IMAX CHINA HOLDING, INC.

Incorporated in the Cayman Islands with limited liability
Stock code : 1970

Interim Report 2016

Contents

IMAX CHINA HOLDING, INC.
Interim Report 2016

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Jiande Chen, *Chief Executive Officer*
Jim Athanasopoulos, *Chief Financial Officer and Chief Operating Officer*
Mei-Hui Chou (Jessie), *Chief Marketing Officer and Head of Human Resources*

Non-executive Directors

Richard Gelfond (Chairman)
Greg Foster
RuiGang Li

Independent Non-executive Directors

John Davison
Yue-Sai Kan
Dawn Taubin

AUDIT COMMITTEE

John Davison (Chairman)
Dawn Taubin
Richard Gelfond

REMUNERATION COMMITTEE

Yue-Sai Kan (Chairman)
John Davison
Greg Foster

NOMINATION COMMITTEE

Richard Gelfond (Chairman)
Yue-Sai Kan
Dawn Taubin

JOINT COMPANY SECRETARIES

Michelle Rosen
Chan Wai Ling, *FCS, FCIS*

AUTHORISED REPRESENTATIVES

Jim Athanasopoulos
Chan Wai Ling, *FCS, FCIS*

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

CORPORATE HEADQUARTERS

7/F, Verdant Place
No, 128 West Nanjing Road
Huangpu District, Shanghai

REGISTERED OFFICE

c/o Maples Corporate Services Limited
PO Box 1093
Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISOR

Somerley Capital Limited

STOCK CODE

1970

COMPANY WEBSITE

www.imax.cn

Financial Highlights

	Six months ended 30 June		
	2016 (Unaudited)	2015 (Audited)	Change %
Total revenue (US$'000)	55,061	43,913	25.4%
Gross profit (US$'000)	33,942	30,564	11.1%
Gross profit %	61.6%	69.6%	(8.0)%
Profit (loss) for the period (US$'000)	17,742	(67,947)	126.1%
Profit (loss) for the period %	32.2%	(154.7)%	186.9%
Profit (loss) per share (US$)	0.05	(0.25)	120.0%
Adjusted profit (US$'000)	18,592	18,328	1.4%
Adjusted profit %	33.8%	41.7%	(7.9)%
Total theater system signings	79	18	338.9%
Sales arrangements	29	18	—
Revenue sharing arrangements	50	—	—
Total theater system installations	30	18	66.7%
Sales arrangements	9	5	—
Revenue sharing arrangements	19	13	—
Upgrades	2	—	—
Gross box office (US$'000)	180,467	175,112	3.1%
Box office per screen (US$'000)	615	811	(24.2)%

Financial Highlights (Continued)

In 1HFY2016, we signed 79 new theater contracts which included 50 new full revenue sharing arrangements with existing clients Guangzhou Jinyi Media Corporation and Sichuan Lumiere Cinema Company Limited. Total signings in 1HFY2016 exceeded the 18 signings we achieved in the comparable period of 1HFY2015 and, in fact, exceeded our 74 total signings for all of FY2015 and our 40 total signings for all of FY2014. Our backlog at 30 June 2016 has increased to 264 IMAX systems, up from 217 at 30 June 2015.

In 1HFY2016 Greater China box office was US$180.5 million representing a 3.1% increase over 1HFY2015. 1HFY2016 box office growth included 8 of the top 10 grossing titles in mainland China. In local currency in mainland China, our 10.1% increase over 1HFY2015 was less than overall industry growth mainly due to the record-breaking box office contribution of *Mermaid*, a local language title which was not released in IMAX. In June 2016, IMAX box office was up 55.6% over June 2015 due to strong performance of such films like *Warcraft* and *Independence Day: Resurgence,* and we are encouraged by the strong lead in to 2HFY2016.

Box office per screen of US$0.6 million in 1HFY2016 was 24.2% less than 1HFY2015 primarily due to the unprecedented IMAX success of *Furious 7* in 1HFY2015 and the depreciation of the RMB to USD. 1HFY2016 box office per screen was comparable to 1HFY2014 notwithstanding a network footprint that is currently about 80% larger.

Total revenues increased 25.4% to US$55.1 million, which was primarily the result of increased installation activity and network growth. In 1HFY2016, we installed 30 theater systems which was a 66.7% increase over 1HFY2015 and these installations were comprised of 9 sales, 7 hybrid revenue share and 12 full revenue share arrangements in addition to 2 laser upgrades. This brings our total IMAX network in Greater China to 335 theaters. Based on our robust signing and installation activity, we have increased our 2016 installation guidance to 115 theatres for 2016, up from original 2016 installation guidance of 100 theatres.

Gross profit for 1HFY2016 was US$33.9 million or 11.1% higher than 1HFY2015 primarily driven by more installations versus the comparable period. Gross profit margin of 61.6% was 8.0% lower than 1HFY2015 as a result of the year over year comparable box office results discussed above. Adjusted profit was US$18.6 million for 1HFY2016 and the adjusted profit margins was 33.8%.

Management Discussion and Analysis

OVERVIEW

The management discussion and analysis is based on the Company's condensed consolidated interim financial information for 1HFY2016 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 ITEMS

Revenue

We derive a majority of our revenue from our two principal business segments — the theatre business and the films business.

Theatre business

Our theatre business segment contains three sub-segments which are based on our business arrangements:

- sales arrangements, which are comprised of the design, procurement and provision of IMAX theatre systems to exhibitors in exchange for upfront fees;
- revenue sharing arrangements, which are comprised of the provision of IMAX theatre systems to exhibitors in exchange for a certain percentage of box office receipts and a relatively small upfront payment; and
- theatre system maintenance, which is comprised of the maintenance of IMAX theatre systems in the IMAX theatre network.

We also derive an immaterial amount of other revenue from the aftermarket sales of 3D glasses, screen sheets and other items.

Films business

Our films business consists of the conversion of Hollywood and Chinese language films to the IMAX format and the release of such films to the IMAX theatre network.

The following table sets forth the breakdown of revenue by business segments:

	1HFY2016		1HFY2015	
	US$'000	**%**	US$'000	%
Theatre Business				
Sales	**16,257**	**29.5%**	7,932	18.1%
Revenue Sharing Arrangements	**16,767**	**30.5%**	15,996	36.4%
Theatre System Maintenance	**5,665**	**10.3%**	4,435	10.1%
Sub-total[(1)]	**39,135**	**71.1%**	28,739	65.4%
Films Business	**15,926**	**28.9%**	15,174	34.6%
Total	**55,061**	**100.0%**	43,913	100.0%

Note:

(1) Theatre business also includes other revenue of US$0.4 million and US$0.4 million in 1HFY2016 and 1HFY2015, respectively.

Management Discussion and Analysis (Continued)

Cost of Sales

Our cost of sales primarily is comprised of IMAX theatre systems under sales arrangements and hybrid revenue sharing arrangements, depreciation for full revenue sharing arrangements and certain one-time costs at system installation such as commissions and marketing costs for IMAX theatre launches.

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

	1HFY2016		1HFY2015	
	US$'000	%	US$'000	%
Theatre Business				
Sales	**7,668**	**47.2%**	2,183	27.5%
Revenue Sharing Arrangements	**6,325**	**37.7%**	5,422	33.9%
Theatre System Maintenance	**2,364**	**41.7%**	1,953	44.0%
Sub-total(1)	**16,922**	**43.2%**	9,811	34.1%
Films Business	**4,197**	**26.4%**	3,538	23.3%
Total	**21,119**	**38.4%**	13,349	30.4%

Note:

(1) Theatre business also includes cost of sales in respect of other revenue of US$0.5 million and US$0.3 million in 1HFY2016 and 1HFY2015, respectively.

Gross Profit and Gross Profit Margin

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

	1HFY2016		1HFY2015	
	US$'000	%	US$'000	%
Theatre Business				
Sales	**8,589**	**52.8%**	5,749	72.5%
Revenue Sharing Arrangements	**10,442**	**62.3%**	10,574	66.1%
Theatre System Maintenance	**3,301**	**58.3%**	2,482	56.0%
Sub-total(1)	**22,213**	**56.8%**	18,928	65.9%
Films Business	**11,729**	**73.6%**	11,636	76.7%
Total	**33,942**	**61.6%**	30,564	69.6%

Note:

(1) Theatre business also includes gross profit in respect of other revenue of (0.1) million and US$0.1 million, in 1HFY2016 and 1HFY2015, respectively.

Selling, General and Administrative Expenses

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

	1HFY2016		1HFY2015	
	US$'000	**%**	US$'000	%
Employee salaries and benefits	**3,165**	**5.7%**	2,740	6.2%
Share based compensation expenses	**1,090**	**2.0%**	1,223	2.8%
Travel and transportation	**614**	**1.1%**	432	1.0%
Advertising and marketing	**749**	**1.4%**	454	1.0%
Professional fees	**1,269**	**2.3%**	252	0.6%
Other employee expenses	**157**	**0.3%**	89	0.2%
Facilities	**879**	**1.6%**	492	1.1%
Depreciation	**279**	**0.5%**	58	0.1%
Foreign exchange and other expenses	**396**	**0.7%**	601	1.4%
IPO related costs	**—**	**—**	5,506	12.6%
Total	**8,598**	**15.6%**	11,847	27.0%

Other Operating Expenses

Other expenses primarily include the annual license fees payable to IMAX Corporation in relation to 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 1HFY2016 and 1HFY2015 were US$3.0 million and US$2.5 million, respectively.

Interest Income and Expense

Interest income represents interest earned on various term deposits we hold. None of the term deposits had a term of more than 90 days. Our interest income for 1HFY2016 and 1HFY2015 was US$0.3 million and US$0.2 million, respectively.

Fair Value Adjustment

On April 8, 2014, the Company announced an investment into the Company (the "**IMAX China Investment**") by CMC Capital Partners ("**CMC**") and FountainVest Partners ("**FountainVest**"). The IMAX China Investment provided for the sale and issuance of 20% of the shares of the Company (the "**Redeemable Class C Shares**") to entities owned by CMC and FountainVest in equal tranches of US$40.0 million on 8 April 2014 and 10 February 2015.

Management Discussion and Analysis (Continued)

The shareholders' agreement in connection with the IMAX China Investment (the "**Class C Shareholders' Agreement**") terminated upon completion of the Company's Global Offering on the Listing Date. However, while the Class C Shareholders' Agreement was in effect, certain conversion options (the "**Conversion Options**") were embedded within the Class C Shareholders' Agreement that required bifurcation, separate valuation and marked to market value when the shares were issued on the above dates as well as at FY2014 and the Listing Date. The Conversion Options were marked to market using a Monte Carlo simulation.

The Conversion Options were valued at US$12.4 million and US$12.8 million on issuance of the Redeemable Class C Shares in April 2014 and February 2015 respectively. As at 30 June 2015, we had marked the options to market and recorded a US$77.6 million non-cash charge through fair value adjustment. The loss was the result of an increase in the equity value of the Company which was the key assumption used in the valuation and was not based on observable inputs. The equity of the Group was determined using a discounted cash flow with consideration given to other comparable companies, including IMAX Corporation. On the Listing Date and corresponding termination of the Class C Shareholders Agreement, these non-cash charges were reversed to Equity Share Premium due to termination of the Class C Shareholders Agreement.

Accretion of amortised cost of financial instrument

Transaction costs of US$2.8 million related to the Redeemable Class C Shares sold to CMC and FountainVest and the fair value of the conversion option of US$12.4 million at inception and US$12.8 million at February 2015 were netted against the US$80.0 million proceeds and were amortised using the effective interest rate method over a 5 year period representing the period of time provided under the Class C Shareholders' Agreement for a qualified initial public offering to occur. They accreted to the carrying value of the Redeemable Class C share value. The charge amounted US$2.2 million in 1HFY2015. On the Listing Date these non-cash charges were reversed to Equity Share Premium due to termination of the Class C Shareholders' Agreement.

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 1HFY2016 and 1HFY2015 was US$4.9 million and US$4.6 million, respectively. Our effective tax rate was 21.6% and (7.3)% during 1HFY2016 and 1HFY2015, respectively. In 1HFY2015, we recorded a loss before income tax of US$63.3 million, which was the result of a fair value adjustment of the bifurcated conversion option amounting to US$77.6 million associated with our Redeemable Class C Shares. Such adjustments were made to reflect the mark to market revaluation of the bifurcated conversion option to US$103.4 million as at 30 June 2015 due to an increase in our equity value, which did not impact our taxable income for the period. Without taking into account such one-time, non-cash and non-deductible adjustments, our effective tax rate for 1HFY2015 would have been 21.0%.

IMAX Shanghai Multimedia has made certain enquiries of the Chinese State Administration of Taxation regarding the potential deductibility of the IMAX China IPO expenses and certain share-based compensation for stock options issued by the Company. 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. To date, no tax assets have been recorded against these amounts given the significant uncertainty of its deductibility and the possible 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 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.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

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

	1HFY2016		1HFY2015	
	US$'000	**%**	US$'000	%
Revenues	**55,061**	**100.0%**	43,913	100.0%
Cost of sales	**(21,119)**	**(38.4)%**	(13,349)	(30.4)%
Gross profit	**33,942**	**61.6%**	30,564	69.6%
Selling, general and administrative expenses	**(8,598)**	**(15.6)%**	(11,847)	(27.0)%
Other operating expenses	**(2,980)**	**(5.4)%**	(2,453)	(5.6)%
Operating profit	**22,364**	**40.6%**	16,264	37.0%
Accretion of amortised cost of financial instrument	**—**	**—**	(2,247)	(5.1)%
Fair value adjustment of conversion option	**—**	**—**	(77,568)	(176.6)%
Interest income	**259**	**0.5%**	239	0.5%
Interest expense	**—**	**—**	(30)	(0.1)%
Profit (loss) before income tax	**22,623**	**41.1%**	(63,342)	(144.2)%
Income tax expense	**(4,881)**	**(8.9)%**	(4,605)	(10.5)%
Profit (loss) for the period attributable to owners of the Company	**17,742**	**32.2%**	(67,947)	(154.7)%
Other comprehensive loss:				
Change in foreign currency translation adjustments	**(1,397)**	**(2.5)%**	(132)	(0.3)%
Other comprehensive loss for the period	**(1,397)**	**(2.5)%**	(132)	(0.3)%
Total comprehensive income (loss) for the period attributable to owners of the Company	**16,345**	**29.7%**	(68,079)	(155.0)%

Management Discussion and Analysis (Continued)

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:

	1HFY2016 US$'000	1HFY2015 US$'000
Profit (loss) for the period	**17,742**	(67,947)
Adjustments:		
Share-based compensation	**1,090**	1,223
Accretion of amortised cost of financial instrument	**–**	2,247
Fair value adjustment of conversion option	**–**	77,568
IPO related costs	**–**	5,506
Tax impact on items listed above	**(240)**	(269)
Adjusted profit	**18,592**	18,328

1HFY2016 COMPARED WITH 1HFY2015

Revenue

Our revenue increased 25.4% from US$43.9 million in 1HFY2015 to US$55.1 million in 1HFY2016 driven by an increase of US$10.4 million in our theatre business revenue and an US$0.8 million increase in a films business revenue explained below.

Theatre Business

Revenue from our theatre business increased 36.2% from US$28.7 million in 1HFY2015 to US$39.1 million in 1HFY2016.

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

Commercial	As at 30 June		
	2016	2015	Growth (%)
The PRC	**306**	221	38.5%
Hong Kong	**4**	4	—
Taiwan	**8**	8	—
	318	233	36.5%
Institutional[1]	**17**	18	(5.6)%
Total	**335**	251	33.5%

Note:

(1) Institutional IMAX theatres include museums, zoos, aquaria and other destination entertainment sites that do not exhibit commercial films. One institutional IMAX theatre located in Taiwan was closed in 2HFY2015.

The following table sets out the number of IMAX theatre systems installed by business arrangements in 1HFY2016 and 1HFY2015:

	1HFY2016	1HFY2015
Sales arrangements	**9**	5
Revenue sharing arrangements	**19**	13
Laser upgrades	**2**	—
Total theatre systems installed	**30**	18[1]

Note:

(1) We installed 18 new IMAX theatre systems in 1H2015 and closed one IMAX theatre under sales arrangements in the same period.

Sales arrangements

Theatre business revenue from sales arrangements increased 105.0% from US$7.9 million in 1HFY2015 to US$16.3 million in 1HFY2016, resulting primarily from the recognition in 1HFY2016 of 6 additional system sales including 2 laser upgrades. We recognised sales revenue on 5 new theatre systems in 1HFY2015 with a total value of US$6.7 million, compared to 9 new theatre systems in 1HFY2016 with a total value of US$11.9 million. In addition, in 1HFY2016 we installed 2 laser upgrades at a total value of US$2.9 million. There were no upgrades in 1HFY2015.

Average revenue per new system under sales arrangements was unchanged in 1HFY2016 and 1HFY2015 at US$1.3 million.

Revenue sharing arrangements

Revenue from revenue sharing arrangements increased 4.8% from US$16.0 million in 1HFY2015 to US$16.8 million in 1HFY2016, primarily due to a greater number of IMAX theatres operating under revenue sharing arrangements in

1HFY2016 compared to 1HFY2015. We had 140 theatres operating under revenue sharing arrangements at the end of 1HFY2015, as compared to 196 at the end of 1HFY2016, which represented an increase of 40.0%.

Revenue from full revenue sharing arrangements was relatively flat from US$11.7 million in 1HFY2015 to US$11.5 million in 1HFY2016 as a result of lower box office revenue per screen offset by growth in the full revenue sharing network. In 1HFY2016, we had 143 IMAX theatres in operation, an increase of 31.2% from the 109 IMAX theatres in operation in 1HFY2015.

Revenue from hybrid revenue sharing arrangements increased 23.4% from US$4.3 million in 1HFY2015 to US$5.3 million in 1HFY2016 primarily driven by one incremental hybrid revenue sharing installation in 1HFY2016 and the percentage of box office revenue recognised on a larger IMAX theatre network in 1HFY2016, which increased 71.0% from 31 IMAX theatres in 1HFY2015 to 53 IMAX theatres in 1HFY2016.

Theatre system maintenance

Theatre system maintenance revenue increased 27.7% from US$4.4 million in 1HFY2015 to US$5.7 million in 1HFY2016. Maintenance revenue increased in 1HFY2016 commensurate with the increase in the number of theatres in the IMAX theatre network.

Films Business

Revenue from our films business increased 5.0% from US$15.2 million in 1HFY2015 to US$15.9 million in 1HFY2016 primarily due to an increase in box office revenue. The box office revenue generated by IMAX format films increased 3.1% from US$175.1 million in 1HFY2015 to US$180.5 million in 1HFY2016 as a result of continued growth of the IMAX theatre network offset by lower box office revenue per screen in 1HFY2016.

Box office revenue per screen decreased 24.2% from US$0.8 million for 1HFY2015 to US$0.6 million in 1HFY2016 as a result of the strong performance of the Company's film slate in 1HFY2015, which included the top grossing Hollywood film of all time in China, *Furious 7*, along with *Avengers Age of Ultron* and *Jurrassic World*. The depreciation of the RMB relative to the USD also impacted recorded box office in 1HFY2016 versus 1HFY2015. In 1HFY2016 and 1HFY2015, we generated our box office revenue from the exhibition of 19 IMAX format films.

