2017 decreased by 14.9% to $156.4 million from $183.9 million in six months ended 30 June 2016, primarily due to a decrease in revenues from the Company's segments within its network and theatre business operations. The gross margin across all segments in the six months ended 30 June 2017 was $85.2 million, or 54.5% of total revenue, compared to $102.5 million, or 55.7% of total revenue in the six months ended 30 June 2016.

Network Business

The Company's network business performance is impacted by the timing of a release to the IMAX theatre network and customer reaction to the film, among other factors that may be outside of the Company's direct control, including fluctuations in the value of foreign currencies versus the U.S. dollar and potential currency devaluations. The distribution window for the release of films in theatre has been compressing and may continue to change in the future. A further reduction in timing between film releases could adversely affect box office performance and consequently future revenues and gross margin.

Network business revenue decreased by 13.6% to $86.8 million in the six months ended 30 June 2017 from $100.4 million in the six months ended 30 June 2016. The Company's network business revenue is driven by gross box office performance, which was lower in the six months ended 30 June 2017 as compared to the six months ended 30 June 2016 as discussed below.

IMAX DMR revenues decreased 10.6% to $51.2 million in the six months ended 30 June 2017 from $57.2 million in the six months ended 30 June 2016, due to weaker gross box office performance leading to lower per-screen averages. IMAX DMR gross margins decreased to $34.5 million from $40.0 million, primarily due to lower gross box office performance.

Gross box office generated by IMAX DMR films decreased 9.7% to $481.0 million in the six months ended 30 June 2017 from $532.8 million in the six months ended 30 June 2016. Gross box office per-screen for the six months ended 30 June 2017 averaged $427,100, in comparison to $550,800 in the second quarter of 2016. In the six months ended 30 June 2017, gross box office was generated primarily by the exhibition of 33 films (23 new and 10 carryovers), as compared to 27 films (21 new and 6 carryovers) exhibited in the six months ended 30 June 2016.

The 16.4% decrease in revenues from joint revenue sharing arrangements was largely due to weaker gross box office performance versus the prior year comparative period, offset slightly by continued network growth. Revenues from joint revenue sharing arrangements decreased to $34.1 million in the six months ended 30 June 2017 from $40.8 million in the six months ended 30 June 2016. The Company ended the current period with 671 theatres operating under joint revenue sharing arrangements, as compared to 559 theatres at the end of the six months ended 30 June 2016, an increase of 20.0%. Gross box office generated by the joint revenue sharing arrangements was 7.0% lower at $259.5 million in the six months ended 30 June 2017 from $279.0 million in the six months ended 30 June 2016.

The gross margin from joint revenue sharing arrangements decreased by 25.9% to $23.9 million in the six months ended 30 June 2017 from $32.3 million in the six months ended 30 June 2016. Included in the calculation of gross margin for the six months ended 30 June 2017 were certain advertising, marketing and commission costs primarily associated with new theatre launches of $1.2 million, as compared to $0.9 million during the six months ended 30 June 2016.

Contingent rent revenue from IMAX systems decreased to $1.5 million in the six months ended 30 June 2017 from $2.4 million in the six months ended 30 June 2016. Contingent rent revenue are variable payments received in excess of the fixed minimum ongoing payments which are primarily driven by gross box office performance reported by theatre operators. The decrease in revenue is primarily due to a decrease in gross box office performance in the six months ended 30 June 2017 versus the prior year comparative period.

Theatre Business

Theatre business revenue decreased 24.3% to $56.0 million in the six months ended 30 June 2017 as compared to $73.9 million in six months ended 30 June 2016.

The decrease in theatre business revenue is primarily due to 18 fewer theatre system installations in the six months ended 30 June 2017, as compared to the six months ended 30 June 2016, for a total of $17.3 million. The Company installed 23 theatre systems under sales and sales-type lease arrangements, which includes four theatre systems under hybrid joint revenue sharing arrangements, in the six months ended 30 June 2017 versus 41 theatre systems, which includes 12 theatre systems under hybrid joint revenue sharing arrangements, in the six months ended 30 June 2016.

