IMAX CHINA HOLDING, INC.

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

Interim Report 2018

IMAX®

Contents

IMAX CHINA HOLDING, INC.
Interim Report 2018

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Richard Gelfond (Chair)
Greg Foster
RuiGang Li

Independent Non-executive Directors

John Davison
Yue-Sai Kan
Dawn Taubin

AUDIT COMMITTEE

John Davison (Chair)
Dawn Taubin
Richard Gelfond

REMUNERATION COMMITTEE

Yue-Sai Kan (Chair)
John Davison
Greg Foster

NOMINATION COMMITTEE

Richard Gelfond (Chair)
Yue-Sai Kan
Dawn Taubin

JOINT COMPANY SECRETARIES

Chan Wai Ling, *FCS, FCIS (PE)*
Zi Maggie Chen

AUTHORISED REPRESENTATIVES

Jim Athanasopoulos
Chan Wai Ling, *FCS, FCIS (PE)*

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

CORPORATE HEADQUARTERS

7/F, Verdant Place
No, 128 West Nanjing Road
Huangpu District, Shanghai
People's Republic of China

REGISTERED OFFICE

c/o Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman
KY1-1104 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

STOCK CODE

1970

COMPANY WEBSITE

www.imax.cn

Financial Highlights

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Total revenue (US$'000)	**51,487**	51,572
Gross profit (US$'000)	**37,006**	32,556
Gross profit %	**71.9%**	63.1%
Profit for the period (US$'000)	**20,465**	16,489
Profit for the period %	**39.7%**	32.0%
Profit per share (US$)	**0.06**	0.05
Adjusted profit (US$'000)	**21,251**	17,689
Adjusted profit %	**41.3%**	34.3%
Total theater system signings	**34**	83
Sales arrangements	**5**	43
Revenue sharing arrangements	**29**	40
Total theater system installations	**25**	36
Sales arrangements	**8**	12
Revenue sharing arrangements	**17**	24
Gross box office (US$'000)	**189,579**	167,401
Box office per screen (US$'000)	**361**	411

2018 OUTLOOK

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

Management Discussion and Analysis

OVERVIEW

The management discussion and analysis is based on the Company's condensed consolidated interim financial information for 1HFY2018 prepared in accordance with International Accounting Standard 34 and must be read together with the condensed consolidated interim financial information and the notes which form an integral part of the condensed consolidated interim financial information.

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

In 1HFY2018, the Company adopted *IFRS 15*, "Revenue from contracts with customers" *(IFRS 15)* utilizing the modified retrospective transition method with a cumulative catch-up adjustment. The Company is applying the new revenue standard only to contracts not completed as of the date of initial application, referred to as open contracts. As such, the current presentation of our segments is not consistent with the prior year period.

Revenue

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

Network Business

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

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

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

- Sales arrangements, consist of variable payments from the Company's sales type leases in excess of certain fixed minimum ongoing payments, under arrangements in the IMAX sales arrangements, which are recognized when reported by exhibitor partners, provided collectability is reasonably assured.

Theatre Business

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

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

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

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

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

New Business and Other

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

Management Discussion and Analysis (Continued)

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

	1HFY2018		1HFY2017	
	US$'000	**%**	US$'000	%
Network Business				
Film	**14,933**	**29.0%**	14,579	28.3%
Revenue sharing arrangements — contingent rent	**12,245**	**23.8%**	10,908	21.2%
Sales arrangements — contingent rent	**—**	**—**	176	0.3%
Sub-total	**27,178**	**52.8%**	25,663	49.8%
Theatre Business				
Sales arrangements	**13,224**	**25.7%**	16,499	32.0%
Revenue sharing arrangements — upfront fees	**1,022**	**2.0%**	1,878	3.6%
Theatre system maintenance	**9,554**	**18.6%**	6,979	13.5%
Other theatre	**422**	**0.8%**	414	0.8%
Sub-total	**24,222**	**47.0%**	25,770	50.0%
New Business and Other	**87**	**0.2%**	139	0.3%
Total	**51,487**	**100.0%**	51,572	100.0%

Cost of Sales

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

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

	1HFY2018		1HFY2017	
	US$'000	%	US$'000	%
Network Business				
Film	2,205	14.8%	4,592	31.5%
Revenue sharing arrangements — contingent rent	5,529	45.2%	5,165	47.4%
Sales arrangements — contingent rent	—	—	—	—
Sub-total	7,734	28.5%	9,757	38.0%
Theatre Business				
Sales arrangements	2,852	21.6%	4,607	27.9%
Revenue sharing arrangements — upfront fees	795	77.8%	1,656	88.2%
Theatre system maintenance	2,800	29.3%	2,698	38.7%
Other theatre	224	53.1%	227	54.8%
Sub-total	6,671	27.5%	9,188	35.7%
New Business and Other	76	87.4%	71	51.1%
Total	14,481	28.1%	19,016	36.9%

Gross Profit and Gross Profit Margin

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

	1HFY2018		1HFY2017	
	US$'000	%	US$'000	%
Network Business				
Film	12,728	85.2%	9,987	68.5%
Revenue sharing arrangements — contingent rent	6,716	54.8%	5,743	52.6%
Sales arrangements — contingent rent	—	—	176	100.0%
Sub-total	19,444	71.5%	15,906	62.0%
Theatre Business				
Sales arrangements	10,372	78.4%	11,892	72.1%
Revenue sharing arrangements — upfront fees	227	22.2%	222	11.8%
Theatre system maintenance	6,754	70.7%	4,281	61.3%
Other theatre	198	46.9%	187	45.2%
Sub-total	17,551	72.5%	16,582	64.3%
New Business and Other	11	12.6%	68	48.9%
Total	37,006	71.9%	32,556	63.1%

Management Discussion and Analysis (Continued)

Selling, General and Administrative Expenses

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

	1HFY2018		1HFY2017	
	US$'000	%	US$'000	%
Employee salaries and benefits	2,789	5.4%	3,172	6.2%
Share-based compensation expenses	1,014	2.0%	962	1.9%
Travel and transportation	476	0.9%	489	0.9%
Advertising and marketing	880	1.7%	579	1.1%
Professional fees	1,248	2.4%	1,037	2.0%
Other employee expenses	223	0.4%	161	0.3%
Facilities	625	1.2%	743	1.4%
Depreciation	346	0.7%	394	0.8%
Foreign exchange and other expenses	510	1.0%	262	0.5%
Total	8,111	15.8%	7,799	15.1%

Restructuring Expenses

In June 2017, the Company announced the implementation of a cost-reduction plan to create cost savings aimed at increasing profitability, operating leverage and free cash flow. Restructuring expenses were comprised of employee severance costs and contract termination costs. Our restructuring expenses for 1HFY2017 were US$0.6 million, and there was no such expense in 1HFY2018.