The following table sets out the number of films we released in the IMAX format in 1HFY2016 and 1HFY2015 in Greater China:

	1HFY2016	1HFY2015
Hollywood films	**13**	14
Hollywood films (Hong Kong and Taiwan only)	**4**	3
Chinese language films	**2**	2
Total IMAX films released	**19**	19

Cost of Sales

Our cost of sales increased 58.2% from US$13.3 million in 1HFY2015 to US$21.1 million in 1HFY2016. This increase was primarily due to the increase in costs for both our theatre and films business segments as a result of more installations and increased business activity due to a larger network.

Theatre Business

The cost of sales for our theatre business increased 72.5% from US$9.8 million in 1HFY2015 to US$16.9 million in 1HFY2016, primarily due to the installation of a total of 12 additional IMAX theatre systems under sales arrangements and revenue sharing arrangements and the maintenance associated with the growth in the IMAX theatre network.

Sales arrangements

Cost of sales from our theatre business under sales arrangements increased 251.3% from US$2.2 million in 1HFY2015 to US$7.7 million in 1HFY2016, primarily due to the installation of 5 IMAX theatre systems under sales arrangements in 1HFY2015 as compared to 11 in 1HFY2016 (which included two laser upgrades at a higher cost as compared to our standard projection system).

Revenue sharing arrangements

Cost of sales from our theatre business under revenue sharing arrangements increased 16.7% from US$5.4 million in 1HFY2015 to US$6.3 million in 1HFY2016 primarily due to the cost associated with the installation of an incremental hybrid revenue sharing arrangement in 1HFY2016 as compared to 1HFY2015, the one time upfront costs related to the installation of 5 incremental full revenue share agreements as well as an increase in depreciation and IMAX theatre marketing expenses associated with an increase in the number of IMAX theatres under full revenue sharing arrangements.

Cost of sales from full revenue sharing arrangements increased 14.2% from US$2.9 million in 1HFY2015 to US$3.3 million in 1HFY2016, primarily due to higher depreciation expenses from a greater number of IMAX theatres under full revenue sharing arrangements and higher associated marketing costs.

Cost of sales from hybrid revenue sharing arrangements increased 19.5% from US$2.5 million in 1HFY2015 to US$3.0 million in 1HFY2016, primarily due to the costs recognised on 6 theatre system installations under hybrid revenue sharing arrangements in 1HFY2015 as compared to 7 in 1HFY2016.

Theatre system maintenance

Cost of sales from our theatre business with respect to theatre system maintenance increased 21.0% from US$2.0 million in 1HFY2015 to US$2.4 million in 1HFY2016 commensurate with the additional costs associated with servicing a larger IMAX theatre network in 1HFY2016 versus 1HFY2015.

Films Business

The cost of sales for our films business increased 18.6% from US$3.5 million to US$4.2 million due to increased marketing costs for films shown during 1HFY2016 as compared to 1HFY2015.

Gross Profit and Gross Profit Margin

Our gross profit in 1HFY2015 was US$30.6 million, or 69.6% of total revenue, compared to US$33.9 million, or 61.6% of total revenue, in 1HFY2016. The decrease was largely attributable to lower box office revenue per screen in 1HFY2016 as compared to 1HFY2015, 2 higher-cost laser projector installations, 1 additional hybrid revenue sharing installation and additional film marketing costs in 1HFY2016.

Management Discussion and Analysis (Continued)

Theatre Business

The gross profit for our theatres business increased 17.4% from US$18.9 million in 1HFY2015 to US$22.2 million in 1HFY2016. During the same period, our gross profit margin decreased from 65.9% to 56.8%. The decrease in gross profit margin was primarily driven by the installation of 2 laser upgrades and 1 additional hybrid revenue sharing arrangement in 1HFY2016 coupled with lower box office revenue per screen for revenue sharing arrangements and higher depreciation costs associated with a larger network of full revenue sharing theatres.

Sales arrangements

The gross profit for our theatre business from sales of new IMAX theatre systems increased 49.4% from US$5.7 million in 1HFY2015 to US$8.6 million in 1HFY2016 primarily due to our installation of 6 additional IMAX theatre systems under sales arrangements including two laser upgrades in 1HFY2016 as compared to 1HFY2015. Our gross profit margin decreased from 72.5% in 1HFY2015 to 52.8% in 1HFY2016 due to the installation of 2 higher cost laser projector upgrades.

Revenue sharing arrangements

The gross profit for our theatre business from revenue sharing arrangements decreased 1.2% from US$10.6 million in 1HFY2015 to US$10.4 million in 1HFY2016. Our gross profit margin was 66.1% in 1HFY2015 as compared to 62.3% in 1HFY2016. The flat gross profit and decrease in gross profit margin were primarily driven by the incremental costs associated with continued growth in the IMAX theatre network under revenue sharing arrangements coupled by lower box office revenue per screen.

The gross profit for full revenue sharing arrangements was US$8.8 million in 1HFY2015 and US$8.1 million in 1HFY2016. The gross profit margin was 75.1% in 1HFY2015 and 71.0% in 1HFY2016. 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 5 incremental systems in 1HFY2016 and lower box office revenue per screen in 1HFY2016 as compared to 1HFY2015.

The gross profit for hybrid revenue sharing arrangements was US$1.8 million in 1HFY2015 and US$2.3 million in 1HFY2016. The increase was driven by an increase in box office revenue from a larger theatre network and the installation of 1 additional hybrid revenue sharing arrangement in 1HFY2016. The gross profit margin was 41.7% in 1HFY2015 as compared to 43.5% in 1HFY2016. Gross profit margin was higher in 1HFY2016 primarily due a larger network of hybrid revenue sharing arrangements for which installation costs were recognized in prior periods.

Theatre system maintenance

The gross profit for our theatre system maintenance increased 33.0% from US$2.5 million in 1HFY2015 to US$3.3 million in 1HFY2016 as a result of the growth of the IMAX theatre network. Our gross profit margin increased from 56.0% in 1HFY2015 to 58.3% in 1HFY2016.

Films Business

The gross profit from our films business was relatively flat from US$11.6 million in 1HFY2015 to US$11.7 million in 1HFY2016, primarily due to only a slight increase in our overall box office revenue from US$175.1 million in 1HFY2015 to US$180.5 million in 1HFY2016. In 1HFY2015, box office was driven by the strong box office success of *Furious 7*, *Avengers Age of Ultron* and *Jurrassic World*. The gross profit margin for our films business decreased from 76.7% in 1HFY2015 to 73.6% in 1HFY2016 primarily due to additional DMR marketing costs in 1HFY2016 versus 1HFY2015.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, decreased 27.4% from US$11.8 million in 1HFY2015 to US$8.6 million in 1HFY2016, primarily due to a US$5.5 million decrease in costs directly related to our Global Offering in 1HFY2015, partially offset by: (i) a US$0.4 million increase in salaries and benefits and other staff costs as a result of increased head count and salary increases to manage the growing IMAX theatre network; and (ii) an increase in professional fees of US$1.0 million due to higher audit and legal costs incurred in our first year as a public company.

Income Tax Expense

Our income tax expense increased 6.0% from US$4.6 million in 1HFY2015 to US$4.9 million in 1HFY2016. The increase in income tax expense was primarily due to an increase in our operating profit before income tax from US$16.3 million in 1HFY2015 to US$22.4 million in 1HFY2016. Calculated based on our adjusted profit, our adjusted effective tax rate was 19.8% in 1HFY2015 as compared to 20.6% in 1HFY2016 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 1HFY2016 as compared to 1HFY2015.

Profit (loss) for the Period

We reported profit for the period of US$17.7 million in 1HFY2016 as compared to a loss of US$67.9 million in 1HFY2015. The loss in 1HFY2015 primarily resulted from non-cash charges associated with the accretion of amortised costs of financial instrument (US$2.2 million), and the fair value adjustment of the bifurcated conversion option related to the Redeemable Class C Shares (US$77.6 million) and costs associated with the Global Offering (US$5.5 million).

Adjusted Profit

Adjusted profit, which consists of profit/loss for the period adjusted for the impact of share-based compensation, accretion of amortised cost of financial instrument, fair value adjustment of conversion option, IPO related cost, and the related tax impact, was US$18.3 million in 1HFY2015 as compared to adjusted profit of US$18.6 million in 1HFY2016, an increase of 1.4%. Adjusted profit was flat primarily due to lower box office revenue per screen coupled with higher selling, general and administrative expenses due to business growth and the incremental costs related to our first year as a public company.

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2016 US$'000	As at 31 December 2015 US$'000
Current assets		
Other assets	**1,482**	1,736
Film assets	**105**	35
Inventories	**12,145**	6,364
Prepayments	**1,234**	984
Financing receivables	**4,598**	3,783
Trade and other receivables	**49,554**	35,640
Cash and cash equivalents	**103,205**	90,689
Total Current Assets	**172,323**	139,231
Current liabilities		
Trade and other payables	**28,403**	12,172
Accruals and other liabilities	**5,122**	4,152
Taxes payable	**8,540**	6,217
Deferred revenue	**29,247**	12,762
Total Current Liabilities	**71,312**	35,303
Net Current Assets	**101,011**	103,928

As at 30 June 2016, we had net current assets of US$101.0 million compared to net current assets of US$103.9 million as at 31 December 2015. The decrease in net current assets in 1HFY2016 was mainly attributable to a US$16.2 increase in trade and other payables which correlates to increased business activity in 1HFY2016 and beyond and a US$16.5 million increase in deferred revenue driven by funds received on the large number of sale arrangement installations scheduled to install in the next 12 months. This was offset by a US$12.5 million increase in cash and cash equivalents, a US$13.9 million increase in trade and other receivables due to increased business activity and revenue and a US$5.8 million increase in inventory to accommodate increased installations scheduled for 2HFY2016 over 2HFY2015.

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 2016	As at 31 December 2015
Cash and cash equivalent denominated in US$ (in thousands)	**$68,180**	$66,041
Cash and cash equivalent denominated in RMB (in thousands)	**¥231,311**	¥158,498
Cash denominated in Hong Kong dollars HK$ (in thousands)	**$1,112**	$1,430

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 makes 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 generated from operating activities, net cash used in investing activities and net cash generated from financing activities for the periods indicated:

	1HFY2016 US$'000	1HFY2015 US$'000
Net cash provided by operating activities	**22,250**	547
Net cash used in investing activities	**(9,340)**	(6,955)
Net cash (used in) provided by financing activities	**(264)**	38,000
Effects of exchange rate changes on cash	**(130)**	(12)
Increase in cash and cash equivalents during period	**12,516**	31,580
Cash and cash equivalents, beginning of period	**90,689**	48,320
Cash and cash equivalents, end of period	**103,205**	79,900

Cash from Operating Activities

1HFY2016

Our net cash provided by operations was approximately US$22.3 million in 1HFY2016. We had profit for the period of US$17.7 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$7.8 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$16.0 million; (ii) an increase in deferred revenue of US$4.4 million; and (iii) an increase in taxes payable of US$9.2 million.

Management Discussion and Analysis (Continued)

1HFY2015

Our net cash provided by operations was approximately US$0.5 million in 1HFY2015. We had loss for the period of US$67.9 million in 1HFY2015 and positive adjustments for fair value adjustment of conversion option of US$77.6 million, amortisation of film assets of US$3.0 million, depreciation of property, plant and equipment of US$2.2 million and accretion charges associated with the Redeemable Class C Shares of US$2.2 million, reduced by our taxes paid of US$4.9 million, our net investment in film assets of US$2.9 million and changes in working capital of US$9.1 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US$10.2 million; (ii) a decrease in trade and other payables of US$10.6 million; and (iii) an increase in inventories of US$2.9 million, partially offset by (i) an increase in deferred revenue of US$7.1 million; (ii) an increase in taxes payable of US$5.2 million; and (iii) a decrease in other assets of US$4.4 million.

Cash Used in Investing Activities

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.

1HFY2015

Our net cash used in investing activities was approximately US$7.0 million for 1HFY2015, primarily related to investments in IMAX theatre equipment amounting to US$6.7 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

Cash Used in/From Financing Activities

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.

1HFY2015

Our net cash generated from financing activities was approximately US$38.0 million for 1HFY2015. The increase was primarily related to our sale of 20% of the equity interest in our Company to entities owned and controlled by CMC Capital Partners, an investment fund that is focused on media and entertainment, and FountainVest Partners, a China focused private equity firm. The sale price was US$80.0 million and was payable in two equal instalments. The first instalment was received on 8 April 2014 and the second instalment was received on 10 February 2015. Share issuance costs of US$2.0 million partially offset the net cash generated from these financing activities.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Lease Commitments

We have lease commitments within one year and between one and two years amounting to US$1.9 million and US$1.5 million respectively related primarily to leased office and warehouse space in Shanghai and Beijing. These have increased from previous years due to additional leased office space required to accommodate our growth and expansion.

Capital Commitments

As at 30 June 2016, we had capital expenditures contracted but not provided in the condensed consolidated interim financial information in respect of: (i) acquisition of property, plant and equipment of US$0.8 million (31 December 2015: US$0.7 million); and (ii) capital injection into a film fund of US$25 million (31 December 2015: US$nil).

CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

Capital Expenditures

Our capital expenditures primarily relate to the acquisition of IMAX theatre systems and acquisition of films. During 1HFY2016 and 1HFY2015, our capital expenditures were US$12.2 million and US$9.9 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. For our films business, in order to further our strategy of securing more Chinese language film content and enhancing longer term partnerships in the PRC cinema industry for the IMAX theatre network, we plan to build out an IMAX screening theatre and expand our DMR conversion facility to convert Chinese language films into the IMAX format. We expect to incur capital expenditures of approximately US$35.0 million in FY2016, which will be primarily used to expand the IMAX theatre network under full revenue sharing, fund DMR conversion costs, expand our office space in the PRC 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 received notice from the Shanghai office of the General Administration of Customs that it had been selected for a customs audit as a result of its unintentional exclusion of freight and insurance from the customs value of certain imports into the PRC which resulted in an understated amount of value added taxes and duties on such imports. We are unable to assess the potential impact, if any as of the date of this report.

Except as disclosed above or as otherwise disclosed herein, as at 30 June 2016, 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 2016.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operating activities. Cash flow generated from operating activities was US$22.3 million in 1HFY2016 and US$0.5 million in 1HFY2015. 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 2016:

- 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 2016, 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 2016.

OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We had no off-balance sheet arrangements as at 30 June 2016.

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, accretion of amortised cost of Redeemable Class C Shares, fair value adjustments, IPO related costs, and the related tax impact.

	As at 30 June 2016	As at 31 December 2015
Gearing ratio(1)	**50.6%**	40.9%

	1HFY2016	1HFY2015
Adjusted profit margin(2)	**33.8%**	41.7%

Notes:

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

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

Gearing Ratio

Our gearing ratio increased from 40.9% as at 31 December 2015 to 50.6% as at 30 June 2016, primarily due to an increase in trade and other payables of US$16.2 million.

Adjusted Profit Margin

Our adjusted profit margin decreased from 41.7% as at 30 June 2015 to 33.8% as at 30 June 2016, primarily due to lower box office revenue per screen, higher depreciation cost on full revenue sharing theater systems due to a larger network, with higher selling, general and administrative expenses associated with business growth and the incremental costs related to our first year as a public company.

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 2016, the Company had a total equity of US$101.1 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.

Management Discussion and Analysis (Continued)

MATERIAL ACQUISITIONS OR DISPOSALS

Except as disclosed in "History and Reorganisation" in the Prospectus, we have not undertaken any material acquisition or disposal for the period ended 30 June 2016.

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 2015. We did not receive any distributions or dividends from TCL-IMAX Entertainment during the period ended 30 June 2016.

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.

Directors and Senior Management

OUR DIRECTORS

The following table presents certain information in respect of the members of our Board.

Members of our Board

Name	Age	Position	Date of Appointment
Richard Lewis Gelfond	60	Non-executive Director and Chairman	27 May 2015
Jiande Chen	61	Executive Director	27 May 2015
Jim Athanasopoulos	45	Executive Director	27 May 2015
Mei-Hui Chou (Jessie)	47	Executive Director	27 May 2015
Greg Adam Foster	53	Non-executive Director	27 May 2015
RuiGang Li	47	Non-executive Director	27 May 2015
Yue-Sai Kan	68	Independent Non-executive Director	27 May 2015
John Marshal Davison	58	Independent Non-executive Director	21 September 2015
Dawn Taubin	57	Independent Non-executive Director	21 September 2015

The biography of each Director is set out below:

Chairman and Non-executive Director

Mr. Richard Gelfond, aged 60, has been the Chairman and Non-executive Director of the Company since 27 May 2015. He has been a Director of the Company since 30 August 2010[1] and he was appointed as the Chairman of the Board on 4 August 2014. As Chief Executive Officer of IMAX Corporation, the Company's majority shareholder, Mr. Gelfond provides strategic advice and guidance on the business and operations of the Group. Mr. Gelfond has been the sole Chief Executive Officer and an Executive Director of IMAX Corporation since 2009 and 1994, respectively. He also served as Co-Chairman of IMAX Corporation from 1999 to 2009 and Co-Chief Executive Officer from 1996 to 2009. From 1994 to 1999, Mr. Gelfond also served as the Vice Chairman of IMAX Corporation. Between 1979 and 1994, Mr. Gelfond worked in various law firms and investment banks. Mr. Gelfond graduated from the State University of New York at Stony Brook, the United States, with a Bachelor of Arts in May 1976 and from the Northwestern University School of Law, the United States, with a juris doctor degree in June 1979. Mr. Gelfond serves as Chairman of the Board of Trustees of the Stony Brook Foundation, Inc., which is affiliated with the State University of New York at Stony Brook. He is also a member of the Academy of Motion Picture Arts and Science, and serves on the International Advisory Board of the Turkana Basin Institute, a non-profit initiative focusing on field research in the Lake Turkana Basin of Kenya.

1 Mr. Gelfond joined the Company as a Director on 30 August 2010. He resigned from the Board on 2 April 2012 but was re-appointed as a Director on 8 April 2014.

Directors and Senior Management (Continued)

Executive Directors

Mr. Jiande Chen, aged 61, has been an Executive Director of the Company since 27 May 2015. He is responsible for the overall strategic direction and business operations of the Group. Mr. Chen has also been the Chief Executive Officer of the Group since 1 August 2011. Mr. Chen was previously the Senior Vice President, Chief Representative and General Manager of Sony Pictures Entertainment, China from 2000 to 2011. Prior to that, Mr. Chen was a Vice President of Allied Signal (China) Holding Corp., an aerospace, automotive and engineering company from 1998 to 1999, a Vice President of Boeing China Inc. from 1995 to 1998 and a Vice President of DDB Advertising/PR Corp. in Seattle from 1990 to 1995. Mr. Chen received a doctorate in Communications from the University of Washington, the United States, in December 1991 and graduated from Fudan University, the PRC, majoring in English in 1982. Mr. Chen serves as the Vice Chairman of the Alumni Association of Fudan University.