Revenue from sales and sales-type leases was $23.1 million in the six months ended 30 June 2017, as compared to $36.7 million in the six months ended 30 June 2016. The Company recognized revenue on 17 full, new theatre systems which qualified as either sales or sales-type leases in the six months ended 30 June 2017, with a total value of $20.2 million, versus 17 full, new theatre systems in the six months ended 30 June 2016 with a total value of $21.9 million. Average revenue per full, new theatre system under a sales and sales-type lease arrangement was $1.2 million for the six months ended 30 June 2017, as compared to $1.3 million in the six months ended 30 June 2016. The average revenue per full, new theatre system under a sales and sales-type lease arrangement varies depending upon the number of theatre system commitments with a single respective exhibitor, an exhibitor's location or other various factors.

The Company recognized revenue from four full, new theatre systems under hybrid joint revenue sharing arrangements in the six months ended 30 June 2017, with a total value of $1.9 million, versus 12 full, new theatre systems in the six months ended 30 June 2016 with a total value of $6.4 million. Average revenue per theatre system upgrade was $1.3 million for the six months ended 30 June 2017, as compared to $1.2 million in the six months ended 30 June 2016.

The installation of theatre systems in newly-built theatres or multiplexes, which make up a large portion of the Company's theatre system backlog, depends primarily on the timing of the construction of those projects, which is not under the Company's control. The breakdown in mix of sales and sales-type lease and joint revenue sharing arrangement (see discussion below) installations by theatre system configuration is outlined in the table below:

	Six Months Ended 30 June	
	2017	2016
New IMAX xenon-based digital theatre systems		
— installed and recognized		
Sales and sales-types lease arrangements	**17**	18
Joint revenue sharing arrangements	**30**[(1)]	30[(1)]
Total new theatre systems	**47**	48
IMAX xenon-based digital theatre system upgrades		
— installed and recognized		
Sales and sales-types lease arrangements	**2**[(2)]	11[(2)]
Short-term operating lease arrangements	**—**	—
Joint revenue sharing arrangements	**—**	—
Total upgraded theatre systems	**2**	11
Total theatre systems installed	**49**	59

(1) Includes four hybrids and 26 traditional theatre systems under joint revenue sharing arrangements (2016 — 12 hybrids and 18 traditional joint revenue sharing arrangements).

(2) Includes two laser-based digital system configuration under sales arrangements (2016 — nine laser-based digital system configuration upgrades).

Theatre business margin from full, new sales and sales-type lease systems was 68.9% in the six months ended 30 June 2017 which was higher than the 60.8% experienced in the six months ended 30 June 2016. Gross margin from theatre system upgrades was $0.2 million in the six months ended 30 June 2017, as compared to $1.7 million in the six months ended 30 June 2016, primarily due to two theatre system upgrades in the six months ended 30 June 2017, as compared to 11 upgrades in the six months ended 30 June 2016. In addition, the Company recorded a charge of $0.2 million upon the upgrade of a xenon-based digital system under an operating lease arrangement to a laser-based digital system under a sales arrangement in the six months ended 30 June 2016, for components which were not used in the upgrade and cannot be used for future installations. No such charge was recorded in the six months ended 30 June 2017. Gross margin varies depending upon the number of theatre system commitments with a single respective exhibitor, an exhibitor's location and other various factors.

Gross margin from the installation and recognition of theatre systems under hybrid joint revenue sharing arrangements was $0.3 million in the six months ended 30 June 2017, as compared to $1.5 million in the six months ended 30 June 2016, which is a direct result of the number of theatre systems recognized in each respective period.

Theatre system maintenance revenue increased 11.2% to $21.9 million in the six months ended 30 June 2017 from $19.7 million in the six months ended 30 June 2016. Theatre system maintenance gross margin was $8.7 million in the six months ended 30 June 2017 versus $6.8 million in the six months ended 30 June 2016. Maintenance revenue continues to grow as the number of theatres in the IMAX theatre network grows. Maintenance margins vary depending on the mix of theatre system configurations in the theatre network, volume-pricing related to larger relationships and the timing and the date(s) of installation and/or service.

Ongoing fees and finance income was $5.2 million in the six months ended 30 June 2017 compared to $5.7 million in the six months ended 30 June 2016. Gross margin for ongoing rent and finance income decreased to $5.1 million in the six months ended 30 June 2017 from $5.3 million in the six months ended 30 June 2016.

Other theatre revenue decreased to $3.9 million in the six months ended 30 June 2017 as compared to $5.3 million in the six months ended 30 June 2016. Other theatre revenue primarily includes revenue generated from the Company's after-market sales of projection system parts and 3D glasses. The gross margin recognized from other theatre revenue was $0.8 million in the six months ended 30 June 2017 as compared to $0.7 million in the six months ended 30 June 2016.