Other Operating Expenses

Other operating expenses primarily include the annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements, charged at an aggregate of 5% of our revenue. Our other operating expenses for 1HFY2018 and 1HFY2017 were US$2.9 million and US$3.2 million, respectively.

Interest Income

Interest income represents interest earned on various term deposits and a related party short-term loan receivable we hold. None of the term deposits had a term of more than 90 days. Our interest income for 1HFY2018 and 1HFY2017 was US$0.4 million and US$0.3 million, respectively.

Income Tax Expenses

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

Our income tax expense for 1HFY2018 and 1HFY2017 was US$6.0 million and US$4.8 million, respectively. Our effective tax rate was at 22.5% during 1HFY2018 and 1HFY2017.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Condensed Consolidated Interim Statements of Comprehensive Income

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

	1HFY2018		1HFY2017	
	US$'000	**%**	US$'000	%
Revenues	**51,487**	**100.0%**	51,572	100.0%
Cost of sales	**(14,481)**	**(28.1%)**	(19,016)	(36.9%)
Gross profit	**37,006**	**71.9%**	32,556	63.1%
Selling, general and administrative expenses	**(8,111)**	**(15.8%)**	(7,799)	(15.1%)
Restructuring expenses	**—**	**—**	(584)	(1.1%)
Other operating expenses	**(2,888)**	**(5.6%)**	(3,191)	(6.2%)
Operating profit	**26,007**	**50.5%**	20,982	40.7%
Interest income	**411**	**0.8%**	285	0.6%
Profit before income tax	**26,418**	**51.3%**	21,267	41.2%
Income tax expense	**(5,953)**	**(11.6%)**	(4,778)	(9.3%)
Profit for the period, attributable to owners of the Company	**20,465**	**39.7%**	16,489	32.0%
Other comprehensive (loss) income:				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	**(2,428)**	**(4.7%)**	3,412	6.6%
Other comprehensive (loss) income	**(2,428)**	**(4.7%)**	3,412	6.6%
Total comprehensive income for the period, attributable to owners of the Company	**18,037**	**35.0%**	19,901	38.6%

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:

	1HFY2018 US$'000	1HFY2017 US$'000
Profit for the period	**20,465**	16,489
Adjustments:		
Share-based compensation	**1,014**	962
Restructuring expenses	**—**	584
Tax impact on items listed above	**(228)**	(346)
Adjusted profit	**21,251**	17,689

1HFY2018 COMPARED WITH 1HFY2017

Revenue

Our revenue decreased 0.2% from US$51.6 million in 1HFY2017 to US$51.5 million in 1HFY2018 driven by a decrease of US$1.6 million in the Theatre Business revenue and an increase of US$1.5 million in our Network Business revenue, as explained further below.

Prior to the adoption of the new revenue standard, our revenue would be US$53.5 million in 1HFY2018, an increase of 3.8%.

Network Business

Revenue from our Network Business increased 5.9% from US$25.7 million in 1HFY2017 to US$27.2 million in 1HFY2018 primarily due to a US$22.2 million, or 13.2% increase in box office revenue in 1HFY2018 compared to the prior year period.

Film

In accordance with *IFRS 15*, for films with DMR revenue received from IMAX Corporation, the payment of DMR costs to IMAX Corporation is not considered in exchange for a distinct good or service that IMAX Corporation transfers to the Group. Therefore, the payment of DMR conversion cost for these films is considered as a payment to customer and is netted against DMR revenue earned from IMAX Corporation. As a result of the adoption of *IFRS 15*, both DMR revenue from IMAX Corporation and DMR conversion costs to IMAX Corporation for imported films were reduced by $2.2 million for 1HFY2018.

Film revenue increased 2.4% from US$14.6 million in 1HFY2017 to US$14.9 million in 1HFY2018 as a result of an increase in box office revenue offset by the impact of *IFRS 15* mentioned above. The box office revenue generated by IMAX format films increased 13.2% from US$167.4 million in 1HFY2017 to US$189.6 million in 1HFY2018 as a result of the strong performance of the Company's film slate in 1HFY2018, which included Avengers: Infinity War, along with *Operation Red Sea* and *Ready Player One*. IMAX formatted Chinese language films, as a percentage of our PRC box office, increased from 11.7% in 1HFY2017 to 26.1% in 1HFY2018, and we shared in a higher percentage of box office for Chinese language films compared to Hollywood films.

Box office revenue per screen decreased 12.2% from US$0.41 million in 1HFY2017 to US$0.36 million in 1HFY2018 as a result of continued growth of the IMAX theatre network, which increased 23.7% from 460 IMAX theatres in 1HFY2017 to 569 IMAX theatres in 1HFY2018.

The following table sets out the number of films we released in the IMAX format in 1HFY2018 and 1HFY2017 in Greater China:

	1HFY2018	1HFY2017
Hollywood films	**12**	17
Hollywood films (Hong Kong and Taiwan only)	**5**	2
Local language films — Chinese language films	**5**	2
Local language films — Non-Chinese language films	**1**	—
Total IMAX films released	**23**	21

Revenue Sharing Arrangements — Contingent Rent

Contingent rent from revenue sharing arrangements increased 12.3% from US$10.9 million in 1HFY2017 to US$12.2 million in 1HFY2018, primarily due to a greater number of IMAX theatres operating under revenue sharing arrangements in 1HFY2018 compared to 1HFY2017, which was partly offset by lower box office revenue per screen. We had 285 theatres operating under revenue sharing arrangements at the end of 1HFY2017 as compared to 357 at the end of 1HFY2018, which represented an increase of 25.3%.

Contingent rent from full revenue sharing arrangements increased 11.1% from US$9.0 million in 1HFY2017 to US$10.0 million in 1HFY2018, primarily due to growth in the full revenue sharing network which increased 27.9%, from 215 IMAX theatres in 1HFY2017 to 275 IMAX theatres in 1HFY2018, while offset by lower box office revenue per screen.

Management Discussion and Analysis (Continued)

Contingent rent from hybrid revenue sharing arrangements increased 15.8% from US$1.9 million in 1HFY2017 to US$2.2 million in 1HFY2018, primarily due to growth in the hybrid revenue sharing network which increased 17.1%, from 70 IMAX theatres in 1HFY2017 to 82 IMAX theatres in 1HFY2018, while offset by lower box office revenue per screen.