Mr. Jim Athanasopoulos, aged 45, has been an Executive Director of the Company since 27 May 2015. He is responsible for the overall strategic direction and business operations of the Group. Mr. Athanasopoulos assumed the role of Chief Financial Officer and Chief Operating Officer of the Company effective May 2015, and served as the Chief Financial Officer and Senior Vice President, Corporate Operations of the Group since 1 August 2011. Mr. Athanasopoulos joined IMAX Corporation in 2000. Prior to his current role, Mr. Athanasopoulos served as the Senior Vice President of Joint Venture Theatre Development of IMAX Corporation from 2010 to 2011, where he helped oversee the execution of IMAX Corporation's joint venture theatre rollout worldwide. He was also the Vice President of Theatre Development of IMAX Corporation from 2008 to 2010. From 2004 to 2008, Mr. Athanasopoulos was an integral part of a worldwide theatre development team that expanded the IMAX Corporation commercial network, signing over 460 new theatres during a time when IMAX Corporation's business model transitioned from institutional clients to multiplexes and from film to digital. Prior to joining IMAX Corporation, Mr. Athanasopoulos worked at KPMG in Toronto for seven years in both their assurance and insolvency practices. Mr. Athanasopoulos graduated from the University of Toronto, Canada, with a bachelor's degree in Commerce in June 1993. He is also a Chartered Accountant, qualified in February 1997, and a member of the Institute of Chartered Accountants of Ontario.

Ms. Mei-Hui Chou (Jessie), aged 47, has been an Executive Director of the Company since 27 May 2015. She is responsible for the overall marketing direction and business operations of the Group. Ms. Chou assumed the role of Chief Marketing Officer and Head of Human Resources effective May 2015, and served as the Senior Vice President, Theatre Marketing & Operations, Human Resources of the Group since 2012. Ms. Chou joined IMAX Corporation in 2006. Prior to her current role, Ms. Chou served as Vice President, Theatre Marketing & Operations. Over the past nine years, Ms. Chou has planned and implemented more than 200 new IMAX theatres in Greater China, Japan, South Korea, Thailand, Malaysia, Singapore, India and the Philippines. Prior to joining the Company, Ms. Chou served as the General Manager of Cinema Operations for Warner Village Cinemas Co., Ltd (a joint-venture between Warner Bros. & Village Roadshow Cinemas, currently Vieshow Cinemas), Taiwan, from 1997 to 2005, where she oversaw the building and operations of the first international cineplexes in nine sites across the island. Previous to the cinema industry, Ms. Chou worked with various international branded hotels, including the InterContinental Hotels Group in 1997 and Shangri-La Hotels and Resorts from 1995 to 1997. Ms. Chou was awarded an EMBA with an Honors Thesis from the National Taiwan University in June 2006. Between 1991 and 1994, she studied hotel management and received a Diploma with Merit from Les Roches Hotel Management School, Switzerland in June 1994. She obtained a bachelor's degree in Foreign Language and Literature from the National Tsing Hua University, Taiwan in June 1991.

Non-executive Directors

Mr. Greg Foster, aged 53, has been a Non-executive Director of the Company since 27 May 2015. He has been a Director of the Company since 8 April 2014. He is responsible for giving strategic advice and guidance on the business and operations of the Group. Mr. Foster joined IMAX Corporation in 2001 as President, Filmed Entertainment, and was appointed Senior Executive Vice President of IMAX Corporation and Chief Executive Officer, IMAX Entertainment, a business division of IMAX Corporation, in 2013. He held the position of Chairman and President, Filmed Entertainment from 2004 to 2013, when he was appointed Chairman and President, IMAX Entertainment. Mr. Foster is also a member of the board of directors of TCL-IMAX Entertainment Co., Ltd., a joint venture of TCL Corporation and IMAX Corporation. Prior to joining IMAX Corporation, Mr. Foster was Executive Vice-President of Production at MGM/UA Pictures, the motion picture division of the larger Metro-Goldwyn-Mayer, Inc from 1996 to 1998. Prior to that, Mr. Foster held other senior positions, including Senior Vice-President of Motion Picture Marketing Research, at MGM/UA from 1993 to 1995. Mr. Foster graduated from Georgetown University with a Bachelor's of Science degree in Business Administration in May 1984. Mr. Foster is a member of the Academy of Motion Picture Arts and Sciences. Mr. Foster also serves on the Board of Councilors of the University of Southern California School of Dramatic Arts and taught as an adjunct professor at the University of Southern California film school. Mr. Foster also serves on the Board of Trustees of the High Mountain Institute, a non-profit educational organisation.

Mr. RuiGang Li, aged 47, has been a Non-executive Director of the Company since 27 May 2015. He was appointed a Director of the Company on 8 April 2014. He is responsible for giving strategic advice and guidance on the business and operations of the Group. Mr. Li is the Founding Chairman of CMC Capital Partners and CMC Holdings, China's leading investment and operation group with a focus on media & entertainment, internet & mobile, and lifestyle sectors. Prior to that, Mr. Li was Chairman and CEO of Shanghai Media Group ("**SMG**"), a Chinese multimedia television, radio broadcasting and publication company. Mr. Li also served as President of Shanghai Media & Entertainment Group, and the Deputy Director of the Programming Department of Shanghai Radio, Film and Television Bureau. Mr. Li has been a non-executive director of WPP plc (NASDAQ: WPPGY) since October 2010. Mr. Li graduated from Fudan University, the PRC, with a bachelor's degree in journalism in July 1991. In July 1994, he was awarded a Master of Arts degree in journalism by Fudan University. He was also a Visiting Scholar at Columbia University, the United States, from August 2001 to April 2002. He was also certified as a Senior Editor by the Qualification Determination Committee of the Senior Professional Technical Qualifications in Journalism of the Shanghai Press Bureau in January 2004.

Directors and Senior Management (Continued)

Independent Non-executive Directors

Ms. Yue-Sai Kan, aged 68, has been an Independent Director of the Company since 25 August 2014 and was appointed as an Independent Non-executive Director on 27 May 2015. She is responsible for giving independent strategic advice and guidance on the business and operations of the Group. Ms. Kan is an Emmy-winning television host and producer with extensive experience in the entertainment industry. In 1972, she established Yue-Sai Kan Productions and created her first major U.S. television production, a weekly series called "Looking East". In 1986, she produced and hosted the television series "One World" on China's national television network, CCTV. Ms. Kan has produced a number of documentaries, including "China Walls and Bridges", which earned her an Emmy, as well as "Journey through a Changing China" and the series "Mini Dragons" "Doing Business in Asia", and "Seeking Miss China," among others. Ms. Kan created the cosmetics company and brand "Yue-Sai" in 1992, which was acquired by L'Oréal in 2004. She is now the Honorary Vice Chairman of L'Oréal China. She launched the House of Yue-Sai lifestyle stores in 2007 to cater to China's growing middle class. She is also an author of nine best-selling books. She is also the National Director of Miss Universe China and produces its annual pageant as a major charity event in China. Ms. Kan graduated from the Brigham Young University in Hawaii with a Bachelor of Arts in May 1969. Ms. Kan has served as the International Ambassador of the Shanghai International Film Festival since 2006.

Mr. John Davison, aged 58, has been an Independent Non-executive Director of the Company since 21 September 2015. He is responsible for giving independent strategic advice and guidance to the Group. Mr. Davison is the Chief Financial Officer and Executive Vice President of Four Seasons Holdings Inc., the luxury hotel and resort management company, where he has held that position since 2005, having joined as Senior Vice President, Project Financing, in 2002. In addition to managing the group's financial activities, which include worldwide financial reporting and management, forward planning, taxation and treasury activities, Mr. Davison also oversees the information systems and technology area of Four Seasons Holdings Inc. Prior to joining Four Seasons Holdings Inc., Mr. Davison spent four years as a member of the Audit and Business Investigations Practice at KPMG in Toronto from 1983 to 1987, followed by 14 years at IMAX Corporation from 1987 to 2001, ultimately holding the position of President, Chief Operating Officer and Chief Financial Officer. Mr. Davison has been a Chartered Accountant since September 1986 and is a member of the Institute of Chartered Accountants of Ontario. Mr. Davison has also been a Chartered Business Valuator since August 1988 and is a member of the Canadian Institute of Chartered Business Valuators. He graduated from the University of Toronto, Canada, Victoria College, with a bachelor's degree in Commerce in November 1983.

Ms. Dawn Taubin, aged 57, has been an Independent Non-executive Director of the Company since 21 September 2015. She is responsible for giving independent strategic advice and guidance to the Group. Ms. Taubin served as the Chief Marketing Officer of DreamWorks Animation, an animation studio engaging in the development, production and exploitation of animated films and their associated characters, from August 2013 to January 2015, where she managed the global marketing and distribution operations for the studio's theatrical and television properties. Prior to joining DreamWorks Animation, Ms. Taubin spent 19 years at Warner Bros Pictures, a film production and distribution company, where she was President of Marketing for six years. Prior to joining Warner Bros Pictures, Ms. Taubin was Vice President of Publicity at MGM Studios, an entertainment company providing production and distribution of film and television content. Ms. Taubin graduated from the University of California, Santa Barbara, the United States, with a bachelor's degree in Communications Studies in June 1980. Ms. Taubin was also a Professor of Public Relations and Advertising at the Dodge College of Film and Media Arts at Chapman University in Orange, California, the United States, from 2011 to 2013.

OUR SENIOR MANAGEMENT

The members of the senior management of the Group are the following:

Name	Age	Position
Jiande Chen	61	Chief Executive Officer
Donald Silvio Savant	53	President, Theatre Development and Film Distribution
Jim Athanasopoulos	45	Chief Financial Officer and Chief Operating Officer
Mei-Hui Chou (Jessie)	47	Chief Marketing Officer and Head of Human Resources
Michelle Rosen	37	General Counsel
Honggen Yuan (Karl)	52	Senior Vice President, Theatre Development
Francisco (Tony) Navarro-Sertich	32	Senior Vice President and Head of M&A

Senior Management

Mr. Jiande Chen, aged 61, has been the Chief Executive Officer of the Group since 1 August 2011 and is responsible for directing the Company's expansion in the Greater China region and developing and executing strategies that enable the Company to extend its leadership position and involvement in the continuing development of the entertainment industry in Greater China. He was appointed as an Executive Director of the Company on 27 May 2015. Please refer to "Directors and Senior Management — Our Directors" for details of his biography.

Mr. Don Savant, aged 53, has represented the Group as President, Theatre Development & Film Distribution since September 2011. Mr. Savant has also served as Executive Vice President and Managing Director, Asia Pacific of IMAX Corporation since January 2015. In his dual role, Mr. Savant is responsible for overseeing IMAX Corporation's sales, marketing and operations in the Asia Pacific region, including Korea, Hong Kong and China. Mr. Savant is employed by IMAX Corporation and devotes approximately 50% of his time to the Company under a legally binding secondment arrangement. Mr. Savant joined IMAX Corporation in April 2000 as Vice President, Sales, Asia Pacific. He was promoted to Senior Vice President and Managing Director, Asia Pacific, in January 2008. Mr. Savant has been involved in securing major multi-theatre deals for IMAX Corporation throughout the Asia Pacific region, including contracts with the largest commercial exhibitors in Korea, Hong Kong and China. Mr. Savant has over 20 years of experience in the entertainment industry and a total of 17 years' experience in China and Asia. In 2011, he led the sales efforts in establishing a partnership with Wanda Cinema Line Co., Ltd, which today is the Company's largest exhibition partner worldwide.

Mr. Jim Athanasopoulos, aged 45, assumed the role of Chief Financial Officer and Chief Operating Officer of the Company effective May 2015, and served as the Chief Financial Officer and Senior Vice President, Corporate Operations of the Group since 1 August 2011. Mr. Athanasopoulos is responsible for the overall management of all aspects of the Group's finance and treasury matters. He was appointed as an Executive Director on 27 May 2015. Please refer to "Directors and Senior Management — Our Directors" for details of his biography.

Directors and Senior Management (Continued)

Ms. Mei-Hui Chou (Jessie), aged 47, assumed the role of Chief Marketing Officer and Head of Human Resources effective May 2015, and served as the Senior Vice President, Theatre Marketing & Operations, Human Resources of the Group since 2012. Ms. Chou is responsible for interfacing with theatre operators to ensure successful theatre openings and film launches. She was appointed as an Executive Director on 27 May 2015. Please refer to "Directors and Senior Management — Our Directors" for details of her biography.

Ms. Michelle Rosen, aged 37, has been the General Counsel of the Company since 30 March 2015. She is responsible for overseeing the legal and administrative matters of the Group. Ms. Rosen joined IMAX Corporation in October 2008, where she held the position of Vice President and Associate General Counsel until March 2015. Ms. Rosen previously worked as an associate at Shearman & Sterling LLP in New York from October 2003 until October 2008 in the areas of mergers and acquisitions, corporate law and securities law. Ms. Rosen graduated from Dartmouth College with a bachelor's degree in Comparative Literature in June 2000 and from Cornell Law School in May 2003. Ms. Rosen has been a member of the New York Bar since January 2004.

Mr. Honggen Yuan (Karl), aged 52, has been Senior Vice President, Theatre Development of the Group since September 2011. Mr. Yuan joined IMAX Corporation in August 2001, where he held the title of Sales Director. He was promoted to Vice President, Theatre Development in 2005. During his 10 years with IMAX Corporation, Mr. Yuan has been instrumental in helping to grow the IMAX theatre network from two theatres in 2001 to well over 200 theatres today. Mr. Yuan has played a vital role in building and expanding the Company's relationship with its key strategic partners, including Wanda Cinema Line Co., Ltd, CGI Holdings Limited and Shanghai Film Corporation. Prior to joining IMAX Corporation, Mr. Yuan served as the Chief Representative, Business Development of Bayshore Pacific Group Shanghai Representative Office from 1998 to 2001. Mr. Yuan graduated from the Shanghai University of Technology (currently known as Shanghai University), the PRC, with a bachelor's degree in Environmental Chemistry in July 1985 and received an MBA degree from the University of Sunshine Coast, Queensland, Australia in June 2002.

Francisco (Tony) Navarro-Sertich, aged 32, has been Senior Vice President and Head of M&A of the Company since May 2016. He is responsible for sourcing and executing potential investments and business development opportunities for the Company. Mr. Navarro joined IMAX Corporation as Special Assistant to the Chief Executive Officer in April 2013, and was promoted to Chief of Staff to the Chief Executive Officer of IMAX Corporation in January 2015, a role in which he served until May 2016. Prior to that, Mr. Navarro co-founded and served as Chief Executive Officer at Streamcal from August 2011 until March 2013. He also worked as an analyst at Lehman Brothers (now Barclays Capital) from August 2006 until July 2008. Mr. Navarro graduated from the McIntire School of Commerce at the University of Virginia with a bachelor's degree in finance and management and received a master's degree in public administration from the Kennedy School of Government at Harvard University and a master's degree in business administration from the Wharton School of Business at the University of Pennsylvania in June 2011.

OUR COMPANY SECRETARIES

Ms. Michelle Rosen, aged 37, is the General Counsel and was appointed as one of the joint company secretaries on 27 May 2015. Please refer to "Directors and Senior Management — Our Senior Management" for details of her biography.

Ms. Chan Wai Ling, aged 48, was appointed as one of the joint company secretaries on 27 May 2015. Ms. Chan is not an employee of the Company and she provides company secretarial services as an external service provider. She is responsible for corporate secretarial duties and corporate governance matters in relation to the Company. She is a director of Corporate Services of Tricor Services Limited, and has more than 20 years of experience in the corporate secretarial field. Prior to joining Tricor Group, she worked for PricewaterhouseCoopers in Hong Kong from 1996 to 2003, and was a manager of corporate services from 2000 to 2003. Ms. Chan holds an Honours Bachelor's degree in Accountancy from City University of Hong Kong and a Bachelor of Laws degree from the University of London. She is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries (HKICS) and The Institute of Chartered Secretaries and Administrators (ICSA) in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS.

Corporate Governance Highlights and Other Information

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2016, in connection with the granting of vested RSUs to the independent non-executive directors of the Company, 58,254 common shares were purchased in the open market by the trustee of the LTIP on 8 June 2016 at an average price per share of HK$41.23.

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 2016 to 30 June 2016.

SUPPLEMENTAL INFORMATION RELATING TO GRANT OF RSUS

We refer to the announcements by the Company dated 25 April 2016, 10 May 2016 and 6 June 2016. The Company has appointed a professional trustee to make on-market purchases of shares in respect of the satisfaction of RSUs granted to the Directors (73,662 RSUs). With respect to the satisfaction of RSUs granted to employees (166,156 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 2016.

CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Company and its Shareholders. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the 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 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 2016, the Company has complied with all the code provisions of the CG Code.

DIVIDENDS

The Board has recommended that no interim dividend be paid in respect of the six months ended 30 June 2016.

Corporate Governance Highlights and Other Information (Continued)

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 Interim Report, the Company has maintained the prescribed public float under the Listing Rules throughout the six months ended 30 June 2016.

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 2016.

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.

CONNECTED TRANSACTIONS

Continuing Connected Transactions Subject to Reporting and Announcement Requirements

During the six months ended 30 June 2016, the Group has continued to be engaged in certain transactions with IMAX Corporation (its controlling shareholder) which constitute connected transactions under the Listing Rules.

IMAX Corporation is considered a "connected person" under the Listing Rules by virtue of it being the holding company (an "associate" as defined in the Listing Rules) of IMAX Barbados (which, holding more than 10% of the Company's share capital, is a substantial shareholder and "connected person" of the Group). Pursuant to the Listing Rules, any member of IMAX Corporation is considered an "associate" of IMAX Barbados and a "connected person" of the Group. Any transaction between the Group and IMAX Corporation or IMAX Barbados is, accordingly, a connected transaction.

During the six months ended 30 June 2016, the following non-exempt connected transactions continued to occur between the Group and IMAX Corporation. Such transactions are subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements, under Chapter 14A of the Listing Rules:

1. Personnel Secondment Agreement

(a) Description of the Personnel Secondment Agreement

(i) Subject matter

On 11 August 2011, IMAX Shanghai Multimedia entered into the Personnel Secondment Agreement with IMAX Corporation (the "**Personnel Secondment Agreement**") commencing on 11 August 2011 and expiring on 28 October 2036, pursuant to which IMAX Corporation agreed to make Mr. Don Savant, President, Theatre Development and Film Distribution, and another employee working in the investor relations, available to IMAX Shanghai Multimedia.

The Personnel Secondment Agreement was amended on 21 September 2015.

(ii) *Term and Termination*

The Personnel Secondment Agreement has a term of 25 years and can be terminated by either party by providing a written notice to the other party.

Under the requirements of the Listing Rules, the Personnel Secondment Agreement should have a fixed term and should be for a duration of no longer than three years except in special circumstances where the nature of the transaction requires it to be of a longer duration.

The Directors believe that it is appropriate for the Personnel Secondment Agreement to have a 25-year term as the secondment of these employees from IMAX Corporation to IMAX Shanghai Multimedia will be beneficial for the development of the business of the Group given their relevant industry experience and knowledge.