New Business

New business revenue was primarily generated from contractual payments relating to progress on the development of an IMAX VR camera. Revenue earned from the Company's new business initiatives was $2.6 million in the six months ended 30 June 2017, as compared to less than $0.1 million in the six months ended 30 June 2016.

The gross margin recognized from the new business segment was a loss of $1.5 million in the six months ended 30 June 2017 as compared to a loss of $0.5 million in the six months ended 30 June 2016, primarily due to the launch of the Company's first IMAX VR Center in Los Angeles, the opening of the AMC Kips Bay VR location and the performance of the Company's other new business initiatives, as compared to the prior year comparative period.

The Company is evaluating its new business initiatives separately from its core business as the nature of its activities is separate and distinct from its ongoing operations. The Company recognized a loss before tax from its new business initiatives for the six months ended 30 June 2017 of $9.9 million, which includes amortization of $0.8 million, restructuring charges and associated impairments of $3.4 million and an equity loss of $0.5 million, as compared to net loss of $5.5 million, which includes amortization of $0.2 million and an equity loss of $1.8 million, in the prior year comparative period. Negative EBITDA from the Company's new business initiatives was $5.2 million and $3.5 million in the six months ended 30 June 2017 and 2016, respectively.

Other

Film distribution and post-production revenues was $8.7 million in the six months ended 30 June 2017, as compared to $5.4 million in the six months ended 30 June 2016, primarily due to an increase in film distribution revenue from IMAX original films. Film distribution and post-production gross margin was a loss of $0.7 million in the six months ended 30 June 2017 as compared to a margin of $0.8 million in the six months ended 30 June 2016 primarily due to a charge against film assets. The Company reviewed the carrying value of certain documentary film assets as a result of lower than expected revenue being generated during the period and revised expectations for future revenues based on the latest information available. An impairment of $4.6 million was recorded based on the carrying value of these documentary films as compared to the related estimated future box office and revenues that would ultimately be generated by these films. No similar charge was recorded in the six months ended 30 June 2016.

Other revenue decreased to $2.4 million in the six months ended 30 June 2017, as compared to $4.1 million in the six months ended 30 June 2016. Other revenue primarily includes revenue generated from the Company's theatre operations and camera rental business. The decrease in revenue is primarily the result of two IMAX owned and operational theatres in the six months ended 30 June 2016, as compared to three such theatres in the prior year comparative period.

The gross margin recognized from other revenue was a loss of $0.2 million in the six months ended 30 June 2017, as compared to a loss of $0.5 million in the six months ended 30 June 2016.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased to $59.5 million in the six months ended 30 June 2017, as compared to $62.0 million in the six months ended 30 June 2016. Selling, general and administrative expenses excluding the impact of stock-based compensation were $48.5 million in the six months ended 30 June 2017, as compared to $47.3 million in the six months ended 30 June 2016. The following reflects the significant items impacting selling, general and administrative expenses as compared to the prior year comparative period:

- a $3.7 million decrease in the Company's stock-based compensation;

- a $0.7 million net decrease in other general corporate expenditures including consulting, professional fees, travel and entertainment; and

- a $0.1 million decrease due to a change in foreign exchange rates. During the six months ended 30 June 2017, the Company recorded a foreign exchange gain of $0.2 million for net foreign exchange gains/losses related to the translation of foreign currency denominated monetary assets and liabilities as compared to a gain of $0.1 million recorded in 2016.

These decreases were partially offset by a $2.0 million increase in staff costs, including salaries and benefits.

Receivable Provisions, Net of Recoveries

Receivable provisions, net of recoveries for accounts receivable and financing receivables amounted to a net provision of $1.1 million in the six months ended 30 June 2017 as compared to a net provision of $0.4 million in the six months ended 30 June 2016.

The Company's accounts receivables and financing receivables are subject to credit risk, as a result of geographical location, exchange rate fluctuations, and other factors. These receivables are concentrated with the leading theatre exhibitors and studios in the film entertainment industry. To minimize the Company's credit risk, the Company retains title to underlying theatre systems leased, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimate of potentially uncollectible amounts. Accordingly, the Company believes it has adequately protected itself against exposures relating to receivables and contractual commitments.

Interest Income and Expense

Interest income was $0.5 million in the six months ended 30 June 2017, as compared to $0.8 million in the six months ended 30 June 2016.