Sales Arrangements — Contingent Rent

Prior to the adoption of the new revenue recognition standard, the Company's sales arrangements included contingent rent in excess of fixed minimum ongoing payments. This contingent rent, which is included in the Network Business operations, is recognized after the fixed minimum amount per annum is exceeded as driven by box office performance. Contingent payments in excess of fixed minimum ongoing payments of sales arrangements are recognized as revenue when reported by theatre operators, provided collectability is reasonably assured. In addition, contingent rent includes amounts realized for changes in rent which are indexed to a local consumer price index. Effective January 1, 2018, upon adoption of the new revenue recognition standard, the recognition of contingent rent on an ongoing basis, as discussed above, will only continue for sales arrangements. Contingent rent on sales arrangements is estimated and recognized with the revenue under the Theatre Business.

Due to the impact of *IFRS15*, contingent rent of US$0.1 million related to theatre systems under sales arrangement was recognized in the transition adjustment.

Theatre Business

Revenue from our Theatre Business decreased 6.0% from US$25.8 million in 1HFY2017 to US$24.2 million in 1HFY2018.

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		
	2018	2017	Growth (%)
The PRC	**538**	430	25.1%
Hong Kong	**5**	4	25.0%
Taiwan	**9**	9	—
	552	443	24.6%
Institutional(1)	**17**	17	—
Total	**569**	460	23.7%

Note:

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

The following table sets out the number of IMAX theatre systems installed by business arrangements in 1HFY2018 and 1HFY2017:

	1HFY2018	1HFY2017
Sales arrangements	**8**	12
Revenue sharing arrangements	**17**	24
Total theatre systems installed	**25**[(1)]	36

Note:

(1) We installed 25 new IMAX theatre systems including 1 commercial laser (1 revenue sharing arrangement) in 1HFY2018.

Sales Arrangements

Theatre Business revenue from sales arrangements decreased 19.8% from US$16.5 million in 1HFY2017 to US$13.2 million in 1HFY2018, primarily due to 4 fewer sales installations in 1HFY2018 over 1HFY2017. We recognised sales revenue on 12 new theatre systems in 1HFY2017 with a total value of US$15.1 million, compared to 8 new theatre systems in 1HFY2018 with a total value of US$11.4 million.

Average revenue per new system under sales arrangements increased slightly from US$1.3 million in 1HFY2017 to US$1.4 million in 1HFY2018.

Revenue Sharing Arrangements — Upfront Fees

Upfront revenue from hybrid revenue sharing arrangement decreased 45.6% from US$1.9 million in 1HFY2017 to US$1.0 million in 1HFY2018, primarily due to 2 fewer hybrid revenue sharing installations in 1HFY2018.

Theatre System Maintenance

Theatre system maintenance revenue increased 36.9% from US$7.0 million in 1HFY2017 to US$9.6 million in 1HFY2018. Maintenance revenue increased in 1HFY2018 as a result of a 23.7% increase in the size of the IMAX network, which increased to 569 theaters as at 1HFY2018 from 460 theaters as at 1HFY2017.

New Business and Other

Revenue from new business and other was flat in 1HFY2018 and 1HFY2017 at US$0.1 million.

Cost of Sales

Our cost of sales decreased 23.8% from US$19.0 million in 1HFY2017 to US$14.5 million in 1HFY2018. This decrease was primarily due to a decrease of US$2.5 million in our Theatre Business and a decrease of US$2.1 million in our Network Business.

Network Business

The cost of sales for our Network Business decreased 20.7% from US$9.8 million to US$7.7 million due to adoption of *IFRS 15* as explained further below, and increased depreciation costs associated with a larger full revenue sharing network, currently 275 theaters as at 1HFY2018 versus 215 theaters as at 1HFY2017.

Film

In accordance with *IFRS 15*, for films with DMR revenue received from IMAX Corporation, the payment of DMR costs to IMAX Corporation is not considered in exchange for a distinct good or service that IMAX Corporation transfers to the Group. Therefore, the payment of DMR conversion cost for these films is considered as a payment to customer and is netted against DMR revenue earned from IMAX Corporation. As a result of the adoption of *IFRS 15*, both DMR revenue from IMAX Corporation and DMR conversion costs to IMAX Corporation for imported films were reduced by $2.2 million for 1HFY2018. Under the previous recognition standard, the cost of sales for film would be US$4.4 million in 1HFY2018, a decrease of 4.1% over 1HFY2017.

The cost of sales for film decreased 52.0% from US$4.6 million in 1HFY2017 to US$2.2 million in 1HFY2018 driven by the reduction of cost due to adoption of *IFRS 15* mentioned above, as well as fewer DMR conversion costs resulting from 1 less film exhibited in the PRC during 1HFY2018 as compared to 1HFY2017.

Revenue Sharing Arrangements — Contingent Rent

The cost of sales for contingent rent from revenue sharing arrangements increased 7.0% from US$5.2 million in 1HFY2017 to US$5.5 million in 1HFY2018, primarily due to increased depreciation costs associated with a larger full revenue sharing network, currently 275 theaters at 1HFY2018 versus 215 theaters as at 1HFY2017, while being offset by decreased one-time upfront costs related to the installation of 5 fewer full revenue sharing arrangements in 1HFY2018 versus 1HFY2017.

Theatre Business

The cost of sales for our Theatre Business decreased 27.4% from US$9.2 million in 1HFY2017 to US$6.7 million in 1HFY2018, primarily due to total 6 fewer IMAX theatre systems installations under sales arrangements and hybrid revenue sharing arrangements.

Sales Arrangements

Cost of sales from our Theatre Business under sales arrangements decreased 38.1% from US$4.6 million in 1HFY2017 to US$2.9 million in 1HFY2018, primarily due to the costs recognised on 12 theatre systems installations under sales arrangements in 1HFY2017 as compared to 8 in 1HFY2018, as well as lower cost of sales for systems due to depreciation of USD.

Revenue Sharing Arrangements — Upfront Fees

Cost of sales from installation of hybrid revenue sharing arrangements decreased 52.0% from US$1.7 million in 1HFY2017 to US$0.8 million in 1HFY2018, primarily due to the costs recognised on 2 theatre system installations under hybrid revenue sharing arrangements in 1HFY2018 as compared to 4 in 1HFY2017.

Theatre System Maintenance

Cost of sales from our Theatre Business with respect to theatre system maintenance increased 3.8% from US$2.7 million in 1HFY2017 to US$2.8 million in 1HFY2018 commensurate with the additional costs associated with servicing a larger IMAX theatre network, currently 569 theaters at 1HFY2018 versus 460 theaters as at 1HFY2017.