(iii) *Fees*

IMAX Shanghai Multimedia shall reimburse IMAX Corporation for the cost of all wages and benefits with respect to the seconded employees in proportion to the time actually spent by such employees on matters related to IMAX Shanghai Multimedia. The proportion of time spent by Mr. Don Savant on matters relating to the Group was 50% for the six months ended 30 June 2016 while another seconded employee had been spending 100% of his time on matters relating to the Group until his secondment ended on June 2016. A third employee has been spending 100% of his time on matters relating to the Group since his secondment commenced in May 2015. The fees payable under the Personnel Secondment Agreement also include the share-based compensation awarded to the seconded employees.

(b) *Annual Caps and Transaction Amount*

In accordance with Rule 14A.53 of the Listing Rules, we have set annual caps for the maximum aggregate fees payable under the Personnel Secondment Agreement of US$4,000,000, US$5,000,000 and US$6,000,000 for FY2015, FY2016 and FY2017, respectively. These annual caps have been calculated on the basis of: (i) the historical wages and share-based compensation paid to the seconded employees pursuant to the Personnel Secondment Agreement during the three years ended 31 December 2014 and the six months ended 30 June 2015; (ii) the estimated number of seconded employees in the coming years; and (iii) the estimated amount of wages and share-based compensation to be given to such seconded employees in the coming years.

Approximately US$1,118,000 was charged to the Group by IMAX Corporation under the Personnel Secondment Agreement during the six months ended 30 June 2016.

(c) *Listing Rules Requirements*

As the highest relevant percentage ratio in respect of the Personnel Secondment Agreement is expected to be, on an annual basis, more than 0.1% but less than 5% and it is on normal commercial terms, the Personnel Secondment Agreement will be exempt pursuant to Rule 14A.76(2)(a) of the Listing Rules from the independent shareholders' approval requirement but will be subject to the reporting and, save for the waiver set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" above, announcement requirements under Chapter 14A of the Listing Rules.

At the end of FY2017, the Company will re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, where and if applicable, including the requirements for the setting of new monetary annual caps for the maximum aggregate fees payable under the Personnel Secondment Agreement for an additional three year period.

2. Trademark License Agreements

(a) Description of the Trademark License Agreements

(i) Subject matter

On 28 October 2011, each of IMAX Shanghai Multimedia and IMAX Hong Kong entered into the separate trademark license agreements with IMAX Corporation (the "**Trademark License Agreements**") for a renewable term of 25 years each commencing on 28 October 2011, pursuant to which IMAX Corporation agreed to grant the exclusive right in the PRC to IMAX Shanghai Multimedia and the exclusive right in Hong Kong, Macau and Taiwan to IMAX Hong Kong to use the "IMAX", "IMAX 3D" and "THE IMAX EXPERIENCE" marks, related logos and such other marks as IMAX Corporation may approve from time to time in connection with their theatre and films businesses (the "**Trademarks**") in the respective territories.

Under the Trademark License Agreements, each of IMAX Shanghai Multimedia and IMAX Hong Kong shall have the right to sublicense the rights granted to them solely: (i) to third parties that lease, own or operate IMAX theatres pursuant to an agreement approved by IMAX Corporation; and (ii) to other third parties and affiliates of each of IMAX Shanghai Multimedia and IMAX Hong Kong approved in each case by IMAX Corporation.

If the Escrow Documents are released under the terms of the Contingency Agreements, each of IMAX Shanghai Multimedia and IMAX Hong Kong shall be granted a right to use the marks and logos in connection with the manufacture and assembly of IMAX digital xenon projection systems, IMAX laser-based digital projection systems and nXos2 audio systems, in addition to their existing right to use the trademarks pursuant to the Trademark License Agreements.

The Trademark License Agreements were amended on 21 September 2015.

(ii) Term

Subject to the next following paragraph, each of the Trademark License Agreements has a term of 25 years commencing on 28 October 2011, and shall be renewable at the election of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, for an additional term of 25 years on the basis of a fair market royalty rate determined by a qualified, neutral third party consultant, which shall not exceed 6% of all applicable gross revenues.

If the Escrow Documents are released under the terms of the Contingency Agreements, the term of the Trademark License Agreements shall be 12 years from the date of release.

Corporate Governance Highlights and Other Information (Continued)

Under the requirements of the Listing Rules, the Trademark License Agreements should be for a duration of no longer than three years except in special circumstances where the nature of the transaction requires them to be of a longer duration.

The Directors believe that it is appropriate for the Trademark License Agreements to have a 25-year renewable term for the following reasons:

(a) the 25-year term of the Trademark License Agreements is inherently beneficial to the Company as it is only under the trademark licences that we can use the "IMAX" brand to carry on the IMAX theatre business in Greater China;

(b) the 25-year term of the Trademark License Agreements provides comfort and protection to us, enabling us to plan and invest over the longer term;

(c) the 25-year term of the Trademark License Agreements also provides comfort and protection to our exhibitor partners as it is sufficiently long to cover existing arrangements with our exhibitor partners that span upwards of 12 years from installation plus a potential renewal; and

(d) it is in accordance with normal business practice for trademark licence agreements to be of such duration.

(iii) Termination

Each of the Trademark License Agreements is subject to limited termination provisions. Each Trademark License Agreement will automatically and immediately terminate if: (i) the Technology License Agreement (as defined below) entered into between the same persons as are parties to the Trademark License Agreement and effective from the same date, terminates or expires; (ii) IMAX Shanghai Multimedia or IMAX Hong Kong (as applicable) is ordered or adjudged bankrupt; or (iii) the assets of any of such parties are appropriated by any government.

In addition, IMAX Corporation shall have the right to terminate a Trademark License Agreement in the event that: (i) IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, is in material breach of the relevant Trademark License Agreement or any of the other inter-company agreements entered into between the respective parties, or (ii) if IMAX Shanghai Multimedia or IMAX Hong Kong challenges the validity of IMAX Corporation's ownership of any of the licensed trademarks, in either case, after serving a notice of its intention to terminate the relevant Trademark License Agreement and subject to IMAX Shanghai Multimedia or IMAX Hong Kong not having cured such breach within 30 days from the receipt of such notice.

IMAX Shanghai Multimedia and IMAX Hong Kong may also serve a notice on IMAX Corporation to terminate the Trademark License Agreement if IMAX Corporation breaches any of the material terms of the relevant Trademark License Agreement and is unable to cure the breach within 30 days from the receipt of such notice.

The rights granted by IMAX Shanghai Multimedia and IMAX Hong Kong: (i) to third parties that lease, own or operate IMAX theatres pursuant to an agreement approved by IMAX Corporation; and (ii) to other third parties and affiliates of each of IMAX Shanghai Multimedia and IMAX Hong Kong approved in each case by IMAX Corporation, shall survive termination and expiry of the Trademark License Agreements.

(iv) Fees

During their initial term, each of IMAX Shanghai Multimedia and IMAX Hong Kong shall pay 2% of its gross revenue generated from their respective theatre and films businesses as royalty fees to IMAX Corporation on a quarterly basis. If the Trademark License Agreements are to be renewed, the royalty rate to be applied during the renewed term shall be determined by a qualified, neutral third party consultant based on the fair market value of the rights granted to IMAX Shanghai Multimedia and IMAX Hong Kong under the Trademark License Agreements, but in any case shall not exceed 6% of each of their gross revenue.

IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have also agreed that the fees payable under the Trademark License Agreements will be adjusted, including retrospectively, to the extent an adjustment is necessary to ensure that the payments are on arm's length basis as determined by a court of competent jurisdiction or a government or taxing authority, or as mutually agreed by IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong.

(b) Annual Caps and Transaction Amount

The cap for the royalties payable under the Trademark License Agreements will be determined by reference to the formulae for determining such royalties as described above.

It is not possible for the Directors to provide any meaningful estimates of a monetary cap as it would involve making assumptions regarding the future performance of the Group over a period of up to 21 years.

The Directors have also considered whether the absence of a monetary cap should be approved by the Shareholders after three years or a longer period, and have concluded that this would not be appropriate or in the interests of the Shareholders since it would give rise to greater uncertainty as to whether the Trademark License Agreements will be in place for the whole of their terms. The Directors do not consider that it would be in the interests of the Shareholders for the Trademark License Agreements to have a term which is shorter than their terms, given the importance of the IMAX trademarks to the businesses of the Group. In addition, as noted above, it is market practice for trademark licence agreements to have durations of extended periods.

Approximately US$1,192,000 was charged to the Group by IMAX Corporation under the Trademark License Agreements during the six months ended 30 June 2016.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the Trademark License Agreements will be, on an annual basis, more than 0.1% but less than 5%, and as the Trademark License Agreements are on normal commercial terms, they will be exempt pursuant to Rule 14A.76(2)(a) of the Listing Rules from the independent shareholders' approval requirements but will be subject to the reporting and, save for the waiver set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" above, announcement requirements under Chapter 14A of the Listing Rules.

If the Trademark License Agreements are renewed upon the expiry of the initial 25-year term, the Company will be required to comply with all the applicable reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules at that time in respect of the renewal, subject to any waivers which may be granted by the Stock Exchange from strict compliance with any of the applicable requirements.

If the Escrow Documents are released under the terms of the Contingency Agreements and the 12-year term of the exclusive trademark license of the IMAX brand granted pursuant to the Trademark License Agreements falls outside of the initial 25-year term of such agreements, the Company will be required to comply with all the applicable reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the portion of the term of the Trademark License Agreements that falls outside of the initial 25-year term of such agreements, subject to any waivers which may be granted by the Stock Exchange from strict compliance with any of the applicable requirements.

3. Technology License Agreements

(a) Description of the Technology License Agreements

(i) Subject matter

On 28 October 2011, each of IMAX Shanghai Multimedia and IMAX Hong Kong entered into separate technology license agreements with IMAX Corporation (the "**Technology License Agreements**") for a renewable term of 25 years commencing on 28 October 2011, pursuant to which IMAX Corporation agreed to grant the exclusive right in the PRC to IMAX Shanghai Multimedia and the exclusive right in Hong Kong, Macau and Taiwan to IMAX Hong Kong to use the technology relating to the equipment and services provided by IMAX Corporation to each of IMAX Shanghai Multimedia and IMAX Hong Kong pursuant to the Equipment Supply Agreements (defined below) and Services Agreements (as defined below), solely in connection with the marketing, sale, rental, lease, operation and maintenance of such equipment and services (the "**Technology**").

Under the Technology License Agreements, each of IMAX Shanghai Multimedia and IMAX Hong Kong shall have the right to sublicense the rights granted to them solely (i) to third parties that lease, own or operate IMAX theatres pursuant to an agreement approved by IMAX Corporation; and (ii) to other third parties and affiliates of each of IMAX Shanghai Multimedia and IMAX Hong Kong approved in each case by IMAX Corporation.

If the Escrow Documents are released under the terms of the Contingency Agreements, each of IMAX Shanghai Multimedia and IMAX Hong Kong shall be granted a right to use the technology in connection with the manufacture and assembly of IMAX digital xenon projection systems, IMAX laser-based digital projection systems and nXos2 audio systems in the United States, Canada or European Union, in addition to their existing right to use the Technology pursuant to the Technology License Agreements.

The Technology License Agreements were amended on 21 September 2015.

(ii) *Term*

Subject to the next following paragraph, each of the Technology License Agreements has a term of 25 years commencing on 28 October 2011, and shall be renewable at the election of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, for an additional term of 25 years on the basis of a fair market royalty rate determined by a qualified, neutral third party consultant, which shall not exceed 9% of all applicable gross revenues.

If the Escrow Documents are released under the terms of the Contingency Agreements, the term of the Technology License Agreements shall be 12 years from the date of release.

Under the requirements of the Listing Rules, the Technology License Agreements should be for a duration of no longer than three years except in special circumstances where the nature of the transaction requires them to be of a longer duration.

The Directors believe that it is appropriate for the Technology License Agreements to have a 25-year renewable term for the same reasons set out in the section headed "Connected Transactions — Continuing Connected Transactions Subject to Reporting and Announcement Requirements — 2. Trademark License Agreements" above.

(iii) *Termination*

Each of the Technology License Agreements is subject to limited termination provisions. Each Technology License Agreement will automatically and immediately terminate if: (i) the Trademark License Agreement entered into between the same persons as are parties to the Technology License Agreement and effective from the same date, terminates or expires; (ii) IMAX Shanghai Multimedia and IMAX Hong Kong (as applicable) is ordered or adjudged bankrupt; or (iii) if the assets of any of such parties are appropriated by any government.

IMAX Corporation shall have the right to terminate a Technology License Agreement in the event that (i) IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, is in material breach of the relevant Technology License Agreement or any of the other inter-company agreements entered into between the respective parties; or (ii) if IMAX Shanghai Multimedia or IMAX Hong Kong challenges the validity or IMAX Corporation's ownership of any of the licensed technology, in each case, after serving a notice of its intention to terminate the relevant Trademark License Agreement and subject to IMAX Shanghai Multimedia or IMAX Hong Kong not having cured such breach within 30 days from the receipt of such notice.

IMAX Shanghai Multimedia and IMAX Hong Kong may also serve a notice on IMAX Corporation to terminate the Technology License Agreement if IMAX Corporation breaches any of the material terms of the relevant Technology License Agreement and is unable to cure the breach within 30 days from the receipt of such notice.

The rights granted by IMAX Shanghai Multimedia and IMAX Hong Kong: (i) to third parties that lease, own or operate IMAX theatres pursuant to an agreement approved by IMAX Corporation; and (ii) to other third parties and affiliates of each of IMAX Shanghai Multimedia and IMAX Hong Kong approved in each case by IMAX Corporation, shall survive termination and expiry of the Technology License Agreements.

(iv) Fees

During their initial 25-year term, each of IMAX Shanghai Multimedia and IMAX Hong Kong shall pay 3% of its gross revenue generated from their respective theatre and films businesses as royalty fees to IMAX Corporation on a quarterly basis. If the Technology License Agreements are to be renewed, the royalty rate to be applied during the renewed term shall be determined by a qualified, neutral third party consultant based on the fair market value of the rights granted to IMAX Shanghai Multimedia and IMAX Hong Kong under the Technology License Agreements, but in any case shall not exceed 9% of each of their gross revenue.

IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have also agreed that the fees payable under the Technology License Agreements will be adjusted, including retrospectively, to the extent an adjustment is necessary to ensure that the payments are on arm's length basis as determined by a court of competent jurisdiction or a government or taxing authority, or as mutually agreed by IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong.

(b) Annual Caps and Transaction Amount

The cap for the royalties payable under the Technology License Agreements will be determined by reference to the formulae for determining such royalties as described above. For the same reasons as set out under the section headed "Connected Transactions — Continuing Connected Transactions Subject to Reporting and Announcement Requirements — 2. Trademark License Agreements" above, the Directors believe that it is not appropriate to set a fixed monetary cap and that it would be fair and reasonable and in the interests of the Shareholders as a whole for the royalties payable under the Technology License Agreements to be calculated by reference to a formulae.

Approximately US$1,788,000 was charged to the Group by IMAX Corporation under the Technology License Agreements during the six months ended 30 June 2016.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the Technology License Agreements will be, on an annual basis, more than 0.1% but less than 5% and as the Technology License Agreements are on normal commercial terms, they will be exempt pursuant to Rule 14A.76(2)(a) of the Listing Rules from the independent shareholders' approval requirements but will be subject to the reporting and, save for the waiver set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" above, announcement requirements under Chapter 14A of the Listing Rules.

If the Technology License Agreements are renewed upon the expiry of the initial 25-year term, the Company will be required to comply with all the applicable reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules at that time in respect of the renewal, subject to any waivers which may be granted by the Stock Exchange from strict compliance with any of the applicable requirements.

If the Escrow Documents are released under the terms of the Contingency Agreements and the 12-year term of the exclusive technology licence of the IMAX technology granted pursuant to the Technology License Agreements falls outside of the initial 25-year term of such agreements, the Company will be required to comply with all the applicable reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the portion of the term of the Technology License Agreements that falls outside of the initial 25-year term of such agreements, subject to any waivers which may be granted by the Stock Exchange from strict compliance with any of the applicable requirements.

4. DMR Services Agreements

(a) Description of the DMR Services Agreements

(i) Subject matter

On 28 October 2011, each of IMAX Shanghai Multimedia and IMAX Hong Kong entered into separate DMR services agreements with IMAX Corporation (the "**DMR Services Agreements**"). The DMR Services Agreements provide us with Chinese films for release across the IMAX theatre network in Greater China. Pursuant to the DMR Services Agreements, IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have agreed that:

(a) if IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, intends to enter into a DMR production services agreement with a distributor in their respective territories for the conversion of Greater China DMR Films and the release of such films to IMAX theatres in their respective territories, IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, shall seek prior approval from IMAX Corporation to enter into such agreement in order for IMAX Corporation to ensure that the nature and content of such films would not potentially damage the IMAX brand, and IMAX Corporation shall perform the DMR conversion services in consideration for a conversion fee;

(b) if IMAX Corporation directly enters into an arrangement to distribute the Greater China DMR Film in regions outside of Greater China, IMAX Corporation shall pay to IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, 50% of the portion of box office in respect of the Greater China DMR Films received by IMAX Corporation attributable to the exploitation of such films in regions outside of Greater China; and

(c) at the request of IMAX Corporation, IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, shall grant the distribution rights to the Greater China Original Films in regions outside of Greater China to IMAX Corporation and also assign the right to retain any distribution fees attributable to the exploitation of such films in regions outside of Greater China to IMAX Corporation.

The DMR Services Agreements were subsequently amended on 7 April 2014 and on 21 September 2015.

(ii) *Term and termination*

Each of the DMR Services Agreements has a term of 25 years commencing on 28 October 2011, and shall be renewable at the election of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, for an additional term of 25 years. Each of the DMR Services Agreements may be terminated upon any of the following:

(a) mutual agreement of the parties;

(b) bankruptcy or insolvency of IMAX Corporation, or the bankruptcy or insolvency of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, or the appropriation of the assets of either party by any government, where termination shall be automatic and immediate;

(c) at the election of IMAX Hong Kong or IMAX Shanghai Multimedia, as applicable, if there is a material breach of the DMR Services Agreement by IMAX Corporation;

(d) at the election of IMAX Corporation if there is a material breach of the DMR Services Agreement by IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, or any other inter-company agreements entered into between IMAX Corporation and IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable;

(e) expiration or termination of either Trademark License Agreement (which, for the avoidance of doubt, shall bring about the termination of both DMR Services Agreements); or

(f) on release of the Escrow Documents.

Under the requirements of the Listing Rules, the DMR Services Agreements should have a fixed term and should be for a duration of no longer than three years except in special circumstances where the nature of the transaction requires them to be of a longer period.

The Directors believe that it is in the interests of the Group for the DMR Services Agreements to have 25-year renewable terms as it will ensure that the Group is able to continue to obtain DMR conversion services from IMAX Corporation that enable it to release Chinese language films, which will provide the Group with an ongoing source of revenue with long term certainty of cost. We expect that our own DMR conversion facility will be able to meet our foreseeable needs in respect of the digital re-mastering of Chinese language films to IMAX format films. However, the DMR Services Agreements will remain in place to provide us with back-up and overflow capacity if needed.