Interest expense was $0.9 million in the six months ended 30 June 2017, as compared to $0.9 million in the six months ended 30 June 2016. Included in interest expense is the amortization of deferred finance costs in the amount of $0.3 million in the six months ended 30 June 2017 as compared to $0.3 million in the six months ended 30 June 2016. The Company's policy is to defer and amortize all the costs relating to debt financing which are paid directly to the debt provider, over the life of the debt instrument.

Restructuring charges and associated impairments

Restructuring charges and associated impairments were $10.3 million in the six months ended 30 June 2017. Restructuring charges comprised of employee severance costs, costs of consolidating facilities and contract termination costs of $4.7 million. Associated impairments related to the exit activities were $5.6 million in the six months ended 30 June 2017. No such charges were incurred in the six months ended 30 June 2016.

Income Taxes

The Company's effective tax rate differs from the statutory tax rate and varies from year to year primarily as a result of numerous permanent differences, investment and other tax credits, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate increases or reductions in the year, changes due to foreign exchange, changes in the Company's valuation allowance based on the Company's recoverability assessments of deferred tax assets, and favorable or unfavorable resolution of various tax examinations.

As at 30 June 2017, the Company had a gross deferred income tax asset of $31.7 million, against which the Company is carrying a $0.2 million valuation allowance. For the six months ended 30 June 2017, the Company recorded an income tax recovery of $0.1 million, of which a provision of less than $0.1 million was related to its provision for uncertain tax positions. In addition, included in the recovery of income taxes was a $0.5 million recovery for windfall tax benefits, offset by a $0.5 million provision related to other items.

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

Non-Controlling Interests

The Company's condensed consolidated financial statements include the non-controlling interest in the net income of IMAX China resulting from the IMAX China Investment and the IMAX China IPO as well as the impact of a non-controlling interest in its subsidiary created for the Film Fund activity. For the six months ended 30 June 2017, the net income attributable to non-controlling interests of the Company's subsidiaries were $2.6 million (2016 — $5.5 million).

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As at 30 June 2017, the Company's principal sources of liquidity included cash and cash equivalents of $158.2 million, the Credit Facility, anticipated collection from trade accounts receivable of $96.3 million including receivables from theatres under joint revenue sharing arrangements and DMR agreements with studios, anticipated collection from financing receivables due in the next 12 months of $29.6 million and payments expected in the next 12 months on existing backlog deals. As at 30 June 2017, the Company did not have any amount drawn on the Credit Facility (remaining availability of $200.0 million), and the Company had $26.7 million drawn on the Playa Vista Loan. There were no letters of credit and advance payment guarantees outstanding under either the Credit Facility or the Bank of Montreal Facility. Cash held outside of North America as at 30 June 2017 was $126.1 million (31 December 2016 — $117.4 million), of which $38.1 million was held in the People's Republic of China ("**PRC**") (31 December 2016 — $31.5 million). The Company's intent is to permanently reinvest these amounts outside of Canada and the Company does not currently anticipate that it will need funds generated from foreign operations to fund North American operations. In the event funds from foreign operations are needed to fund operations in North America and if withholding taxes have not already been previously provided, the Company would be required to accrue and pay these additional withholding tax amounts on repatriation of funds from China to Canada. The Company currently estimates this amount to be $5.8 million.

Item 3. ***Quantitative and Qualitative Factors about Market Risk***

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

Foreign Exchange Rate Risk

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

The Company manages its exposure to foreign exchange rate risks through the Company's 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.

The Company's subsidiaries, IMAX (Shanghai) Multimedia Technology Co., Ltd. and IMAX (Shanghai) Theatre Technology Services Co. Ltd., held approximately 258.1 million Renminbi ($38.1 million U.S dollars) in cash and cash equivalents in the PRC as at 30 June 2017 (31 December 2016 — 218.2 million Renminbi or $31.5 million U.S. dollars) and are required to transact locally in Renminbi. Foreign currency exchange transactions, including the remittance of any funds into and out of the PRC, are subject to controls and require the approval of the China State Administrative of Foreign Exchange to complete. Any developments relating to the Chinese economy and any actions taken by the China government are beyond the control of the Company, however, the Company monitors and manages its capital and liquidity requirements to ensure compliance with local regulatory and policy requirements.

For the six months ended 30 June 2017, the Company recorded a foreign exchange gain of $0.2 million as compared to a foreign exchange gain of $0.1 million for the six months ended 30 June 2016, associated with the translation of foreign currency denominated monetary assets and liabilities.