New Business and Other

Cost from new business and other was flat in 1HFY2018 and 1HFY2017 at US$0.1 million.

Gross Profit and Gross Profit Margin

Our gross profit in 1HFY2017 was US$32.6 million, or 63.1% of total revenue, compared to US$37.0 million, or 71.9% of total revenue, in 1HFY2018. The increase in gross profit was largely attributable to US$3.5 million increase in our Network Business, and US$1.0 million increase in our Theatre Business. The increase in gross profit margin was largely attributable to the growth of the IMAX theatre network and higher box office revenue combined with the operating leverage of our business.

Network Business

The gross profit from our Network Business increased 22.2% from US$15.9 million in 1HFY2017 to US$19.4 million in 1HFY2018, and the gross profit margin for our Network Business increased from 62.0% in 1HFY2017 to 71.5% in 1HFY2018. The increase was primarily due to an increase in our overall box office revenue, a decrease of one-time upfront costs related to fewer installations under full revenue sharing arrangements, and partly offset by increased depreciation costs associated with continued growth in the IMAX theatre network under revenue sharing arrangements.

Film

The gross profit for film increased 27.4% from US$10.0 million in 1HFY2017 to US$12.7 million in 1HFY2018, and the gross profit margin increased from 68.5% to 85.2% during the same period. The increase was primarily due to an increase of 13.2% in our overall box office revenue from US$167.4 million in 1HFY2017 to US$189.6 million in 1HFY2018 from a similar number of films, better performance of Chinese language films with higher margin than Hollywood films due to higher percentage of revenue and lower DMR cost and impact of *IFRS 15*.

Revenue Sharing Arrangements — Contingent Rent

The gross profit for contingent rent from revenue sharing arrangements increased 16.9% from US$5.7 million in 1HFY2017 to US$6.7 million in 1HFY2018, and the gross profit margin increased from 52.6% to 54.8% during the same period.

The gross profit for contingent rent from full revenue sharing arrangements increased 15.8% from US$3.8 million in 1HFY2017 to US$4.4 million in 1HFY2018, and the gross profit margin increased from 42.4% to 43.7% during the same period. Gross profit margin increased primarily due to higher overall box office revenue, decreased one-time upfront costs associated with the installation of 5 fewer systems in 1HFY2018, and partly offset by increased depreciation costs associated with a larger full revenue sharing network.

The gross profit for contingent rent from hybrid revenue sharing arrangements increased 21.1% from US$1.9 million in 1HFY2017 to US$2.3 million in 1HFY2018. Lower box office revenue per screen was offset by growth in the hybrid revenue sharing network which increased 17.1%, from 70 IMAX theatres in 1HFY2017 to 82 IMAX theatres in 1HFY2018.

Sales Arrangements — Contingent Rent

Due to the impact of *IFRS 15*, the gross profit for sales arrangements — contingent rent of US$0.1 million related to theatre systems under sales arrangements was recognized in the transition adjustment.

Theatre Business

The gross profit for our Theatres Business increased 5.8% from US$16.6 million in 1HFY2017 to US$17.6 million in 1HFY2018. During the same period, our gross profit margin increased from 64.3% to 72.5%. The increase in gross profit was primarily driven by increased gross profit of theatre system maintenance as a result of certain operating leverage from a larger network of theatres and partially setoff by the installation of 4 fewer theatres under sales arrangements and 2 fewer theatres under hybrid revenue sharing arrangements. The increase in gross profit margin was mainly driven higher average revenue per system installed in 1HFY2018 and by a larger network of theatres and lower costs of sales for systems due to depreciation of USD.

Sales Arrangements

The gross profit for our Theatre Business from sales of new IMAX theatre systems decreased 12.8% from US$11.9 million in 1HFY2017 to US$10.4 million in 1HFY2018 primarily due to the installation of 4 fewer theatres in 1HFY2018. Our gross profit margin increased from 72.1% in 1HFY2017 to 78.4% in 1HFY2018 due to lower costs of sales for systems resulting from the depreciation of USD and a higher average revenue per system installed in 1HFY2018.

Revenue Sharing Arrangements — Upfront Fees

The gross profit from upfront fees derived from hybrid revenue sharing arrangements was flat at US$0.2 million in 1HFY2017 and 1HFY2018, primarily due to higher gross profit margin of 11.8% in 1HFY2017 compared to 22.2% in 1HFY2018 due to lower costs of sales resulting from the depreciation of USD, while partially offset by 2 fewer installation under hybrid revenue sharing arrangements.

Theatre System Maintenance

The gross profit for our theatre system maintenance increased 57.8% from US$4.3 million in 1HFY2017 to US$6.8 million in 1HFY2018 as a result of certain operating leverage within the maintenance business generated from a larger network of theatres. Our gross profit margin increased from 61.3% in 1HFY2017 to 70.7% in 1HFY2018, partially due to timing of expenses and operating leverage from a larger network.

New Business and Other

The gross profit for new business and other was flat in 1HFY2018 and 1HFY2017 at US$0.1 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, increased 4.0% from US$7.8 million in 1HFY2017 to US$8.1 million in 1HFY2018, primarily due to: (i) a US$0.3 million increase in advertising and marketing costs commensurate with a growing IMAX theatre network and local language film slate; (ii) a US$0.2 million increase in professional fees for an ongoing legal matters; (iii) an increase in foreign exchange and other expenses resulting from a foreign exchange loss of US$0.1 million in 1HFY2018 due to depreciation of USD as compared to a foreign exchange gain of US$0.1 million in 1HFY2017 when USD appreciated, partially offset by a US$ 0.4 million decrease related to employee salaries and benefits due to the implementation of cost controls and a cost — reduction plan.

Restructuring Expenses

Restructuring expenses of US$0.6 million were incurred in 1HFY2017 due to the implementation of a cost-reduction plan to create cost savings aimed at increasing profitability, operating leverage and free cash flow. Restructuring expenses were mainly comprised of US$0.3 million for employee severance costs, US$0.2 million for facilities, and US$0.1 million for share-based compensation expenses. There was no such expense in 1HFY2018.

Other Operating Expenses

Other operating expenses decreased 9.5% from US$3.2 million in 1HFY2017 to US$2.9 million in 1HFY2018, primarily due to a custom penalty accrual of US$0.3 million in 1HFY2017, while there was no such penalty accrual in 1HFY2018, and partially offset by an increase of US$0.2 million in annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License agreements.