(iii) *Fees*

The fees payable under the DMR Services Agreements are as follows:

(a) IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, shall pay to IMAX Corporation a conversion fee in respect of the conversion of the Greater China DMR Films which equals the actual costs of the DMR conversion services plus 10% of all such actual costs;

Corporate Governance Highlights and Other Information (Continued)

(b) IMAX Corporation shall pay to IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, 50% of the portion of box office in respect of the Greater China DMR Films received by IMAX Corporation attributable to the exploitation of such films in regions outside of Greater China; and

(c) IMAX Corporation shall pay to IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, 50% of the distribution fees attributable to the exploitation of the Greater China Original Films in regions outside of Greater China, if IMAX Corporation elects to obtain the distribution rights to such films in regions outside of Greater China.

The Company and IMAX Corporation have conducted detailed comparable analysis to ensure that the fees payable under the DMR Services Agreements are on arm's length and reflect normal commercial terms. See "Connected Transactions — Confirmation From The Directors" in the Prospectus for further details. The cost plus 10% fee payable for DMR conversion services was agreed between the parties to the DMR Services Agreements in April 2014, which amended certain terms of the DMR Services Agreements. The fee originally payable under the DMR Services Agreements was cost plus 15%, which was agreed on an arm's length basis between the parties at the time of their entry into the DMR Services Agreements. Accordingly, the Directors consider that the percentage used in the formulae for determining the conversion fees payable is on commercial terms or better, fair and reasonable and in the interests of the Shareholders as a whole.

IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have also agreed that the fees payable under the DMR Services Agreements will be adjusted, including retrospectively, to the extent an adjustment is necessary to ensure that the payments are on arm's length basis as determined by a court of competent jurisdiction or a government or taxing authority, or as mutually agreed by IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong.

(b) Annual Caps and Transaction Amount

The cap for the fees payable under the DMR Services Agreements will be determined by reference to the formulae for determining the fees payable pursuant to the DMR Services Agreements as described above.

The conversion fees payable under the DMR Services Agreements are dependent on the actual costs of the conversion services and the amount of Chinese language films which will have to be converted into IMAX format for exhibition in IMAX theatres in Greater China. It will not be possible for the Directors to provide any meaningful estimates of a monetary cap as it would involve making assumptions regarding the demand for IMAX format Chinese language films in Greater China and conversion costs over a period of up to 21 years.

For the six months ended 30 June 2016, the DMR conversion fees paid by the Group to IMAX Corporation approximately US$335,000. The number of Greater China DMR films converted was 2.

For the six months ended 30 June 2016, no Greater China DMR Films were released in regions outside of Greater China and the distribution fees received by the Group from IMAX Corporation were US$nil. No Greater China Original Films were released outside Greater China, and the distribution fees received by the Group from IMAX Corporation were US$nil.

(c) *Listing Rules Requirements*

As the highest relevant percentage ratio in respect of the DMR Services Agreements is expected to be, on an annual basis, more than 0.1% but less than 5% and as the DMR Services Agreements are on normal commercial terms, they will be exempt pursuant to Rule 14A.76(2)(a) of the Listing Rules from the independent shareholders' approval requirements but will be subject to the reporting and, save for the waiver set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" above, announcement requirements under Chapter 14A of the Listing Rules.

If the DMR Services Agreements are renewed upon the expiry of the initial 25-year term, the Company will be required to comply with all the applicable reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules at that time in respect of the renewal, subject to any waivers which may be granted by the Stock Exchange from strict compliance with any of the applicable requirements.

Continuing Connected Transactions Subject to Reporting, Announcement and Independent Shareholders' Approval Requirements Subject to Waivers Granted

The Group has entered into the following continuing connected transactions which will be subject to the reporting and, save for the waiver granted by the Stock Exchange as set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" above, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

1. Equipment Supply Agreements

(a) *Description of the Equipment Supply Agreements*

(i) *Subject matter*

On 28 October 2011, each of IMAX Shanghai Multimedia and IMAX Hong Kong entered into separate equipment supply agreements with IMAX Corporation (the "**Equipment Supply Agreements**"), pursuant to which IMAX Corporation agreed to provide each of IMAX Shanghai Multimedia and IMAX Hong Kong with certain equipment produced by IMAX Corporation in relation to the theatre systems, including projection systems, sound systems, screens, 3D polarised viewing glasses, glasses cleaning machines and other IMAX products or equipment, for sale or lease in the PRC by IMAX Shanghai Multimedia and in Hong Kong, Macau and Taiwan by IMAX Hong Kong.

The Equipment Supply Agreements were subsequently amended on 7 April 2014 and on 21 September 2015.

(ii) *Term*

The Equipment Supply Agreements have a term of 25 years commencing from 28 October 2011, and shall be renewable at the election of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, for an additional term of 25 years, commencing immediately upon the expiration of the initial term.

Under the requirements of the Listing Rules, the Equipment Supply Agreements should be for a duration of no longer than three years except in special circumstances where the nature of the transaction requires them to be of a longer period.

The Directors believe that it is appropriate for the Equipment Supply Agreements to have a 25-year renewable term so that the term of such agreements will be in line with those of the Trademark License Agreements and the Technology License Agreements. Given the importance of the Equipment Supply Agreements to the businesses of the Group, a 25-year renewable term will be able to provide the Group with long term certainty of supply and cost, which is in the interests of the Company and the Shareholders as a whole.

(iii) *Termination*

The Equipment Supply Agreements are subject to limited termination provisions. Either IMAX Corporation, or IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, may serve a notice on the other party to terminate the respective Equipment Supply Agreement if: (a) the other party is ordered or adjudged bankrupt or the assets of the other party are appropriated by any government; (b) the other party is in default of its material obligations under the Equipment Supply Agreement or (save for IMAX Corporation) the other inter-company agreements and continues to be in default 30 days after a written notice of such default has been served onto it; or (c) the Escrow Documents are released.

(iv) *Fees*

The purchase price payable under the Equipment Supply Agreements shall be an amount equal to the actual cost for the production of the relevant equipment and the general overhead associated with the production process plus an extra 10%.

The Company and IMAX Corporation have conducted detailed comparable analysis to ensure that the fees payable under the Equipment Supply Agreements are on arm's length and reflect normal commercial terms. See "Connected Transactions — Confirmation From The Directors" in the Prospectus for further details. The purchase price payable under the Equipment Supply Agreements of cost plus 10% was agreed between the parties to the Equipment Supply Agreements in April 2014, which amended certain terms of the Equipment Supply Agreements. The purchase price originally payable under the Equipment Supply Agreements was cost plus 15%, which was agreed on an arm's length basis between the parties at the time of their entry into the Equipment Supply Agreements. Accordingly, the Directors consider that the percentage used in the formulae for determining the purchase price payable is on commercial terms or better, fair and reasonable and in the interests of the Shareholders as a whole.

IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have also agreed that the fees payable under the Equipment Supply Agreements will be adjusted, including retrospectively, to the extent an adjustment is necessary to ensure that the payments are on arm's length basis as determined by a court of competent jurisdiction or a government or taxing authority, or as mutually agreed by IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong.

(b) *Annual Caps and Transaction Amount*

The cap for the fees payable under the Equipment Supply Agreements will be determined by reference to the formulae for determining the purchase price payable pursuant to the Equipment Supply Agreements as described above.

Corporate Governance Highlights and Other Information (Continued)

The fees payable under the Equipment Supply Agreements are dependent on the costs of the relevant equipment to be supplied by IMAX Corporation to the Group. It will not be possible for the Directors to provide any meaningful estimates of a monetary cap as it would involve making assumptions regarding the level of demand for the IMAX equipment for our businesses in Greater China over a period of up to 21 years. The Directors therefore believe that it is not appropriate to set a fixed monetary cap and that it would be fair and reasonable and in the interests of the Shareholders as a whole for the fees payable under the Equipment Supply Agreements to be calculated by reference to a formulae.

The number of IMAX theatre systems purchased and installed pursuant to the Equipment Supply Agreements for the six months ended 30 June 2016 was 30, and the purchase price paid to IMAX Corporation by the Group was approximately US$19,872,000.

(c) *Listing Rules Requirements*

As the highest relevant percentage ratio in respect of the Equipment Supply Agreements will be, on an annual basis, more than 5% and the total consideration is expected to exceed HK$10,000,000, the Equipment Supply Agreements would be, in the absence of the grant of a waiver by the Stock Exchange set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" above, subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

If the Equipment Supply Agreements are renewed upon the expiry of the initial 25-year term, the Company will be required to comply with all the applicable reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules at that time in respect of the renewal, subject to any waivers which may be granted by the Stock Exchange from strict compliance with any of the applicable requirements.

2. Master Distribution Agreements

(a) *Description of the Master Distribution Agreements*

(i) *Subject matter*

On 28 October 2011, each of IMAX Shanghai Multimedia and IMAX Hong Kong entered into the master distribution agreements with IMAX Corporation (the "**Master Distribution Agreements**"). The Master Distribution Agreements provide us with Hollywood films for release across the IMAX theatre network in Greater China. Pursuant to the Master Distribution Agreements, IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have agreed that:

(a) if IMAX Corporation intends to distribute an IMAX format Hollywood film in the PRC and/or in Hong Kong, Macau and Taiwan, each of IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, shall pay to IMAX Corporation certain fees related to the conversion of such IMAX format Hollywood film in consideration for the receipt of the portion of the box office attributable to the release of such IMAX format Hollywood films in their respective territories; and

(b) if IMAX Corporation intends to distribute an IMAX Original Film in the PRC and/or in Hong Kong, Macau and Taiwan, IMAX Corporation shall grant to each of IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, the distribution rights of such IMAX Original Films in their respective territories and shall assign to each of IMAX Shanghai Multimedia and IMAX Hong Kong the right to retain any distribution fees attributable to the exploitation of such IMAX Original Films in their respective territories, in consideration for the payment of 50% of such distribution fees by IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable. IMAX Corporation also retains all other revenue attributable to the exploitation of any IMAX Original Film in Greater China.

The Master Distribution Agreements were subsequently amended on 7 April 2014 and on 21 September 2015.

(ii) Term and Termination

Each of the Master Distribution Agreements has a term of 25 years commencing on 28 October 2011, and shall be renewable at the election of IMAX Shanghai Multimedia or IMAX Hong Kong for an additional term of 25 years. Each of the Master Distribution Agreements may be terminated upon any of the following:

(a) mutual agreement of the parties;

(b) bankruptcy or insolvency of IMAX Corporation, or IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, or the appropriation of the assets of either party by any government, where termination shall be automatic and immediate;

(c) at the election of IMAX Hong Kong or IMAX Shanghai Multimedia, as applicable, in the event of a material breach of the Master Distribution Agreement by IMAX Corporation;

(d) at IMAX Corporation's election, in the event of a material breach by IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable, of the Master Distribution Agreement or any of the other inter-company agreements entered into between IMAX Corporation and either of IMAX Shanghai Multimedia or IMAX Hong Kong, as applicable;

(e) the expiration or termination of either Trademark License Agreement (which, for the avoidance of doubt, shall bring about the termination of both Master Distribution Agreements); or

(f) upon release of the Escrow Documents.

Under the requirements of the Listing Rules, the Master Distribution Agreements should have a fixed term and should be for a duration of no longer than three years except in special circumstances where the nature of the transaction requires them to be of a longer period.

Corporate Governance Highlights and Other Information (Continued)

The Directors believe that it is in the interests of the Group for the Master Distribution Agreements to have 25-year renewable terms as it will ensure that the Group is able to continue to obtain IMAX format Hollywood films and IMAX Original Films for release in Greater China, which will provide the Group with an ongoing source of revenue with long term certainty of cost.

(iii) Fees

The fees payable to IMAX Corporation for the conversion of IMAX format Hollywood films in the PRC and in Hong Kong, Macau and Taiwan, as applicable, are as follows:

(a) for each IMAX format Hollywood film in 2D format and 2.5 hours or less in length, an amount equal to the product of US$150,000 and the IMAX China Theatre Percentage (in the case of the Master Distribution Agreement entered into between IMAX Corporation and IMAX Shanghai Multimedia) or the IMAX Hong Kong Theatre Percentage (in the case of the Master Distribution Agreement entered into between IMAX Corporation and IMAX Hong Kong) as determined at the time such payment is incurred;

(b) for each IMAX format Hollywood film in 3D format and 2.5 hours or less in length, an amount equal to the product of US$200,000 and the IMAX China Theatre Percentage or the IMAX Hong Kong Theatre Percentage (as the case may be) as determined at the time such payment is incurred; and

(c) for each IMAX format Hollywood film greater than 2.5 hours in length, whether in 2D or 3D format, a sum to be specified by IMAX Corporation in its sole and reasonable discretion provided that such amount shall not exceed the amounts specified above in paragraphs (a) and (b) calculated on a pro rata basis for the excess of 2.5 hours in length of the film;

(d) in addition, in connection with any 3D conversions, IMAX Shanghai Multimedia and IMAX Hong Kong shall pay to IMAX Corporation an additional amount equal to the product of the actual costs plus general overhead for 3D conversions, the IMAX China Theatre Percentage or the IMAX Hong Kong Theatre Percentage (as the case may be) and the percentage that all IMAX theatres using IMAX theatre systems in Greater China represents of all IMAX theatres worldwide, both as determined at the time such payment is incurred; and

(e) notwithstanding (a), (b) and (c) above, if all or substantially all of the IMAX theatres to which the IMAX format Hollywood film is distributed are in the PRC, Hong Kong, Macau and/or Taiwan, then each of IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable, shall pay IMAX Corporation the product of (A) 110% of the actual costs of the DMR conversion services in respect of such IMAX format film, and (B) the IMAX China Theatre Percentage or the IMAX Hong Kong Theatre Percentage (as the case may be).

Corporate Governance Highlights and Other Information (Continued)

In relation to the additional amount payable for 3D conversions pursuant to paragraph (d) above, the IMAX DMR process includes digital re-mastering of the image and audio of conventional films, but it does not include the conversion of a 2D film to a 3D film. All 2D and 3D IMAX format films converted under the Master Distribution Agreements during the years were converted from underlying 2D films and 3D films respectively; no 2D films were converted into 3D films. The process of converting a 2D film into a 3D film is time consuming and costly and IMAX Corporation has not carried out a 2D film to 3D film conversion since 2010, nor is it currently anticipated that IMAX Corporation will provide this service in the near future. However, given the long-term nature of the Master Distribution Agreements, this provision was included to address the possibility that IMAX Corporation develops technology in the future to undertake 2D film to 3D film conversions in a fast and cost-effective manner such that IMAX Corporation may actively pursue the provision of such a service.

The 110% of actual costs fee basis described in paragraph (e) above is intended to address a situation where an IMAX format Hollywood film is distributed into Greater China and none, or only a handful of, IMAX theatres outside Greater China (the Master Distribution Agreements do not quantify the number of IMAX theatres that would need to release the film outside Greater China to preserve practical flexibility). In this event, the fees are calculated on the basis that IMAX Corporation does not expect to receive a significant amount of revenue in respect of that film outside Greater China to offset the cost of the DMR conversion, therefore it is appropriate for the Group to pay the full conversion fee required under the DMR Services Agreement. During the years ended 31 December 2014 and 2015, as well as for the six months ended 30 June 2016, there were no films to which this fee basis applied, and the Group does not expect this fee basis to apply to a significant number of films in the future.

In consideration of the conversion fees paid to IMAX Corporation by IMAX Shanghai Multimedia and IMAX Hong Kong, IMAX Corporation shall pay the portion of the box office attributable to the exploitation of such IMAX format films in the PRC received by IMAX Corporation pursuant to any relevant DMR production services agreements to IMAX Shanghai Multimedia and those attributable to their exploitation in Hong Kong, Macau and Taiwan to IMAX Hong Kong.

In relation to the distribution of IMAX Original Films, IMAX Shanghai Multimedia and IMAX Hong Kong shall each pay to IMAX Corporation 50% of the distribution fees attributable to the exploitation of such IMAX Original Films in their respective territories. IMAX Shanghai Multimedia and IMAX Hong Kong, as the case may be, shall each remit to IMAX Corporation all revenue (including but not limited to film rentals) associated with the exploitation of any IMAX Original Films in the PRC or Hong Kong, Macau and Taiwan, as the case may be.

Corporate Governance Highlights and Other Information (Continued)

The Company and IMAX Corporation have conducted detailed comparable analysis to ensure that the fees payable under the Master Distribution Agreements are on arm's length and reflect normal commercial terms.

See "Connected Transactions — Confirmation From The Directors" in the Prospectus for further details. The fees payable to and by the Company to IMAX Corporation under the Master Distribution Agreements were determined on an arm's length basis between the parties at the time of their entry into the Master Distributions Agreements with the following considerations in mind:

- in relation to the fixed fees payable by the Company for the conversion of IMAX format films under the Master Distribution Agreements, since these are fixed, they are expected to become increasingly less significant to the Group over time compared to the revenue generated from Hollywood films as the IMAX theatre network continues to expand and as a result of increases in ticket prices, both of which would increase the aggregate Greater China IMAX box office for those films, in turn increasing the Group's revenue; and

- in relation to the percentage of Greater China box office payable to the Group for the release of IMAX format films (i.e. the 9.5% of box office fee typically paid on Hollywood films and 12.5% of box office fee typically paid on Chinese language films), this is a fee effectively negotiated with the relevant studios rather than IMAX Corporation, which does not receive any part of that fee itself and merely passes through to the Group the portion of box office it receives which is attributable to the exploitation of IMAX format films in Greater China. The higher box office percentage paid by studios producing Chinese language films is generally consistent with that earned by IMAX Corporation outside of Greater China and the lower percentage for Hollywood films reflects the reduced overall amount that Hollywood studios generally earn for their films in Greater China as compared to the U.S. and other parts of the world.

Accordingly, the Directors consider that the monetary amount of fees per film used in the formulae for determining the fees payable is on commercial terms or better, fair and reasonable and in the interests of the Shareholders as a whole.

IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have also agreed that the fees payable under the Master Distribution Agreements will be adjusted, including retrospectively, to the extent an adjustment is necessary to ensure that the payments are on arm's length basis as determined by a court of competent jurisdiction or a government or taxing authority, or as mutually agreed by IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong, as applicable.

(b) *Annual Caps and Transaction Amount*

The cap for the fees payable under the Master Distribution Agreements will be determined by reference to the formulae for determining such fees as described above.

The fees payable under the Master Distribution Agreements are dependent on the number of IMAX format films distributed in Greater China. It will not be possible for the Directors to provide any meaningful estimates of a monetary cap as it would involve making assumptions regarding the number of IMAX format films distributed in Greater China over a period of up to 21 years.

For the six months ended 30 June 2016, the number of IMAX format Hollywood films distributed in Greater China for which the Company paid conversion fees under the Master Distribution Agreements was 13. The conversion fees paid by the Group to IMAX Corporation was approximately US$2,550,000 and the revenue received by the Group from IMAX Corporation pursuant to the Master Distribution Agreements amounted to US$11,562,000.

For the six months ended 30 June 2016, the number of IMAX Original Films distributed by IMAX Corporation into Greater China for which the Company paid distribution fees under the Master Distribution Agreements was nil and the distribution fee paid by the Group to IMAX Corporation was US$nil.