The Company entered into a series of foreign currency forward contracts to manage the Company's risks associated with the volatility of foreign currencies. The forward contracts have settlement dates throughout 2017 and 2018. Foreign currency derivatives are recognized and measured in the balance sheet at fair value. Changes in the fair value (gains or losses) are recognized in the condensed consolidated statements of operations except for derivatives designated and qualifying as foreign currency cash flow hedging instruments. All foreign currency forward contracts held by the Company as at 30 June 2017, are designated and qualify as foreign currency cash flow hedging instruments. For foreign currency cash flow hedging instruments, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in other comprehensive income and reclassified to the condensed consolidated statements of operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the condensed consolidated statements of operations. The notional value of foreign currency cash flow hedging instruments at 30 June 2017 was $37.0 million (31 December 2016 — $37.8 million). A gain of $0.8 million and $1.1 million was recorded to Other Comprehensive Income with respect to the change in fair value of these contracts for the three and six months ended 30 June 2017, respectively (2016 — loss of less than $0.1 million and a gain of $2.2 million, respectively). A gain of $0.1 million and a loss of $0.2 million was reclassified from Accumulated Other Comprehensive Income to selling, general and administrative expenses for the three and six months ended 30 June 2017 (2016 — loss of $0.7 million and a loss of $2.0 million, respectively). The Company's estimated net amount of the existing gains as at 30 June 2017 is $0.7 million, which is expected to be reclassified to earnings within the next twelve months. Appreciation or depreciation on forward contracts not meeting the requirements for hedge accounting in the Derivatives and Hedging Topic of the FASB Accounting Standards Codification are recorded to selling, general and administrative expenses.

For all derivative instruments, the Company is subject to counterparty credit risk to the extent that the counterparty may not meet its obligations to the Company. To manage this risk, the Company enters into derivative transactions only with major financial institutions.

At 30 June 2017, the Company's financing receivables and working capital items denominated in Canadian dollars, Renminbi, Yen and Euros translated into U.S. dollars was $65.3 million. Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates at 30 June 2017, the potential change in the fair value of foreign currency-denominated financing receivables and working capital items would have been $6.5 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 at 30 June 2017, the potential change in the amount of selling, general, and administrative expenses would be $0.1 million for every $10.0 million in Canadian denominated expenditures.

(2) EARNINGS RELEASE EXTRACTS

"We continue to take a portfolio approach to our film business, understanding certain films resonate strongly with consumers and others less so. While several films in the second quarter underperformed our expectations, the recent release of Christopher Nolan's *Dunkirk*, emphasizes the value in viewing our business as a portfolio of films. *Dunkirk*, which was shot almost entirely with IMAX film cameras, did $12 million domestically and indexed a record 23% in IMAX. Breakout titles like this are encouraging as they tend to provide strategic benefits lasting well beyond the window of the film. Historically, with other IMAX hits, we have seen increased consumer awareness of IMAX, heightened demand from other filmmakers looking to leverage our format and greater demand from exhibitors, to name a few," said CEO Richard L. Gelfond. "As consumers increasingly demand and value premium content and experiences, we continue to see strong demand from both new and existing exhibitor partners around the world who are increasingly seeking to add IMAX to their multiplexes. In fact, during the past 18 months we have signed agreements for an incredible 450 theatres. As a result of our record backlog and heightened installation pace, we expect our commercial footprint to span nearly 2,000 screens worldwide over the next several years. We believe expanding our footprint is the single biggest contributor to long-term value creation and expanding our network will continue to be a key priority."

Second-Quarter 2017 Results

Network Update

"We continue to focus our efforts on growing operating leverage and increasing the profitability of our Company," said Gelfond. "While growing the network is the most powerful factor in earnings growth long-term, we are also implementing strategies aimed at increasing the revenue productivity of our current network, while also reducing our cost structure. On the expense side, we streamlined our cost structure, shaving $20 million in annualized costs, which increases profitability and enables us to scale more efficiently. We are also identifying means to increase the revenue productivity of our theatres. For example, we are working with our exhibitor partners to reseat a number of our older theatres with new, premium seats. On the film side, we are aiming to play more 2D-version of films domestically, given the clear preference from consumers for 2D. We also intend on shortening the length of play that we allot many films, which helps keep the content on screen fresh." Gelfond concluded, "We believe our focus on network growth, coupled with strategies to increase our revenue productivity, while also reducing our cost structure should facilitate meaningful value creation long-term."