Income Tax Expense

Our income tax expense increased 24.6% from US$4.8 million in 1HFY2017 to US$6.0 million in 1HFY2018. The increase in income tax expense was primarily due to an increase in our operating profit before income tax of US$5.0 million from US$21.0 million in 1HFY2017 to US$26.0 million in 1HFY2018. Our effective tax rate was unchanged at 22.5% in 1HFY2017 and 1HFY2018.

Profit for the Period

We reported a comprehensive profit for the period of US$18.0 million in 1HFY2018 as compared to US$19.9 million in 1HFY2017. The decrease was primarily due to an increase in our profit for the period of US$4.0 million from US$16.5 million in 1HFY2017 to US$20.5 million in 1HFY2018 and offset by a decrease in other comprehensive income of US$5.8 million from an income of US$3.4 million in 1HFY2017 to a loss of US$2.4 million in 1HFY2018. Comprehensive profit for the period in 1HFY2018 included a US$1.0 million charge (US$1.0 million in 1HFY2017) for share-based compensation.

Adjusted Profit

Adjusted profit, which consists of profit for the period adjusted for the impact of share-based compensation, restructuring expenses and the related tax impact, was US$17.7 million in 1HFY2017 as compared to adjusted profit of US$21.3 million in 1HFY2018, a increase of 20.1%.

Management Discussion and Analysis (Continued)

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2018 US$'000	As at 31 December 2017 US$'000
Current assets		
Other assets	**2,554**	2,960
Film assets	**9**	—
Inventories	**6,474**	5,612
Prepayments	**2,456**	1,971
Financing receivables	**8,546**	8,450
Trade and other receivables	**49,750**	53,995
Cash and cash equivalents	**116,602**	116,678
Total Current assets	**186,391**	189,666
Current liabilities		
Trade and other payables	**17,229**	18,522
Accruals and other liabilities	**10,737**	10,161
Income tax liabilities	**3,615**	4,458
Deferred revenue	**21,985**	23,545
Total Current Liabilities	**53,566**	56,686
Net Current Assets	**132,825**	132,980

As at 30 June 2018, we had net current assets of US$132.8 million compared to net current assets of US$133.0 million as at 31 December 2017. The decrease in net current assets in 1HFY2018 was mainly attributable to a US$4.2 million decrease in trade and other receivables. This was offset by a US$0.9 million increase in inventory, a US$1.5 million decrease in deferred revenue driven by fewer new signings of sales arrangements in 1HFY2018 which are scheduled to install in the next 12 months, and a US$1.3 million decrease in trade and other payables.

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 2018	As at 31 December 2017
Cash and cash equivalents denominated in US$	**$70,803**	$79,572
Cash and cash equivalents denominated in RMB (in thousands)	**¥296,133**	¥213,487
Cash denominated in Hong Kong dollars HK$ (in thousands)	**$8,127**	$34,657

CAPITAL MANAGEMENT

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

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

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

CASH FLOW ANALYSIS

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

	1HFY2018 **US$'000**	1HFY2017 US$'000
Net cash provided by operating activities	**17,801**	17,156
Net cash used in investing activities	**(4,295)**	(10,616)
Net cash used in financing activities	**(13,860)**	(122)
Effects of exchange rate changes on cash	**278**	616
(Decrease) Increase in cash and cash equivalents during period	**(76)**	7,034
Cash and cash equivalents, beginning of period	**116,678**	105,903
Cash and cash equivalents, end of period	**116,602**	112,937

Cash From Operating Activities

1HFY2018

Our net cash provided by operations was approximately US$17.8 million in 1HFY2018. We had profit before income tax for the period of US$26.4 million in 1HFY2018 and positive adjustments for amortisation of film assets of US$2.8 million, depreciation of property, plant and equipment of US$5.2 million, and settlement of equity and other non-cash compensation of US$1.0 million, reduced by our taxes paid of US$9.1 million, our net investment in film assets of US$2.8 million and changes in working capital of US$5.7 million. Changes in working capital primarily consisted of: (i) a decrease in trade and other payables of US$3.1 million; (ii) a decrease in deferred revenue of US$3.1 million; (iii) a increase in inventories of US$1.0 million; and (iv) a decrease of prepayments of US$0.6 million, partially offset by: (i) a decrease in trade and other receivables of US$1.3 million; (ii) an increase in accruals and other liabilities of US$1.0 million.

1HFY2017

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

Cash Used in Investing Activities

1HFY2018

Our net cash used in investing activities was approximately US$4.3 million for 1HFY2018, primarily related to investments in IMAX theatre equipment amounting to US$6.1 million installed in our exhibitor partners' theatres under full revenue sharing arrangements, partially offset by a loan repayment from a joint venture of US$2.6 million.

1HFY2017

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

Cash Used in Financing Activities

1HFY2018

Our net cash used in financing activities was approximately US$13.9 million for 1HFY2018 primarily due to: (i) dividends paid to owners of the Company amounting to US$14.4 million; and (ii) settlement of restricted share units of US$0.3 million; partially offset by proceeds from issuance of common shares of US$0.8 million.

1HFY2017

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

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Lease Commitments

We have lease commitments within one year and between one and two years amounting to US$1.0 million and US$0.1 million respectively related primarily to leased office and warehouse space in Shanghai.

Capital Commitments

As at 30 June 2018, we had capital expenditures contracted but not provided for of US$34.6 million (31 December 2017: US$30.0 million).

CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

Capital Expenditures

Our capital expenditures primarily relate to the acquisition of IMAX theatre systems and acquisition of films. During 1HFY2018 and 1HFY2017, our capital expenditures were US$9.7 million and US$11.6 million, respectively.

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

Contingent Liabilities

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

In March 2013, IMAX Shanghai Multimedia, the Company's wholly-owned subsidiary in the PRC, received notice from the Shanghai office of the General Administration of Customs ("**Customs Authority**") that it had been selected for a customs audit (the "**Audit**"). In the course of the Audit, the Customs Authority discovered the underpayment by IMAX Shanghai Multimedia of the freight and insurance portion of the customs duties and taxes applicable to the importation of certain IMAX theatre systems during the period from October, 2011 through March, 2013. Though IMAX Shanghai Multimedia's importation agent accepted responsibility for the error giving rise to the underpayment, the matter was transferred first to the Anti-Smuggling Bureau (the "**ASB**") of the Customs Authority and then to the Third Division of Shanghai People's Procuratorate for further review. During the year ended 31 December 2017, at the request of the ASB, the Company paid RMB1 million (approximately US$0.15 million) to the ASB to satisfy the amount owing as a result of the underpayment. Given that the amount of the underpayment exceeds RMB200, 000, the Company has been advised that the matter may be treated as a criminal rather than as an administrative matter. During the year ended 31 December 2017, the Company accrued US$0.3 million in respect of fines that it believes are likely to result from the matter. The Company has been advised that the range of potential penalties is between three and five times the underpayment depending on whether the matter is assessed as criminal or administrative; however, the actual amount of any fines or other penalties remains unknown and the Company cautions that these actual fines or other penalties may be greater or less than the amount accrued or the expected range. As of 30 June 2018, there were no updates of this matter and the accrued penalties were kept at US$0.3 million.