(c) *Listing Rules Requirements*

As the highest relevant percentage ratio in respect of the Master Distribution Agreements will be, on an annual basis, more than 5% and the total consideration is expected to exceed HK$10,000,000, the Master Distribution Agreements would, in the absence of the grant of a waiver by the Stock Exchange set out in "— Waivers — Waiver from Requirements to Obtain Approval of Independent Shareholders and Make Announcements" above, be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

If the Master Distribution Agreements are renewed upon the expiry of the initial 25-year term, the Company will be required to comply with all the applicable reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules at that time in respect of the renewal subject to any waivers which may be granted by the Stock Exchange from strict compliance with any of the applicable requirements.

Exempt Connected Transactions

In addition to the above-mentioned continuing connected transactions, our continuing connected transactions for the six months ended 30 June 2016 include the DMR Software License Agreement, IMAX Shanghai Services Agreement and Tool and Equipment Supply Contract (each as described in "Connected Transactions — Exempt Connected Transactions" in the Prospectus), which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Corporate Governance Highlights and Other Information (Continued)

In relation to the Services Agreements (as described in "Connected Transactions — Exempt Connected Transactions" in the Prospectus):

(a) Description of the Services Agreements

(i) Subject matter

On 1 January 2014, each of IMAX Shanghai Multimedia and IMAX Hong Kong entered into the services agreements with IMAX Corporation for an indefinite term commencing on 1 January 2014 (the "**Services Agreements**"), pursuant to which IMAX Corporation agreed to provide certain services to each of IMAX Shanghai Multimedia and IMAX Hong Kong at our election, including (a) finance and accounting services, (b) legal services, (c) human resources services, (d) IT services, (e) marketing services, (f) theatre design services, and (g) theatre project management services.

The Services Agreements were subsequently amended on 7 April 2014 and on 21 September 2015.

(ii) Term and Termination

Each of the Services Agreements does not have a fixed term and will continue to be in effect until terminated upon any of the following:

(a) mutual agreement of the parties;

(b) bankruptcy or insolvency of IMAX Corporation or IMAX Shanghai Multimedia (in the case of the Services Agreement entered into between IMAX Corporation and IMAX Shanghai Multimedia) or IMAX Hong Kong (in the case of the Services Agreement entered into between IMAX Corporation and IMAX Hong Kong) or the appropriation of the assets of either party to the Services Agreement by any government, where termination shall be automatic and immediate;

(c) at the non-breaching party's election, material breach of the Services Agreement by either party;

(d) expiration or termination of the Trademark License Agreement entered into between the same persons as are parties to the Services Agreement; or

(e) on release of the Escrow Documents.

(iii) Fees

The total service fees payable under the Services Agreements by IMAX Shanghai Multimedia and IMAX Hong Kong are calculated on the following basis:

(a) **Variable service fees:** with respect to the IT services, marketing services, theatre design services, and theatre project management services and theatre support services, IMAX Shanghai Multimedia and IMAX Hong Kong shall pay to IMAX Corporation on a monthly basis an amount equal to 110% of the actual costs plus general overhead for the provision of such services; and

(b) **Fixed service fees:** IMAX Shanghai Multimedia and IMAX Hong Kong shall pay to IMAX Corporation on a monthly basis with respect to the finance and accounting services, legal services and human resources services, a total amount of US$17,500.

The fixed service fees shall be adjusted annually by IMAX Corporation in accordance with the U.S. consumer price index.

The fixed service fees stated above are based on the level of services currently being provided by IMAX Corporation to IMAX Shanghai Multimedia and IMAX Hong Kong. If the level of services increases or decreases materially, the parties have agreed to negotiate in good faith a new fixed services fee.

IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong have also agreed that the fees payable under the Services Agreements will be adjusted, including retrospectively, to the extent an adjustment is necessary to ensure that the payments are on arm's length basis as determined by a court of competent jurisdiction or a government or taxing authority, or as mutually agreed by IMAX Corporation and each of IMAX Shanghai Multimedia and IMAX Hong Kong.

(b) Transaction Amounts

Approximately US$248,000 was charged to the Group by IMAX Corporation under the Services Agreements during the six months ended 30 June 2016.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the Services Agreements is expected to be less than 5% and the total consideration is expected to be less than HK$3 million for 2016, the Services Agreements was expected to be fully exempt connected transactions pursuant to Rule 14A.76(1)(c) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 30 June 2016, the interests of the Directors and the chief executive of the Company in the Shares and debentures of the Company and any interests in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which; (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO); (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange will be as follows:

(a) Interests in the Shares

Name of Director or Chief Executive	Number of Shares	Nature of Interest	Approximate Percentage
Jiande Chen	1,350,000(L)	Beneficial Owner	0.38%
Jim Athanasopoulos	2,733,800(L)	Beneficial Owner	0.77%
Jessie Chou	1,114,790(L)	Beneficial Owner	0.31%
John Davison	19,418(L)(1)	Beneficial Owner	0.01%
Yue-Sai Kan	19,418(L)(2)	Beneficial Owner	0.01%
Dawn Taubin	19,418(L)(3)	Beneficial Owner	0.01%

(L) Long position

Notes:

(1) Of which 19,418 are fully-vested restricted stock units.

(2) Of which 19,418 are fully-vested restricted stock units.

(3) Of which 19,418 are fully-vested restricted stock units.

Corporate Governance Highlights and Other Information (Continued)

(b) Long Position in Shares of Associated Corporations

Name of Director or Chief Executive	Interest in common shares	Nature of Interest	Approximate Percentage
IMAX Corporation			
Richard Gelfond	2,415,718(L)[(1)]	Beneficial Owner	3.57%
Greg Foster	748,773(L)[(2)]	Beneficial Owner	1.12%
Jim Athanasopoulos	32,140(L)[(3)]	Beneficial Owner	0.05%
Jessie Chou	13,250(L)[(4)]	Beneficial Owner	0.02%

(L) Long position

Notes:

(1) Of which 2,288,148 are options and/or restricted stock units.

(2) Of which 699,433 are options and/or restricted stock units.

(3) Of which 30,587 are options and/or restricted stock units.

(4) Of which all are options and/or restricted stock units.

Save as disclosed above, as at 30 June 2016, none of the Directors or the chief executive of the Company have an interest in the Shares or debentures of the Company or any interests in the shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which; (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO); (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

As at 30 June 2016, neither the Directors nor chief executive of the Company have any short position in either the Shares or in the debentures of the Company, or in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, the Company had been notified of the following substantial shareholders' interests and short positions in the Shares and underlying Shares of the Company, which have been recorded in the register of substantial shareholders required to be kept by the Company pursuant to section 336 of Part XV of the SFO. These interests are in addition to those disclosed above in respect of the Directors and chief executives of the Company.

Interests and Long Positions in Shares

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate Percentage of interest (%)
IMAX Corporation	Interest in controlled corporation[1]	243,262,600(L)	68.46
IMAX Barbados	Beneficial interest	243,262,600(L)	68.46
JPMorgan Chase & Co.[2]	Beneficial owner/ Investment manager/ Custodian corporation/ Approved lending agent	18,276,000(L)	5.14
	Beneficial owner	100(S)	0.00
	Custodian corporation/ Approved lending agent	2,571,800(LP)	0.72

(L) Long position (S) Short position (LP) Lending pool

Notes:

(1) 243,262,600 Shares are directly held by IMAX Barbados, which is a wholly-owned subsidiary of IMAX Corporation. Under the SFO, IMAX Corporation is deemed to be interested in the Shares held by IMAX Barbados.

(2) JPMorgan Chase & Co., through various subsidiaries, had an interest in the shares of the Company, of which 1,278,700 Shares (long position) and 100 shares (short position) were held in its capacity as beneficial owner, 14,425,500 Shares (long position) were held in its capacity as an investment manager, and 2,571,800 (long position) were held in its capacity as custodian corporation/approved lending agent.

Save as disclosed above, according to the register kept by the Company under Section 336 of the SFO, there was no other person who had a substantial interest or short positions in the Shares or underlying Shares of the Company as at 30 June 2016.

REMUNERATION POLICY

As at 30 June 2016, the Group had approximately 93 employees. All of the employees were based in Greater China.

The Company generally formulates employees' remuneration based on one or more elements such as salaries, bonuses, long-term incentives and benefits, subject to applicable rules and regulations. Through its remuneration policies, the Company aims to attract and retain talent, to motivate performance and achievement and to reward superior performance. To achieve this, the Company has established an incentive system that links remuneration with the annual performance of the Group, taking into account the Company's performance, as well as the objectives of individual departments.

Remuneration of Directors and senior management of the Group is reviewed by the Company's remuneration committee against the Company's goals and objectives.

The Company has previously provided long-term incentive awards to senior management through the grants of stock options to senior management under its Long Term Incentive Plan, further details of which are set out below. The Company expects to continue to make grants of stock options and/or restricted stock units under its Long Term Incentive Plan in the future to Directors, senior management and other employees.

LONG TERM INCENTIVE PLAN

The Company adopted a long term incentive plan (the "**LTIP**") in October 2012 to aid the Group in recruiting and retaining selected employees, directors and consultants and to motivate them to exert their best efforts on behalf of the Company and its subsidiaries through the granting of equity awards. The LTIP is an omnibus plan that permits the establishment of further sub-plans (the "**Sub-Plans**"). Any Sub-Plans are separate and independent from the LTIP, but the limit on the total number of Shares authorised to be issued under the LTIP applies in the aggregate to the LTIP and any Sub-Plans (without prejudice to any limits applicable to those Sub-Plans). No further incentives that would involve the issue of Shares will be offered or granted pursuant to the LTIP with effect from the Listing.

The Board has determined that the total number of Shares that may be issued, or with respect to which awards may be granted under the LTIP is 30,000,000 Shares.

Corporate Governance Highlights and Other Information (Continued)

As of 30 June 2016, the Company had granted options pursuant to the LTIP to certain directors, senior management and employees of the Group at no consideration for an aggregate of 8,977,500 Shares representing approximately 2.53% of the issued share capital of the Company. Details of the options granted pursuant to the LTIP to the grantees are set out below:

					Number of share options			
Name of Grantee	Date of Grant	Exercise Price	Option Period	Outstanding at January 1, 2016	Granted during the period	Exercised during the period	Expired/ lapsed/ cancelled during the period	Outstanding at June 30, 2016
Directors								
Jiande Chen	29 October 2012	US$1.8111	Five years from date of grant(1)	1,350,000	–	–	–	1,350,000
Jim Athanasopolous	29 October 2012	US$1.3583	Five years from date of grant(1)	1,215,000	–	–	–	1,215,000
	25 October 2014	US$1.1852	Three years from date of grant(1)	1,518,800	–	–	–	1,518,800
Mei-Hui Chou (Jessie)	29 October 2012	US$1.3583	Five years from date of grant(1)	810,000	–	–	–	810,000
	21 February 2014	US$1.8093	3.7 years from date of grant(1)	270,000	–	–	–	270,000
Senior Management								
Don Savant	29 October 2012	US$1.3583	Five years from date of grant(1)	2,700,000	–	(33,800)	–	2,666,200
Michelle Rosen	30 March 2015	US$1.3333	Three years from date of grant(2)	1,113,700	–	(100)	–	1,113,600
Total				**8,977,500**	–	(33,900)	–	8,943,600

Notes:

(1) The vesting schedule is as follows: 25%, 20%, 25% and 30% on 8 October 2015, 29 October 2015, 29 October 2016 and 29 October 2017 grant date, respectively.

(2) The vesting schedule is as follows: 33%, 33% and 34% on each of the first, second and third anniversary of the grant date, respectively.

All options granted pursuant to the LTIP expire seven years after the date of grant. During the first half of 2016, a total of 33,900 options under the LTIP were exercised. No options were cancelled or lapsed under the LTIP.

SUB-PLAN: SHARE OPTION SCHEME

Pursuant to the LTIP, on 21 September 2015, the Company adopted the Post-IPO Share Option Scheme (the "**Share Option Scheme**"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. No share options of the Company were granted pursuant to the Share Option Scheme during the year ended 31 December 2015.

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in our Company.

Participants of the Share Option Scheme

The Board may, at its discretion, grant options pursuant to the Share Option Scheme to directors, employees and consultants of the Group (the "**Participants**").

Total number of Shares available for issue under the Share Option Scheme

At any time during the period within which the Share Option Scheme is valid and effective, the maximum aggregate number of Shares in respect of which options may be granted pursuant to the Share Option Scheme shall be calculated in accordance with the following formula:

$$\mathbf{X = A - B - C}$$

where:

X = the maximum aggregate number of Shares in respect of which options may be granted pursuant to the Share Option Scheme;

A = the total number of Shares in respect of which options may be granted pursuant to this Scheme and any other share option schemes of the Company, being (a) 10% of the Shares in issue on the Listing Date, or (b) 10% of the Shares in issue as at the New Option Approval Date (as defined below) (as the case may be)(the "**Option Scheme Mandate Limit**");

B = the maximum aggregate number of Shares underlying the Options already granted pursuant to the Share Option Scheme, which in the event that there has been a New Option Approval Date, shall only include those Shares underlying Options that have been granted since that most recent New Approval Date; and

C = the maximum aggregate number of Shares underlying the options already granted pursuant to any other share option schemes and/or any other equity-based incentive plans (including the RSU Scheme) of the Company.

"**New Option Approval Date**" means the date when the Shareholders approve the renewed Option Scheme Mandate Limit.

Corporate Governance Highlights and Other Information (Continued)

For the purposes of determining the Option Scheme Mandate Limit the following will not be counted:

(a) Shares in respect of options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share incentive schemes of the Company) or which have been satisfied by the making of a cash payment; and

(b) Shares underlying the RSUs cancelled in accordance with the terms of the RSU Scheme (or any other share incentive schemes of the Company) or which have been satisfied by the making of a cash payment.

In addition, pursuant to the listing approval issued by the Stock Exchange on 7 October 2015, the total number of Shares which may be issued under the Share Option Scheme and any other share option schemes must not exceed 35,532,500 Shares, representing 10% of the Company's issued share capital upon Listing.

As of 30 June 2016, the Company had granted options pursuant to the Share Option Scheme to a director and certain employees of the Group for an aggregate of 139,579 Shares representing approximately 0.39‰ of the issued share capital of the Company. Details of the options granted pursuant to the LTIP to the grantees are set out below:

Name of Grantee	Date of Grant	Exercise Price	Number of Shares under the options granted	Option Period
Directors				
Mei-Hui Chou (Jessie)	25 April 2016	US$5.84	19,382	Four years from date of grant(1)
Senior Management				
Francisco (Tony) Navarro-Sertich	25 April 2016	US$5.84	74,973	Three years from date of grant(2)
Employees	25 April 2016	US$5.84	45,224	Four years from date of grant(1)
Total			**139,579**	

Notes:

(1) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of the 7 March 2017, 7 March 2018, 7 March 2019 and 7 March 2020, respectively.

(2) The vesting schedule is as follows: 20%, 30% and 50% on each of the April 1, 2017, April 1, 2018 and April 1, 2019, respectively.

Maximum entitlement of each participant

No participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to such person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in general meeting with the proposed participant and his associates abstaining from voting) would exceed 1% of the Shares in issue from time to time.

Corporate Governance Highlights and Other Information (Continued)

Period within which the Shares must be taken up under an option

The period during which an option may be exercised by a Grantee (the "**Exercise Period**") shall be the period to be determined and notified by the Board to the Grantee at the time of making an offer, which shall not expire later than 10 years from the date of grant.

Subject to any restrictions applicable under the Listing Rules, an option may be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) by the Grantee at any time during the Exercise Period in accordance with the terms of the Share Option Scheme and the terms on which the option was granted. If the vesting of Shares underlying an option is subject to the satisfaction of performance or other conditions and such conditions are not satisfied, the option shall lapse automatically on the date on which such conditions are not satisfied in respect of the relevant Shares underlying the option.

Acceptance of an Offer

An offer of the grant of an option is accepted by the Participant (the "**Grantee**") when the Company receives from the Grantee the duplicate notice of grant duly executed by the Grantee and a remittance of the sum of HK$1.00 (or such other amount in any other currency as the Board determines) as consideration for the grant of the option. Such remittance is not refundable in any circumstances. An offer may be accepted in full or in part, provided that if it is accepted in part, the acceptance must in respect of a board lot of Shares or an integral multiple thereof.

The offer shall remain open for acceptance for such time to be determined by the Board, provided that no such offer shall be open for acceptance after the expiry of the Term or after the Participant to whom the offer is made has ceased to be a Participant. To the extent that the offer is not accepted within the time period and in the manner specified in the offer, the offer will be deemed to have been irrevocably declined and will lapse.

Determination of the Exercise Price

The price per Share at which a Grantee may subscribe for Shares upon the exercise of an option (the "**Exercise Price**") shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, which must be a business day;

(b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of the Shares.

Life of the Share Option Scheme

Subject to the early termination of the Share Option Scheme pursuant to the terms thereof, the Share Option Scheme is effective for a period of 10 years commencing on the date of adoption on 21 September 2015.

SUB-PLAN: THE RESTRICTED SHARE UNIT SCHEME

Pursuant to the LTIP, on 21 September 2015, the Company adopted the restricted share unit scheme (the "**RSU Scheme**"). The terms of the RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules.

As of 30 June 2016, the Company had granted restricted stock units ("**RSUs**") to the RSU Scheme to directors, senior management and employees of the Group for an aggregate of 239,818 RSUs representing approximately 0.39% of the issued share capital of the Company. Details of the RSUs granted pursuant to the LTIP to the grantees are set out below:

Name of Grantee	Date of Grant	Number of Shares under the options granted	Vesting Period
Directors			
John Davison	6 June 2016	19,418	Fully vested on grant
Yue-Sai Kan	6 June 2016	19,418	Fully vested on grant
Dawn Taubin	6 June 2016	19,418	Fully vested on grant
Mei-Hui Chou (Jessie)	25 April 2016	15,408	Four years from date of grant(1)
Senior Management			
Francisco (Tony) Navarro-Sertich	25 April 2016	57,782	Three years from date of grant(3)
Karl Yuan	25 April 2016	15,408	Four years from date of grant(1)
Employees	25 April 2016	74,472	Four years from date of grant(1)
Employees	25 April 2016	18,494	Two years from date of grant(2)
Total		**239,818**	

Notes:

(1) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of the March 7, 2017, March 7, 2018, March 7, 2019 and March 7, 2020, respectively.

(2) The vesting schedule is as follows: 100% on March 7, 2017.

(3) The vesting schedule is as follows: 20%, 30% and 50% on each of the April 1, 2017, April 1, 2018 and April 1, 2019, respectively.

The RSUs do not carry any right to vote at general meetings of the Company, or any dividend, transfer or other rights (including those arising on the liquidation of the Company).

No grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an RSU pursuant to the RSU Schemes, unless and until the Share underlying the RSU is actually allotted and issued or transferred (as the case may be) to the grantee upon the vesting of such RSU.