Box Office Update

Gross box office from IMAX DMR® titles was $268.9 million in the second quarter of 2017, compared with $260.8 million in the prior-year period. The average global DMR box office per-screen average in the second quarter of 2017 was $237,800, compared with $268,200 in same period last year. Per-screen averages were down year-over-year, primarily from weaker box office in China. We largely attribute this underperformance to weaker content and the ramp up of new-build theatres. Please reference the chart below for a breakout of box office and per screen averages on a regional basis:

	Box Office (M's)		**Per Screen Average (000's)**	
	Q2 2017	Q2 2016	**Q2 2017**	Q2 2016
Global	**$ 268.8**	$ 260.8	**$ 237.8**	$ 268.0
Domestic	**85.9**	88.8	**216.3**	225.9
Greater China	**97.2**	97.1	**235.1**	325.3
Other Intl.	**85.8**	75.0	**267.9**	266.7

OTHER INFORMATION

(in thousands of U.S. dollars)

Non-GAAP Financial Measures:

In this release, the Company presents adjusted net income, adjusted net income per diluted share, adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share, EBITDA and adjusted EBITDA as supplemental measures of performance of the Company, which are not recognized under U.S. GAAP. The Company presents adjusted net income and adjusted net income per diluted share because it believes that they are important supplemental measures of its comparable controllable operating performance and it wants to ensure that its investors fully understand the impact of its stock-based compensation (net of any related tax impact) on net income. In addition, the Company presents adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share because it believes that they are important supplemental measures of its comparable financial results and could potentially distort the analysis of trends in business performance and it wants to ensure that its investors fully understand the impact of net income attributable to non-controlling interests and its stock-based compensation (net of any related tax impact) in determining net income attributable to common shareholders. Management uses these measures to review operating performance on a comparable basis from period to period. However, these non-GAAP measures may not be comparable to similarly titled amounts reported by other companies. Adjusted net income, adjusted net income per diluted share, adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share should be considered in addition to, and not as a substitute for, net income and net income attributable to common shareholders and other measures of financial performance reported in accordance with U.S. GAAP.

Adjusted Net Income and Adjusted Diluted Per Share Calculations – Quarter Ended 30 June 2017 vs. 2016:

(In thousands of U.S. dollars, except per share amounts)	**Quarter Ended 30 June**			
	2017		2016	
	Net Income	**Diluted EPS**	Net Income	Diluted EPS
Reported net income	**$ 1,809**	**$ 0.03**	$ 8,908	$ 0.13
Adjustments:				
Stock-based compensation	**6,793**	**0.10**	8,870	0.13
Restructuring charges and associated impairments	**10,258**	**0.15**	—	—
Tax impact on items listed above	**(5,382)**	**(0.08)**	(2,384)	(0.04)
Adjusted net income	**13,478**	**0.20**	15,394	0.22
Net income attributable to non-controlling interests	**(3,521)**	**(0.05)**	(2,892)	(0.04)
Stock-based compensation (net of tax of less than $0.1 million and less than $0.1 million, respectively)	**(153)**	**—**	(168)	—
Restructuring charges and associated impairments (net of tax of less than $0.1 million)	**(168)**	**—**	—	—
Adjusted net income attributable to common shareholders	**$ 9,636**	**$ 0.15**	$ 12,334	$ 0.18
Weighted average diluted shares outstanding		**65,992**		68,455

Adjusted Net Income and Adjusted Diluted Per Share Calculations – Six Months Ended June 30, 2017 vs. 2016:

(In thousands of U.S. dollars, except per share amounts)	**Six Months Ended June 30,**			
	2017		2016	
	Net Income	**Diluted EPS**	Net Income	Diluted EPS
Reported net income	**$ 922**	**$ 0.01**	$ 22,860	$ 0.33
Adjustments:				
Stock-based compensation	**12,057**	**0.18**	14,743	0.21
Restructuring charges and associated impairments	**10,258**	**0.15**	—	—
Tax impact on items listed above	**(6,723)**	**(0.10)**	(4,184)	(0.06)
Adjusted net income	**16,514**	**0.24**	33,419	0.48
Net income attributable to non-controlling interests	**(2,559)**	**(0.04)**	(5,542)	(0.08)
Stock-based compensation (net of tax of $0.1 million and $0.1 million, respectively)	**(281)**	**—**	(293)	—
Restructuring charges and associated impairments (net of tax of less than $0.1 million)	**(168)**	**—**	—	—
Adjusted net income attributable to common shareholders	**$ 13,506**	**$ 0.20**	$ 27,584	$ 0.40
Weighted average diluted shares outstanding		**66,548**		69,222