Except as disclosed above or as otherwise disclosed herein, as at 30 June 2018, 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 2018.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operating activities. Cash flow generated from operating activities was US$17.8 million in 1HFY2018 and US$17.2 million in 1HFY2017. 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 2018:

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

Since 30 June 2018, being the latest date of our condensed interim statements, there has been no material adverse change to our indebtedness.

RECENT DEVELOPMENTS

Subsequent to 30 June 2018, we entered into an unsecured revolving facility for up to RMB 200 million (approximately US$30 million) on 5 July 2018 to fund ongoing working capital requirements.

OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We had no off-balance sheet arrangements as at 30 June 2018.

KEY FINANCIAL RATIOS

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

	As at 30 June 2018	As at 31 December 2017
Gearing ratio[(1)]	**29.9%**	32.9%

	1HFY2018	1HFY2017
Adjusted profit margin[(2)]	**41.3%**	34.3%

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 decreased from 32.9% as at 31 December 2017 to 29.9% as at 30 June 2018, primarily due to a decrease in deferred revenue of US$3.7 million and a decrease in trade and other payables of US$1.3 million.

Adjusted Profit Margin

Our adjusted profit margin increased from 34.3% as at 30 June 2017 to 41.3% as at 30 June 2018, primarily due to increased gross profit margin from 63.1% in 1HFY2017 to 71.9% in 1HFY2018, driven by the growth of the IMAX theatre network and higher box office revenue.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

The proposal of payment and the amount of our dividends will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Our Board recommended the payment of an interim dividend, for 1HFY2018, of US$0.02 per share (equivalent to HK$0.157 per share). The distribution of any final dividend shall also be subject to the approval of our Shareholders in a Shareholders' meeting.

In addition, as our Company is a holding company registered in the Cayman Islands and our operations are conducted through our subsidiaries, 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 2018, the Company had a total equity of US$91.3 million. Under the Companies Law of the Cayman Islands, subject to the provisions of memorandum of association of the Company or the articles of association (the "**Articles of Association**"), the Company's share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

DIVIDEND

During the Company's board meeting held on 25 July 2018, the Board of Directors approved an interim dividend of US$0.02 per share (equivalent to HK$0.157 per share) for the six months ended 30 June 2018 to the Shareholders.

The interim dividend will be paid on Friday, 31 August 2018 to the shareholders whose names appear on the register of members of the Company as at the close of business on Monday, 20 August 2018. There will be no scrip dividend option for the 2018 interim dividend.

MATERIAL ACQUISITIONS OR DISPOSALS

We have not undertaken any material acquisition or disposal for the period ended 30 June 2018.

SIGNIFICANT INVESTMENTS

We are entitled to IMAX Hong Kong Holding's share of any distributions and dividends paid by TCL-IMAX Entertainment in respect of profit from Greater China as a result of a preferred share we hold in IMAX Hong Kong Holding, which holds 50% of TCL-IMAX Entertainment, a 50:50 joint venture between IMAX Hong Kong Holding (which is indirectly wholly owned by IMAX Corporation) and Sino Leader (Hong Kong) Limited (which is wholly owned by TCL Multimedia Technology Holdings Limited). TCL-IMAX Entertainment engages in the design, development, manufacturing and global sale of premium home theatre systems incorporating components of IMAX's projection and sound technology adapted for a broader home environment. TCL-IMAX Entertainment has commenced offering home theatre systems in Greater China in the second half of 2016. We did not receive any distributions or dividends from TCL-IMAX Entertainment during the period ended 30 June 2018.

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.

Corporate Governance Highlights and Other Information

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

There have been no convertible securities issued or granted by the Group, no exercise of any conversion or subscription rights, nor any sale or redemption by the Group of its listed Shares for the period from 1 January 2018 to 30 June 2018, other than the purchase of 84,555 listed Shares conducted through Computershare Hong Kong Trustees Limited, the professional trustee engaged by the Company for administering its share option schemes, on 7 May 2018 at an average price per Share of HK$27.8 on the Stock Exchange, for satisfying the vesting of the relevant options and/or RSUs.

SUPPLEMENTAL INFORMATION RELATING TO GRANT OF RSUS

We refer to the announcements by the Company dated 7 March 2018, 3 May 2018 and 4 May 2018. The Company has appointed a professional trustee to make on-market purchases of shares in respect of the satisfaction of RSUs granted to the Independent Non-executive Directors (84,555 RSUs). With respect to the satisfaction of RSUs granted to employees (other than our Executive Directors) (247,086 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 2018.

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 set out in Appendix 14 of the Listing Rules (the "**CG Code**"). The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. During the six months ended 30 June 2018, the Company has complied with all the provisions of the CG Code.

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 2018.

CLOSURE OF REGISTER OF MEMBERS

In connection with the payment of the 2018 interim dividend, the register of members of the Company will be closed from Thursday, 16 August 2018 to Monday, 20 August 2018 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for entitlement to the 2018 interim dividend, all share transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration, no later than 4:30 p.m. on Wednesday, 15 August 2018.

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 chair 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 2018.

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 were 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 chair 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 chair 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 2018, the Group has continued to engage 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 2018, 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. Under the Personnel Secondment Agreement, IMAX Corporation agreed to make Mr. Don Savant, President, Global Sales Exhibitor Relations, Theatre Development available to IMAX Shanghai Multimedia.

The Personnel Secondment Agreement was amended on 21 September 2015, 25 May 2016 and 26 May 2016.

(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 relevant employee(s) 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 approximately 50% for the six months ended 30 June 2018. 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 to be US$5,800,000 for each of FY2018, FY2019 and FY2020. This annual cap has been calculated on the basis of: (i) the historic wages and share-based compensation paid to the seconded employees pursuant to the Personnel Secondment Agreement during the three years ended 31 December 2016 and the six months ended 30 June 2017; (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$851,000 was charged to the Group by IMAX Corporation under the Personnel Secondment Agreement during the six months ended 30 June 2018.