Report on Review of Interim Financial Information

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF IMAX CHINA HOLDING, INC.
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial information set out on pages 63 to 103, which comprises the condensed consolidated interim statement of financial position of IMAX China Holding, Inc. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related condensed consolidated interim statements of comprehensive income (loss), changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 July 2016

Condensed Consolidated Interim Financial Information

Condensed Consolidated Interim Statement of Financial Position
(In thousands of U.S. dollars)

	Notes	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	58,222	51,990
Other assets		4,381	4,362
Deferred income tax asset	13	1,992	1,309
Financing receivables		25,968	25,270
Total non-current assets		90,563	82,931
Current assets			
Other assets		1,482	1,736
Film assets		105	35
Inventories		12,145	6,364
Prepayments		1,234	984
Financing receivables		4,598	3,783
Trade and other receivables	12	49,554	35,640
Cash and cash equivalents		103,205	90,689
Total current assets		172,323	139,231
Total assets		262,886	222,162
LIABILITIES			
Non-current liabilities			
Deferred revenue	17	17,003	29,137
Total non-current liabilities		17,003	29,137
Current liabilities			
Trade and other payables	15	28,403	12,172
Accruals and other liabilities	16	5,122	4,152
Taxes payable		8,540	6,217
Deferred revenue	17	29,247	12,762
Total current liabilities		71,312	35,303
Total liabilities		88,315	64,440
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		35	35
Share premium		369,926	369,864
Capital reserves		(30,352)	(30,794)
Accumulated deficit		(161,146)	(178,888)
Accumulated other comprehensive loss		(3,892)	(2,495)
Total equity		174,571	157,722
Total equity and liabilities		262,886	222,162

(the accompanying notes are an integral part of this condensed consolidated interim financial information)

The condensed consolidated interim financial information on pages 63 to 103 was approved by the board of directors on 21 July 2016 and was signed on its behalf.

Jiande Chen
Director

Jim Athanasopoulos
Director

Condensed Consolidated Interim Statement of Comprehensive Income (Loss)

(In thousands of U.S. dollars)

	Notes	Six months ended 30 June 2016 (Unaudited)	2015 (Audited)
Revenues	7	55,061	43,913
Cost of sales	8	(21,119)	(13,349)
Gross profit	7	33,942	30,564
Selling, general and administrative expenses	8	(8,598)	(11,847)
Other operating expenses	8, 21	(2,980)	(2,453)
Operating profit		22,364	16,264
Accretion of amortised cost of financial instrument	6	—	(2,247)
Fair value adjustment of conversion option	6	—	(77,568)
Interest income		259	239
Interest expense		—	(30)
Profit (loss) before income tax		22,623	(63,342)
Income tax expense	9	(4,881)	(4,605)
Profit (loss) for the period attributable to owners of the Company		17,742	(67,947)
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		(1,397)	(132)
Other comprehensive loss for the period		(1,397)	(132)
Total comprehensive income (loss) for the period attributable to owners of the Company		16,345	(68,079)
Profit (loss) per share — basic and diluted (expressed in U.S. dollars per share):			
From profit (loss) for the period – basic	10	0.05	(0.25)
From profit (loss) for the period – diluted	10	0.05	(0.25)

(the accompanying notes are an integral part of this condensed consolidated interim financial information)

Condensed Consolidated Interim Statement of Changes in Equity

(In thousands of U.S. dollars)

	Attributable to the Owners of the Company					
	Share Capital	Share Premium	Capital reserves	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity
Balance as at 1 January 2016	35	369,864	(30,794)	(178,888)	(2,495)	157,722
Comprehensive income						
Profit for the period	–	–	–	17,742	–	17,742
Other comprehensive loss	–	–	–	–	(1,397)	(1,397)
Total comprehensive income	–	–	–	17,742	(1,397)	16,345
Exercise of share options during the period	–	62	(16)	–	–	46
China long-term incentive plan	–	–	458	–	–	458
Total transactions with owners, recognised directly in equity	–	62	442	–	–	504
Balance as at 30 June 2016 (unaudited)	35	369,926	(30,352)	(161,146)	(3,892)	174,571
Balance as at 1 January 2015	27	12,311	(36,277)	50,535	(288)	26,308
Comprehensive loss						
Loss for the period	–	–	–	(67,947)	–	(67,947)
Other comprehensive loss	–	–	–	–	(132)	(132)
Total comprehensive loss	–	–	–	(67,947)	(132)	(68,079)
Controlling Shareholder's net investment	–	–	(623)	–	–	(623)
Total transactions with owners, recognised directly in equity	–	–	(623)	–	–	(623)
Balance as at 30 June 2015 (audited)	27	12,311	(36,900)	(17,412)	(420)	(42,394)

(the accompanying notes are an integral part of this condensed consolidated interim financial information)

Condensed Consolidated Interim Financial Information (Continued)

Condensed Consolidated Interim Statement of Cash Flows

(In thousands of U.S. dollars)

	Notes	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Audited)
Cash flows from operating activities			
Cash provided by operations	18	29,113	5,450
Taxes paid		(6,863)	(4,903)
Net cash provided by operating activities		22,250	547
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,856)	(247)
Investment in joint revenue sharing equipment		(7,484)	(6,708)
Net cash used in investing activities		(9,340)	(6,955)
Cash flows from financing activities			
Settlement of restricted share units and options		(310)	—
Common shares issued — stock options exercised		46	—
Proceeds from issue of Redeemable Class C Shares		—	40,000
Issuance costs of Redeemable Class C Shares		—	(2,000)
Net cash (used in) provided by financing activities		(264)	38,000
Effects of exchange rate changes on cash		(130)	(12)
Increase in cash and cash equivalents during period		12,516	31,580
Cash and cash equivalents, beginning of period		90,689	48,320
Cash and cash equivalents, end of period		103,205	79,900

(the accompanying notes are an integral part of this condensed consolidated interim financial information)

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 and film-based motion picture 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" and all activities within Greater China.

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. Accordingly, the condensed consolidated interim financial information of the Group have been prepared as if the current Group structure had been in existence throughout both periods presented.

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 2016 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 2015, 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial information are disclosed in note 4.

(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 2015, as described in those annual financial statements.

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

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 is assessing the impact of IFRS 15.

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. Critical accounting estimates and judgements

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those that applied to the Group's Annual Report 2015.

5. Financial Risk

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the directors of the Company. The directors provide principles for an overall risk management, as well as policies covering specific areas.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management policies since year end.

(a) Market risk

Foreign exchange risk

The Group operates in Greater China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US$ and Chinese Yuan Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Group's functional currency.

The Group's transactions are mainly denominated in US$, RMB and HK$. The majority of assets and liabilities are denominated in US$, RMB and HK$ and there are no significant assets and liabilities denominated in other currencies.

If the US$ had strengthened/weakened by 10% against the RMB while all other variables had been held constant, the Group's net result for the six months ended 30 June 2016 would have been approximately $0.4 million worse/better (30 June 2015: $1.2 million), for various financial assets and liabilities denominated in RMB.

Interest rate risk

The Group does not carry any borrowings which are exposed to interest rate risk.

5. Financial Risk (Continued)

(a) Market risk (Continued)

Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade and other receivables, financing receivables, and amounts due from related companies. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

For the six months ended 30 June 2016, 48.4% (30 June 2015: 64.2%) of the Group's revenue was derived from its customers comprising 10% or more of total revenue. See note 7(b) for each significant customer's revenue by segment. As at 30 June 2016, the Group had concentration of credit risk as 65.9% (31 December 2015: 53.9%) of the total trade and other receivables due from the Group's largest two (31 December 2015: three) customers.

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade and other receivable to ensure that adequate impairment provision is made for the irrecoverable amounts.

The credit risk on deposits with banks and amounts due from related companies are limited because deposits are in banks with sound credit ratings and management does not expect any loss from non-performance by related companies.

Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

The Group monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient committed borrowing facilities from the Group's Controlling Shareholder.

The Group's financial liabilities, specifically trade and other payables, in relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date are disclosed in note 15. Accrued and other liabilities are expected to be settled within one year from the date accrued. There are no other borrowings to disclose.

5. Financial Risk (Continued)

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's 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.

The Group considers its capital structure as the aggregate of total equity and long-term debt less cash and short-term deposits. The Group manages its capital structure and makes adjustments to it in order to have funds available to support the business activities which the Board of Directors intends to pursue in addition to maximising the return to shareholders. The Board of Directors 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, the Group will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Group, is reasonable.

(c) Fair value estimation

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, trade receivables and trade payables including amounts due to IMAX Corporation approximate their fair values, which are either due to their short-term maturities, or that they are subject to floating rates. See note 6 for additional disclosures.

6. 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.

6. Financial Instruments (Continued)

(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 2016 (Unaudited)		As at 31 December 2015 (Audited)	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Net financed sales receivable	30,096	31,698	27,705	28,914
Net investment in finance leases	470	470	1,348	1,297
Available-for-sale investment	4,000	n/a	4,000	n/a

	Loans and receivables	Available-for Sale	Total
30 June 2016 (unaudited)			
Assets as per statement of financial position			
Available-for-sale financial assets	—	4,000	4,000
Net financed sales receivable	30,096	—	30,096
Net investment in finance leases	470	—	470
Trade and other receivables	49,554	—	49,554
Cash and cash equivalents	103,205	—	103,205
	183,325	4,000	187,325

	Liabilities at fair value through profit or loss	Liabilities at amortised cost	Total
Liabilities as per statement of financial position			
Trade and other payables	—	28,403	28,403
	—	28,403	28,403

6. Financial Instruments (Continued)

(b) Fair Value Measurements (Continued)

	Loans and receivables	Available-for Sale	Total
31 December 2015 (audited)			
Assets as per statement of financial position			
Available-for-sale investment	—	4,000	4,000
Net financed sales receivable	27,705	—	27,705
Net investment in finance leases	1,348	—	1,348
Trade and other receivables	35,640	—	35,640
Cash and cash equivalents	90,689	—	90,689
	155,382	4,000	159,382

	Liabilities at fair value through profit or loss	Liabilities at amortised cost	Total
Liabilities as per statement of financial position			
Trade and other payables	—	12,172	12,172
	—	12,172	12,172

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 2016 and 31 December 2015, 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 (Level 2 input) as at 30 June 2016 and 31 December 2015, respectively.

6. Financial Instruments (Continued)

(b) Fair Value Measurements (Continued)

Redeemable Class C Shares

On 8 April 2014, IMAX Corporation announced the investment (the "IMAX China Investment") in the Company 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 IMAX China Investment provided for the sale and issuance of 20% of the shares of the Company to entities owned and controlled by CMC and FountainVest.

Pursuant to the transaction, the Company issued the investors 337,500 Common C Shares of par value $0.01 each in the authorised capital of the Company (the "Class C Shares") for an aggregate subscription price of $40.0 million on 8 April 2014, and issued the investors another 337,500 Class C Shares for an aggregate subscription price of $40.0 million on 10 February 2015.

The parties entered into a shareholders' agreement in connection with the IMAX China Investment, which terminated upon completion of the IMAX China IPO on October 8, 2015. However, while the shareholders' agreement was in effect, the Class C shareholders had certain redemption rights. Specifically, if a qualified IPO (as defined in the shareholders' agreement) had not occurred by April 8, 2019, each holder of Class C Shares would have been entitled to request that all of such holders' Class C Shares be, at their election, either: (i) redeemed by the Company at par value together with the issuance of 2,846,000 of IMAX Corporation's common shares, (ii) redeemed by the Company at par value together with the payment by IMAX Corporation in cash of the consideration paid by the holders of the Class C Shares, or (iii) exchanged and/or redeemed by the Company in a combination of cash and the shares of the Company equal to the pro rata fair market value of the Company. These rights terminated as a result of the IMAX China IPO, which was a qualified initial public offering for purposes of the shareholders' agreement. All of the Company's shares have been re-designated into a single class of shares.

The board of directors of the Company previously consisted of nine members, one of whom was appointed by CMC, one of whom was appointed by FountainVest, and one of whom was independent. On 28 May 2015, in connection with IMAX China's submission of an application on Form A1 for the purposes of the IMAX China IPO, and conditional upon completion of such initial public offering, five of the nine members of the board of directors of IMAX China resigned and three new board members were appointed. Two additional independent board members were appointed upon completion of the IMAX China IPO.

The Shareholders' Agreement automatically terminated following completion of the IMAX China IPO.

6. Financial Instruments (Continued)

(b) Fair Value Measurements (Continued)

Redeemable Class C Shares (Continued)

The following summarises the movement related to the redeemable shares host liability in the Company:

Balance as at 1 January 2015	26,785
Adjusted for:	
Proceeds from Second Closing	40,000
Fair value of conversion option	(12,841)
Transaction costs	(2,000)
Accretion of amortised cost of financial instrument	2,247
Balance as at 30 June 2015	54,191

The Company identified a conversion option embedded in the Class C share agreement that required bifurcation from its host contract. On issuance of the Class C Shares in April 2014, the Company valued the option at $12.4 million. On issuance of the additional Class C Shares in February 2015, the Company valued the additional option at $12.8 million. At 30 June 2015 the Company marked the options to market, increasing the value of the options by a $77.6 million with a corresponding loss through Fair Value Adjustments in the consolidated statement of comprehensive loss. The option was valued using a Monte Carlo simulation. The loss was a result of an increase in the equity value of the Group, which is the key assumption used in the valuation and is not based on observable inputs. The conversion option expired unexercised as a result of the reorganisation and IPO transactions in the year ended 31 December 2015.

The equity value of the Group was determined using a discounted cash flow with consideration given to implied market multiples to other comparable companies, including IMAX Corporation (the Controlling Shareholder). The key assumptions used in determining the equity value of the Group along with the assumptions as of the relevant reporting periods are listed below:

	30 June 2016 (Unaudited)	30 June 2015 (Audited)
Discount rate	n/a	11%
Terminal Growth rate	n/a	4%
Minority investment and liquidity discount	n/a	20%

There were no significant transfers between Level 1 and Level 2 during the six months ended 30 June 2016 (30 June 2015: 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.

7. Revenue and Segmented Information

The Group has five reportable segments identified by category of product sold or service provided: sales arrangements; theatre system maintenance; revenue sharing arrangements; film business; and other. The sales arrangements segment sells or leases IMAX theatre projection system equipment. The theatre system maintenance segment maintains IMAX theatre projection system equipment in the IMAX theatre network. The revenue sharing arrangements segment provides IMAX theatre projection system equipment to an exhibitor in exchange for a share of the box-office. The other segment sells glasses and other miscellaneous items. The film segment absorbs its costs to purchase the film from IMAX Corporation and then recoups this cost from a percentage of the gross box-office receipts of the film, which generally range from 9.5-12.5%. The other segment includes after-market sales and other miscellaneous items.

Management, including the Group's executive directors, assesses segment performance based on segment revenues, gross margins and film performance. Selling, general and administrative expenses, trademark and technology fees, interest income, interest expense and tax (provision) recovery are not allocated to the segments.

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

Transactions between the other segments are not significant.

7. Revenue and Segmented Information (Continued)

(a) Operating Segments

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Revenue		
Theatre Business		
Sales arrangements	16,257	7,932
Theatre system maintenance	5,665	4,435
Revenue sharing arrangements	16,767	15,996
Other	446	376
	39,135	28,739
Film Business	15,926	15,174
Total	55,061	43,913
Gross profit		
Theatre Business		
Sales arrangements	8,589	5,749
Theatre system maintenance	3,301	2,482
Revenue sharing arrangements	10,442	10,574
Other	(119)	123
	22,213	18,928
Film Business	11,729	11,636
Total gross profit	33,942	30,564
Selling, general and administrative expenses	(8,598)	(11,847)
Other operating expenses	(2,980)	(2,453)
Accretion of amortised cost of financial instrument	—	(2,247)
Fair value adjustment of conversion option	—	(77,568)
Interest income	259	239
Interest expense	—	(30)
Profit (loss) before income tax	22,623	(63,342)

7. Revenue and Segmented Information (Continued)

(a) Operating Segments (Continued)

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.

Sales arrangements included $0.2 million of contingent rent recognised as income in the six months ended 30 June 2016 (30 June 2015: $0.2 million). Revenue sharing arrangements included contingent rent recognised as income of $13.4 million the six months ended 30 June 2016 (30 June 2015: $13.1 million).

(b) Significant Customers

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

Customer A

Revenues of approximately $14.3 million in the six months ended 30 June 2016 (30 June 2015: $14.1 million) are derived from a single external customer. These revenues are attributable to the IMAX systems, theatre system maintenance, joint revenue sharing arrangements, and other segments.

Customer B

Revenues of approximately $4.0 million in the six months ended 30 June 2016 (30 June 2015: $14.0 million) are derived from a single external customer. These revenues are attributable to the IMAX systems and theatre system maintenance segments.

Customer C

Revenues of approximately $12.4 million in the six months ended 30 June 2016 (30 June 2015: $1.8 million) are derived from a related party. These revenues are attributable to theatre system maintenance, film, and other segments.

No other single customers comprises of more than 10% of total revenues in the six months ended 30 June 2016 or 2015.

8. Expenses by nature

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

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Cost of theatre system sales and finance leases	10,486	4,962
Depreciation, including revenue sharing arrangements and film cost	5,755	5,230
Employee salaries and benefits	3,974	2,740
Theatre maintenance fees	2,364	1,952
Other employee expenses	1,034	395
Advertising and marketing expenses	2,835	1,531
Technology and trademark fees	2,980	2,386
Travel and transportation expenses	614	432
Professional fees	825	181
Foreign exchange and other business (income)/expenses	(510)	606
Operating lease rentals in respect of office buildings	850	327
Share-based compensation expenses	1,090	1,223
Other film costs recoveries	(73)	(58)
Auditors' remuneration		
— Non-audit services	23	3
— Audit services	421	68
Utilities and maintenance expenses	29	165
Listing expenses	—	5,506
Total costs of sales, selling, general and administrative expenses and other operating expenses	32,697	27,649

9. Income tax expense

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Current income tax:		
Current tax on profits for the period	(5,615)	(5,169)
Adjustments in respect of prior years	85	—
Total current income tax	(5,530)	(5,169)
Deferred income tax (note 13):		
Origination and reversal of temporary differences	649	564
Total deferred income tax	649	564
Income tax expense	(4,881)	(4,605)

Income tax expense for the six months ended 30 June 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 2016, the estimated average annual tax rate used for the year ending 31 December 2016 was 22%. For the six months ended 30 June 2015, the weighted average applicable tax rate was negative 8%. The change is caused by a change in the profitability of the Group's subsidiaries in the respective countries and in particular, a significant increase in the pre-tax loss for the Company due to charges relating to the fair value of the conversion option and accretion which is taxed at 0%.