DEFINITIONS USED IN THIS ANNOUNCEMENT

"1HFY"	the first half of the financial year, six months ending 30 June
"2HFY"	the second half of the financial year, six months ending 31 December
"Articles of Association"	the articles of association of the Company adopted on 21 September 2015 and effective from the Listing Date, as amended from time to time
"Board" or "Board of Directors"	the board of directors of the Company
"CG Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
"Class C Shareholders' Agreement"	the shareholders' agreement in connection with the IMAX China Investment terminated upon completion of the Company's Global Offering on 8 October 2015
"CMC"	CMC Capital Partners
"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", "subsidiary" and "substantial shareholder"	shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires
"Conversion Options"	certain conversion options embedded within the Class C Shareholders' Agreement
"Directors"	the directors of the Company and "**Director**" shall be construed accordingly as a director of the Company
"Earnings Release"	the earnings release by IMAX Corporation dated 20 July 2016
"EIT"	enterprise income tax
"FountainVest"	FountainVest Partners
"FY" or "financial year"	financial year ended or ending 31 December
"Global Offering"	the offering of the Shares on the Main Board of the Stock Exchange on 8 October 2015

"Greater China"	for the purposes of this document only, the PRC, Hong Kong, Macau and Taiwan
"Group", "we", "our" or "us"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board
"IMAX China Investment"	the investment into the Company by CMC and FountainVest
"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 Holding"	IMAX (Hong Kong) Holding, Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of IMAX Barbados
"IMAX Shanghai Multimedia"	IMAX (Shanghai) Multimedia Technology Co., Ltd., a wholly foreign-owned enterprise established under the laws of the PRC on 31 May 2011 and a direct wholly owned subsidiary of IMAX Hong Kong
"IPO"	initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 8 October 2015
"Listing Date"	8 October 2015
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Macau"	Macau Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"NYSE"	New York Stock Exchange

"PRC" or "China"	the People's Republic of China, but for the purposes of this document only, except where the context requires, references in this announcement to PRC or China exclude Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated 24 September 2015
"Quarterly Report"	the Quarterly Report by IMAX Corporation dated 26 July 2017
"Redeemable Class C Shares"	voting shares of a par value of US$0.01 each designated as common C shares in the authorised capital of the Company and redesignated as ordinary shares of the Company upon Listing on 8 October 2015
"RMB"	Renminbi, the lawful currency of the PRC
"SEC"	the United States Securities and Exchange Commission
"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 format 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 format films with which we have entered into a revenue sharing arrangement
"box office revenue"	the portion of box office that is due to be paid to the Group under revenue sharing arrangements in our theatre systems business and/or arrangements with IMAX Corporation and studios in our films business, as applicable
"Chinese language films"	a motion picture approved for theatrical release in the PRC which has been produced by a PRC producer or jointly produced by a PRC producer and a foreign producer, and which meets the requirements of the relevant laws and regulations of the PRC
"distributor"	an organisation that distributes films to exhibitors or, in the PRC, theatre circuits for exhibition at theatres
"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 format film
"exhibitor"	exhibitors are theatre investment management companies which own and operate theatres; exhibitors receive copies of films from the theatre circuits but retain control over the screening schedules

"full revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for a portion of that exhibitor's box office generated from IMAX format films over the term of the arrangement, and no, or a relatively small, upfront payment
"Hollywood films"	an imported motion picture for theatrical release in the PRC where the importation and release of such motion picture has been permitted in accordance with the annual quota imposed by the PRC government
"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 format films over the term of the arrangement, that is typically half of that under a full revenue sharing arrangement
"IMAX format film"	a film converted from a conventional film using DMR technology
"IMAX Original Film"	any IMAX format 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
"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 format 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

"theatre circuit"	an organisation that distributes newly released films to theatres within that circuit; every theatre in the PRC must be affiliated with a theatre circuit

By Order of the Board
IMAX China Holding, Inc.
Michelle Rosen
Company Secretary

Hong Kong, 27 July 2017

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

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

Non-Executive Directors:
Richard Gelfond
RuiGang Li
Greg Foster

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

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