(c) *Listing Rules Requirements*

As the highest relevant percentage ratio in respect of the Personnel Secondment Agreement, as expected for FY 2018, FY2019 and FY2020, will 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" in the Company's 2017 annual report dated 28 February 2018, announcement requirements under Chapter 14A of the Listing Rules.

At the end of FY2020, 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 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.

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 licenses 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 license 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 an 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 license agreements to have durations of extended periods.

Approximately US$1,140,000 was charged to the Group by IMAX Corporation under the Trademark License Agreements during the six months ended 30 June 2018.

(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" in the Company's 2017 annual report dated 28 February 2018, 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 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 Technology 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 an 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$1,711,000 was charged to the Group by IMAX Corporation under the Technology License Agreements during the six months ended 30 June 2018.

(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" in the Company's 2017 annual report dated 28 February 2018, 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 license 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;

Corporate Governance Highlights and Other Information (Continued)

(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 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;

(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 a detailed comparable analysis to ensure that the fees payable under the DMR Services Agreements are on an 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 an 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 2018, the DMR conversion fees charged to the Group by IMAX Corporation were approximately US$270,000. The number of Greater China DMR films converted was 5.

For the six months ended 30 June 2018, no Greater China DMR Films were released in regions outside of Greater China and the distribution fees received/receivable by the Group from IMAX Corporation were US$nil. No Greater China Original Films were released outside Greater China, and the distribution fees received/receivable by the Group from IMAX Corporation were US$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" in the Company's 2017 annual report dated 28 February 2018, 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.

5. Services Agreements

(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, 21 September 2015 and 23 February 2017.

(ii) Term and Termination

Each of the Services Agreements has a three-year term commencing on 1 January 2017 unless 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.

Corporate Governance Highlights and Other Information (Continued)

(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 an 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 Amounts

In accordance with Rule 14A.53 of the Listing Rules, we have set annual caps for the maximum aggregate fees payable under the Services Agreements HK$6,000,000, HK$7,000,000 and HK$8,000,000 for 2017, 2018 and 2019, respectively. These annual caps have been calculated on the basis of: (i) the historic transaction amounts under the Services Agreements; (ii) the business development plans of the Group; (iii) the expected increase in the cost of theatre system maintenance payable by IMAX Shanghai Multimedia and IMAX Hong Kong; and (iv) the flexibility of having a buffer for the Company to cater for any unexpected increase in the service fees payable under the Services Agreements.

Approximately US$247,000 was charged to the Group by IMAX Corporation under the Services Agreements during the six months ended 30 June 2018.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the Services Agreements will be, on an annual basis, less than 25% and the total consideration will be less than HK$10,000,000 and they are on normal commercial terms, the Services Agreements will be exempt pursuant to Rule 14A.76(2)(b) of the Listing Rules from the independent shareholders' approval requirement but will be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

6. *IMAX Shanghai Services Agreement*

(a) Description of the IMAX Shanghai Services Agreement

(i) Subject matter

On 12 May 2015, IMAX (Shanghai) Theatre Technology Services Co., Ltd. ("**IMAX Shanghai Services**") entered into the services agreement ("**IMAX Shanghai Services Agreement**") with IMAX Corporation for a renewable term of two years commencing on 1 January 2014, pursuant to which IMAX Shanghai Services agreed to provide certain services to IMAX Corporation for its theatre operations in regions outside of Greater China including (i) provision of regular scheduled preventative maintenance services to IMAX theatres, (ii) provision of emergency technical services to IMAX theatres, (iii) provision of a 24-hour telephone help-line and remote technical support to IMAX theatre exhibitors, (iv) provision of quality audit and presentation quality services, and (v) provision of special screening support.

The IMAX Shanghai Services Agreement was subsequently amended on 23 February 2017.

(ii) Term and termination

The term for the IMAX Shanghai Services Agreement shall be for two years commencing on 1 January 2014 and shall be automatically renewed for successive one-year periods unless one of the parties provides a written notice not to renew at least 30 days prior to the expiration of the then-effective term.

The IMAX Shanghai Services Agreement may be terminated, without cause, by either party upon written notice.

(iii) Fees

The service fees payable by IMAX Corporation under the IMAX Shanghai Services Agreement shall be 110% of the monthly actual cost incurred by IMAX Shanghai Services for the provision of the relevant services and replacement parts. The service fees shall be paid by IMAX Corporation to IMAX Shanghai Services on a monthly basis. IMAX Corporation also agreed to make an advance payment of no more than the total service fees for the previous six months in accordance with the request of IMAX Shanghai Services.

IMAX Corporation and IMAX Shanghai Services have agreed that, if necessary, the service fees payable under the IMAX Shanghai Services Agreement will be reviewed and may be adjusted by the parties in writing to ensure that the service fees payable remain on an arm's length basis.

(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 IMAX Shanghai Services Agreement of HK$6,000,000, HK$7,000,000 and HK$8,000,000 for 2017, 2018 and 2019, respectively. These annual caps have been calculated on the basis of: (i) the historic transaction amounts under the IMAX Shanghai Services Agreement; (ii) the business development plans of the Group; (iii) the expected increase in the cost of theatre system maintenance payable by IMAX Corporation; and (iv) the flexibility of having a buffer for the Company to cater for any unexpected increase in the service fees payable under the IMAX Shanghai Services Agreement.

Approximately US$81,000 was charged to IMAX Corporation by the Group under the IMAX Shanghai Services Agreement during the six months ended 30 June 2018.

(c) Listing Rules Requirements

As the highest relevant percentage ratio in respect of the IMAX Shanghai Services Agreement will be, on an annual basis, less than 25% and the total consideration will be less than HK$10,000,000 and it is on normal commercial terms, the IMAX Shanghai Services Agreement will be exempt pursuant to Rule 14A.76(2)(b) of the Listing Rules from the independent shareholders' approval requirement but will be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

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" in the Company's 2017 annual report dated 28 February 2018, 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 intercompany 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 an 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 an 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.

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 installed pursuant to the Equipment Supply Agreements for the six months ended 30 June 2018 was 25, and the purchase price paid/payable to IMAX Corporation by the Group was approximately US$11,592,000.

(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" in the Company's 2017 annual report dated 28 February 2018, 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.

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;

(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 film, and (B) the IMAX China Theatre Percentage or the IMAX Hong Kong Theatre Percentage (as the case may be).

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 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 2016 and 2017, as well as for the six months ended 30 June 2018, 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 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.