10. Profit (loss) 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	
	2016 (Unaudited)	2015 (Audited)
Profit (loss) for the period	17,742	(67,947)
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of period	355,325	270,000
Weighted average number of shares issued during the period	8	—
Weighted average number of shares used in computing basic earnings per share	355,333	270,000
Assumed exercise of stock options, net of shares assumed	6,652	—
Weighted average number of shares used in computing diluted earnings per share	361,985	270,000

11. Property, plant and equipment

	Theatre System Components	Office and Production Equipment	Leasehold Improvements	Construction in Process	Total
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
As at 1 January 2015 (audited)					
Cost	51,600	651	565	26	52,842
Accumulated depreciation	(9,195)	(299)	(532)	—	(10,026)
Net book amount	42,405	352	33	26	42,816
Six months ended 30 June 2015 (audited)					
Opening net book amount	42,405	352	33	26	42,816
Exchange differences	1	—	(8)	8	1
Additions	—	57	214	6,707	6,978
Transfers	2,831	—	—	(2,831)	—
Depreciation charge	(2,128)	(50)	(68)	—	(2,246)
Closing net book amount	43,109	359	171	3,910	47,549

12. Trade and other receivables

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Trade receivables	24,067	18,225
Less: provision for impairment of trade receivables	(49)	(49)
Trade receivables — net	24,018	18,176
Receivables from IMAX Corporation (note 21(b))	20,468	14,991
Other accrued receivables	5,068	2,473
	49,554	35,640

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 2016 (Unaudited)	As at 31 December 2015 (Audited)
0–30 days	8,873	11,401
31–60 days	2,074	1,080
61–90 days	5,064	2,216
Over 90 days	28,524	18,519
	44,535	33,216

13. Deferred income tax

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

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Opening balance	1,309	805
Exchange differences	34	7
Income statement recovery (note 9)	649	497
Closing balance	1,992	1,309

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	As at 31 December 2014
Common A Shares issued	2,700,000	2,700,000
Common B Shares issued	—	—
Redeemable Class C Shares issued	675,000	337,500
Common D Shares issued	—	—
	3,375,000	3,037,500

14. Share capital and reserves (Continued)

(a) Authorised (Continued)

Common Shares (Continued)

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, FountainVest, CMCCP and CME, 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 2015	303,750,000
Redeemable Class C Shares issued	33,750,000
Number of shares as at 30 June 2015	337,500,000
Common shares issued upon initial public offering	17,825,000
Number of shares as at 1 January 2016	355,325,000
Exercise of share options	33,900
Number of shares as at 30 June 2016	355,358,900

14. Share capital and reserves (Continued)

(a) Authorised (Continued)

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

In February 2015, the Company issued Redeemable Class C Shares. The Class C Shares were subsequently redesignated into common shares as discussed above under Reorganisation.

The Company issued 17,825,000 shares pursuant to the global offering in October 2015.

IMAX Corporation did not issue common shares in the six months ended 30 June 2016. In the year ended 31 December 2015, IMAX Corporation issued 29,251 common shares, pursuant to the exercise of stock options for cash proceeds of $0.5 million.

The Company issued 33,900 common shares in the six months ended 30 June 2016 (30 June 2015: nil) pursuant to the exercise of stock options for cash proceeds of less than $0.1 million (30 June 2015: $nil).

(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 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 the Company.

The compensation costs recorded in the condensed consolidated interim statement of comprehensive income for these plans were $1.1 million in the six months ended 30 June 2016 (30 June 2015: $1.2 million). An income tax benefit is recorded in the condensed consolidated interim statement of comprehensive income (loss) for these costs of $0.2 million for the six months ended 30 June 2016 (30 June 2015: $0.3 million).

14. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

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. 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 $0.1 million in the six months ended 30 June 2016 (30 June 2015: $0.1 million) related to stock option grants issued to IMAX China employees in the IMAX LTIP and SOP plans. Total share-based compensation expense related to non-vested IMAX China employee stock options not yet recognised and the weighted average period over which the awards are expected to be recognised at 30 June 2016 is $0.1 million and 2.9 years.

14. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

SOP and IMAX LTIP (Continued)

The weighted average fair value of all stock options, granted to IMAX China employees in the six months ended 30 June 2016 at the measurement date was $8.57 per share (30 June 2015: $7.14 per share). The following assumptions were used to estimate the average fair value of the stock options:

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Average risk-free interest rate	1.72%	1.90%
Expected option life (in years)	4.88	4.51
Expected volatility	30%	30%
Dividend yield	0%	0%

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	
	2016 (Unaudited)	2015 (Audited)	2016 (Unaudited)	2015 (Audited)
Options outstanding, beginning of period	57,645	246,022	29.93	24.03
Granted	4,376	1,904	31.85	33.80
Transferred in	7,877	25,416	32.01	28.03
Exercised	—	(29,251)	—	18.58
Options outstanding, end of period	69,898	244,091	30.28	25.17
Options exercisable, end of period	52,557	31,533	30.26	30.01

No stock options were surrendered or cancelled by Group employees in the six months ended 30 June 2016 (30 June 2015: none).

14. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

SOP and IMAX LTIP (Continued)

SOP and IMAX LTIP Summary (Continued)

As at 30 June 2016, 67,425 options were fully vested or are expected to vest with a weighted average exercise price of $30.25, aggregate intrinsic value of $0.1 million and weighted average remaining contractual life of 2.7 years. As at 30 June 2016, options that are exercisable have an intrinsic value of $0.1 million and a weighted average remaining contractual life of 2.0 years. The intrinsic value of options exercised in the six months ended 30 June 2016 was $nil (30 June 2015: $0.6 million).

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.

During the six months ended 30 June 2015, 1,113,700 China IPO Options were granted to certain employees in accordance with the China LTIP. No China IPO Options were granted after 2015. Both the China IPO Options and Tandem Options have a maximum contractual life of 7 years.

As at 30 June 2016, 8,943,600 China IPO Options were fully vested or are expected to vest with a weighted average exercise price of $1.41 per share and a weighted average remaining contractual life of 4.0 years. As at 30 June 2016, 3,876,010 China IPO Options were exercisable (31 December 2015: nil).

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

The weighted average fair value of China IPO Options granted in the six months ended 30 June 2015 at the measurement date was $0.43 per share. The assumptions used in the fair value calculation are the same as the assumptions used for stock options under IMAX LTIP and SOP.

As at 30 June 2016, there were 8,943,600 (31 December 2015: 8,977,500) of outstanding China IPO Options. The following table summarizes certain information in respect of China IPO Option activity in the Group:

14. Share capital and reserves (Continued)

(c) *Share-based payments (Continued)*

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

Equity-settled China Options

For the six months ended 30 June

	Number of Shares		Weighted Average Exercise Price Per Share	
	2016 (Unaudited)	2015 (Audited)	2016 (Unaudited)	2015 (Audited)
Options outstanding, beginning of period	8,977,500	7,863,800	1.41	1.42
Granted	—	1,113,700	—	1.33
Exercised	(33,900)	—	1.36	—
Options outstanding, end of period	8,943,600	8,977,500	1.41	1.41
Options exercisable, end of period	3,876,010	—	1.41	—

In the six months ended 30 June 2016, the Group recorded an expense of $0.3 million (30 June 2015: $0.6 million) related to equity-settled China IPO Options issued under the China LTIP.

China Options Summary

During the six months ended 30 June 2016, 139,579 (30 June 2015: nil) 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.

As at 30 June 2016, 139,579 China Options were fully vested or are expected to vest with a weighted average exercise price of $5.84 per share and a weighted average remaining contractual life of 6.7 years. As at 30 June 2016, no China Options were exercisable (31 December 2015: nil).

14. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

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

China Options Summary (Continued)

The weighted average fair value of China Options granted in the six months ended 30 June 2016 at the measurement date was $1.52 per share. The following assumptions were used to estimate the average fair value of the options:

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Average risk-free interest rate	1.13%	n/a
Expected option life (in years)	4.27	n/a
Expected volatility	30%	n/a
Dividend yield	0%	n/a

As at 30 June 2016, there were 139,579 (31 December 2015: nil) of outstanding China Options. The following table summarizes certain information in respect of China Option activity in the Group:

For the six months ended 30 June

	Number of Shares		Weighted Average Exercise Price Per Share	
	2016 (Unaudited)	2015 (Audited)	2016 (Unaudited)	2015 (Audited)
Options outstanding, beginning of period	—	—	—	—
Granted	139,579	—	5.84	—
Options outstanding, end of period	139,579	—	5.84	—
Options exercisable, end of period	—	—	—	—

In the six months ended 30 June 2016, the Group recorded an expense of less than $0.1 million (30 June 2015: $nil) related to China Options issued under the China LTIP.

14. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

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

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 2016, the Group recorded an expense of $0.1 million (30 June 2015: $0.5 million) related to the CSSBP.

The carrying amount of the liability relating to the CSSBP transactions as of 30 June 2016 is $1.0 million (31 December 2015: $0.8 million). No CSSBP have been vested or settled during the six months ended 30 June 2016. During 2015 and subject to completion of the IPO, a portion of the CSSBP awards vested and were settled in cash for $1.0 million.

Restricted Share Units

RSUs have been granted to employees of the Group under the IMAX LTIP. Each RSU represents a contingent right to receive one common share of IMAX Corporation and is the economic equivalent of one common share of IMAX Corporation. RSUs were not issued before 2013. The grant date fair value of each RSU is equal to the share price of IMAX Corporation's stock at the grant date. The Group recorded an expense of $0.1 million for the six months ended 30 June 2016 (30 June 2015: less than $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 2016 was 8.08% (30 June 2015: 8.07%).

Total share-based compensation expense related to non-vested RSU's not yet recognised at 30 June 2016 and the weighted average period over which the awards are expected to be recognised is $0.3 million and 2.6 years. No actual tax benefits have been realised for tax deductions related to the vesting of RSUs for the six months ended 30 June 2016 (30 June 2015: none).

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.

14. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

Restricted Share Units (Continued)

RSU Summary

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	
	2016 (Unaudited)	2015 (Audited)	2016 (Unaudited)	2015 (Audited)
RSUs outstanding, beginning of period	11,823	4,909	31.48	27.26
Granted	3,533	2,828	31.85	33.80
Transferred in	9,045	2,572	34.64	27.16
Vested and settled	(2,863)	(1,183)	28.43	27.09
RSUs outstanding, end of period	21,538	9,126	33.28	29.28

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 IMAX China and its economic equivalent of one common share of IMAX China Holding, Inc. 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 2016 (30 June 2015: $nil) related to China RSU grants issued to employees in the plan. The annual termination probability assumed for the six months ended 30 June 2016 was 0% (30 June 2015: nil).

Total share-based compensation expense related to non-vested RSUs not yet recognized at 30 June 2016 and the weighted average period over which the awards are expected to be recognized is $1.0 million and 3.2 years. No actual tax benefits have been realised for tax deductions related to the vesting of RSUs for the six months ended 30 June 2016 (30 June 2015: none).

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.

14. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

China RSUs (Continued)

China RSU Summary

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

For the six months ended 30 June

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2016 (Unaudited)	2015 (Audited)	2016 (Unaudited)	2015 (Audited)
RSUs outstanding, beginning of period	—	—	—	—
Granted	239,821	—	5.65	—
Vested and settled	(58,254)	—	5.16	—
Forfeited	(514)	—	5.81	—
RSUs outstanding, end of period	181,053	—	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 on page 65 of the financial information.

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 payments expenses.

15. Trade and other payables

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Trade payables	1,537	1,272
Amounts due to IMAX Corporation (note 21(b))	26,866	10,900
	28,403	12,172

The aging analysis of trade and other payables is as follows:

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
0–30 days	17,181	1,858
31–60 days	182	4,023
61–90 days	762	622
Over 90 days	10,278	5,669
	28,403	12,172

As at 30 June 2016 and 31 December 2015, 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. Accruals and other liabilities

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Accrued marketing and advertising expenses	1,797	1,458
Accrued salaries and benefits	1,091	631
Accrued selling expenses	812	802
Accrued audit fees	448	775
Accrued legal fees	626	121
Other accrued expenses	348	365
Accruals and other liabilities, total	5,122	4,152

17. Deferred revenue

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Theatre system deposits	42,320	38,482
Maintenance prepayments	3,748	3,235
Other deferred revenue	182	182
	46,250	41,899
Deferred revenue, current	29,247	12,762
Deferred revenue, non-current	17,003	29,137
	46,250	41,899

18. Statement of cash flow supplemental information

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Profit (loss) for the period	17,742	(67,947)
Adjustment for:		
Amortization of film assets	2,813	2,984
Depreciation of property, plant and equipment	2,942	2,246
Accretion of amortised cost of financial instrument	—	2,247
Fair value adjustment of conversion option	—	77,568
Changes in deferred income taxes	(649)	(564)
Equity settled and other non-cash compensation	1,090	1,223
Write-downs	191	66
Foreign exchange loss	85	275
Investment in film assets	(2,883)	(2,908)
Non-cash invested capital	—	(623)
Changes in working capital		
Trade and other receivables	(13,910)	(10,233)
Inventories	(5,806)	(2,910)
Financing receivables	(1,513)	(342)
Trade and other payables	16,003	(10,588)
Taxes payable	9,170	5,207
Accruals and other liabilities	(498)	(1,315)
Deferred revenue	4,351	7,117
Prepayments	(250)	(425)
Other assets	235	4,372
Cash provided by operations	29,113	5,450

19. Commitments

(a) Capital commitments

As at the end of current interim period, the Group's capital expenditure commitment is shown below:

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated interim financial information in respect of:		
Acquisition of property, plant and equipment	797	700
Capital injection to a film fund	25,000	—

(b) Operating lease commitments — Group as lessee

The Group leases various offices, apartments, and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Within one year	1,939	2,054
Between 1 and 2 years	1,538	1,579
Between 2 and 3 years	791	1,336
Thereafter	—	104
	4,268	5,073

Rent expense was $0.9 million for the six months ended 30 June 2016 (30 June 2015: $0.6 million).

20. Contingencies and guarantees

The Group is involved in lawsuits, claims, and proceedings, including those identified below, which arise in the ordinary course of business. In accordance with the Group's policies, the Group will make a provision for a liability when it is both probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Group believes it has adequate provisions for any such matters. The Group 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 Group's determination as to an unfavourable outcome and result in the need to recognise 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 Group'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 Group expenses legal costs relating to its lawsuits, claims and proceedings as incurred.

In March 2013, IMAX (Shanghai) Multimedia Technology Co., Ltd., the Company's wholly-owned subsidiary in China, received notice from the Shanghai office of the General Administration of Customs that it had been selected for a customs audit. The Group is unable to assess the potential impact, if any, as of the date of this report.

Financial guarantees

The Group has not provided any significant financial guarantees to third parties.

21. 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 68.5% of the Company's shares.

21. Related party transactions (Continued)

The following continuing transactions were carried out with related parties:

(a) Purchases and sales of goods and services

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Purchase of goods:		
IMAX Corporation (theatres systems)	19,872	13,508
Purchase of services:		
IMAX Corporation (film related transactions)	2,885	2,965
IMAX Corporation (management fees — legal and administration services)	248	250
Other transactions:		
IMAX Corporation (Reimbursement of compensation of Company employees paid by IMAX Corporation)	1,118	1,586
IMAX Corporation (trademark and technology fees)	2,980	2,309
Revenue earned from film services through IMAX Corporation	11,562	13,987
Revenue earned from maintenance services provided to IMAX Corporation	182	56

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. Management fees related to legal and administrative services provided by IMAX Corporation to the Group have been charged in the amount of $0.5 million per year.

(b) Period/Year-end balances arising from sales/purchases of goods/services

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Receivables from related parties (note 12):		
IMAX Corporation	20,468	14,991
Payables to related parties (note 15):		
IMAX Corporation	26,866	10,900

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.

21. Related party transactions (Continued)

(c) Other related party transactions

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Investment in IMAX (Hong Kong) Holding, Limited	4,000	4,000

The promissory note payable to IMAX Corporation arose from the legal transfer of contracts and is unsecured, interest free and has no fixed terms of repayment, and was fully repaid in 2014.

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	
	2016 (Unaudited)	2015 (Audited)
Salaries and other short-term employee benefits	1,902	1,943
Post-employment benefits	9	18
Other benefits[1]	651	530
Share-based payments	673	990
	3,235	3,481

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

22. Dividends

No dividends in respect of the six months ended 30 June 2016 and the year ended 31 December 2015 have been proposed.

The following is a list of the principal subsidiaries as at 30 June 2016:

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

Definitions

In this Interim Report, unless the context otherwise requires, the following expressions shall have the following meanings.

"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
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"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
"EIT"	enterprise income tax
"Exercise Period"	the period during which an option may be exercised by a Grantee pursuant to the Share Option Scheme
"Exercise Price"	the price per Share at which a Grantee may subscribe for Shares upon the exercise of an option
"FountainVest"	FountainVest Partners
"FY"	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
"Grantee"	a Participant who accepts an offer of the grant of an option pursuant to the Share Option Scheme
"Greater China"	for the purposes of this document only, the PRC, Hong Kong, Macau and Taiwan
"Group", "we", "our" or "us"	the Company and its subsidiaries

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board
"IMAX Barbados"	IMAX (Barbados) Holding, Inc., a company incorporated in Barbados with limited liability on 18 August 2010 and a controlling shareholder of the Company
"IMAX 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"	IMAX China (Hong Kong), Limited, a company incorporated in Hong Kong with limited liability on 12 November 2010, which changed its name to its present name on 16 March 2011 and a direct wholly-owned subsidiary of the Company
"IMAX Hong Kong Holding"	IMAX (Hong Kong) Holding, Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of IMAX Barbados
"IMAX Shanghai Multimedia"	IMAX (Shanghai) Multimedia Technology Co., Ltd., a wholly foreign-owned enterprise established under the laws of the PRC on 31 May 2011 and a direct wholly-owned subsidiary of IMAX Hong Kong
"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
"Long Term Incentive Plan" or "LTIP"	the long term incentive plan adopted by the Company in October 2012
"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
"New Option Approval Date"	the date the Shareholders approve the renewed Option Scheme Mandate Limit
"Option Scheme Mandate Limit"	the total number of Shares in respect of which options may be granted pursuant to the Share Option Scheme and any other share option schemes of the Company, being (a) 10% of the Shares in issue on the Listing Date, or (b) 10% of the Shares in issue as at the New Option Approval Date (as the case may be)

Definitions (Continued)

"Participants"	directors, employees and consultants of the Group who are granted options pursuant to the Share Option Scheme
"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 Interim Report to PRC or China exclude Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated 24 September 2015
"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
"RSU Scheme"	the restricted share unit scheme conditionally adopted pursuant to a resolution of our sole shareholder dated 21 September 2015, the principal terms of which are summarised in the section headed "Other Information — Sub-Plan: The Restricted Share Unit Scheme" in this Interim Report
"RSU(s)"	restricted share unit(s)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share Option Scheme"	the share option scheme conditionally adopted pursuant to a resolution of our sole shareholder dated 21 September 2015, the principal terms of which are summarised in the section headed "Other Information — Sub-Plan: The Share Option Scheme" in this Interim Report
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	Ordinary share(s) with a nominal value of US$0.0001 each in the share capital of the Company and a "**Share**" means any of them
"SMG"	Shanghai Media Group
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sub-Plans"	the further sub-plans permitted to be established by the LTIP
"TCL-IMAX Entertainment"	TCL-IMAX Entertainment Co., Limited, a company incorporated in Hong Kong with limited liability on 3 January 2014, being the joint venture company jointly owned by IMAX Hong Kong Holding and Sino Leader (Hong Kong) Limited, which is wholly owned by TCL Multimedia Technology Holdings Limited
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"USD", "US$", "$" 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 Interim Report 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

Glossary (Continued)

"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

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