The Company and IMAX Corporation have conducted detailed comparable analysis to ensure that the fees payable under the Master Distribution Agreements are on an 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 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 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 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 an 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 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 films distributed in Greater China over a period of up to 21 years.

For the six months ended 30 June 2018, the number of IMAX format Hollywood films distributed in Greater China for which the Company paid/payable conversion fees under the Master Distribution Agreements was 13. The conversion fees paid/payable by the Group to IMAX Corporation was approximately US$2,500,000 and the revenue received/receivable by the Group from IMAX Corporation pursuant to the Master Distribution Agreements amounted to US$12,445,000.

For the six months ended 30 June 2018, the number of IMAX Original Films distributed by IMAX Corporation into Greater China for which distribution fees were paid/payable by the Company under the Master Distribution Agreements was nil and the distribution fee paid/payable 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" in the Company's 2017 annual report dated 28 February 2018, 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 2018 include the DMR Software License 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.

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 2018, 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	1,708,446(L)[(1)]	Beneficial Owner	0.48%
Jim Athanasopoulos	3,137,604(L)[(2)]	Beneficial Owner	0.88%
Mei-Hui (Jessie) Chou	1,331,591(L)[(3)]	Beneficial Owner	0.37%
John Davison	84,699(L)	Beneficial Owner	0.02%
Yue-Sai Kan	65,281(L)	Beneficial Owner	0.02%
Dawn Taubin	84,699(L)	Beneficial Owner	0.02%

(L) Long position

Notes:
(1) Of which 1,696,254 are options and/or restricted stock units.
(2) Of which 3,125,412 are options and/or restricted stock units.
(3) Of which 1,319,809 are vested options and/or restricted stock units.

(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	3,254,414(L)[(1)]	Beneficial Owner	5.02%
	15,100(L)	Trustee	0.02%
Greg Foster	861,687(L)[(2)]	Beneficial Owner	1.33%
Jim Athanasopoulos	4,507(L)[(3)]	Beneficial Owner	0.01%

Notes:
(1) Of which 3,046,911 are options and/or restricted stock units.
(2) Of which 780,096 are options and/or restricted stock units.
(3) Of which 970 are vested options and/or restricted stock units.

Save as disclosed above, as at 30 June 2018, 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 2018, 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 2018, 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)	67.8
IMAX Barbados	Beneficial interest	243,262,600(L)	67.8

(L) Long position

Note:

(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.

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 2018.

REMUNERATION POLICY

As at 30 June 2018, the Group had approximately 86 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 Share Option Scheme and RSU Scheme 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 35,532,500 Shares.

During the six months ended 30 June 2018, the Company did not grant any options pursuant to the LTIP to certain directors, senior management and employees of the Group. As of 30 June 2018, there were outstanding 5,652,400 shares (representing approximately 1.58% of the issued share capital of the Company) underlying options granted pursuant to the LTIP to certain directors, senior management and employees of the Group at no consideration. Details of the options outstanding are set out below:

					Number of share options			
Name of Grantee	Date of Grant	Exercise Price	Option Period	Outstanding at 1 January 2018	Granted during the period	Exercised during the period	Expired/ lapsed/ cancelled during the period	Outstanding at 30 June 2018
Directors								
Jiande Chen	29 October 2012	US$1.8111	Five years from date of grant[(1)]	1,350,000	–	–	–	1,350,000
Jim Athanasopoulos	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 (Jessie) Chou	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)]	–	–	–	–	–
Michelle Rosen[(3)]	30 March 2015	US$1.3333	Three years from date of grant[(2)]	1,088,600	–	(600,000)	–	488,600
Total				**6,252,400**	–	(600,000)	–	5,652,400

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, 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.

(3) Michelle Rosen resigned from her role as the general counsel and joint company secretary with effect from 29 December 2017.

During the first half of 2018, 400,000 and 200,000 options under the LTIP were exercised on 11 April 2018 and 17 April 2018, respectively, in each case at the exercise price of HK$10.33995. The closing price of the Shares on the trading day immediately before each of 11 April 2018 and 17 April 2018 on which such options under the LTIP were exercised was HK$28.45. No options were cancelled or lapsed under the LTIP during the first half of 2018.

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.

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.

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.

Corporate Governance Highlights and Other Information (Continued)

As of 1 January 2018, there were outstanding 554,673 Shares (representing approximately 0.155% of the then issued share capital of the Company) underlying options granted pursuant to the Share Option Scheme. During the six months ended 30 June 2018, the Company granted options pursuant to the Share Option Scheme to two directors, one member of the senior management and certain employees of the Group for an aggregate of 264,647 Shares (representing approximately 0.074% of the issued share capital of the Company as at the date of this Interim Report). As of 30 June 2018, there were outstanding 819,320 shares (representing approximately 0.228% of the issued share capital of the Company) underlying options granted pursuant to the Share Option Scheme to directors, senior management and certain employees of the Group. Details of the options outstanding are set out below:

Name of Grantee	Date of Grant	Exercise Price	Number of Shares under Options Outstanding	Option Period
Directors				
Jiande Chen	7 March 2017	HK$36.94	100,992	Four years from date of grant(1)
	7 March 2018	HK$24.45	97,083	Four years from date of grant(6)
Jim Athanasopoulos	7 March 2017	HK$36.94	84,671	Three years from date of grant(2)
	1 August 2017	HK$21.43	136,518	Three years from date of grant(3)
Mei-Hui (Jessie) Chou	25 April 2016	HK$45.31	19,382	Four years from date of grant(4)
	7 March 2017	HK$36.94	50,496	Four years from date of grant(1)
	7 March 2018	HK$24.45	69,345	Four years from date of grant(6)
Senior Management				
Francisco (Tony) Navarro-Sertich	25 April 2016	HK$45.31	74,973	Sixteen months from date of grant(5)
Zi Maggie Chen	3 May 2018	HK$28.00	35,807	Four years from date of grant(7)
Employees	25 April 2016	HK$45.31	45,224	Four years from date of grant(4)
Employees	7 March 2017	HK$36.94	42,417	Four years from date of grant(1)
Employees	7 March 2018	HK$24.45	62,412	Four years from date of grant(6)
Total			**819,320**	

Notes:

(1) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2018, 7 March 2019, 7 March 2020 and 7 March 2021, respectively.

(2) The vesting schedule is as follows: 25%, 35% and 40% on each of 7 March 2018, 7 March 2019 and 7 March 2020, respectively.

(3) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2018, 1 August 2019 and 1 August 2020, respectively.

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

(5) The vesting schedule is as follows: 20% and 80% on each of 25 April 2017 and 18 August 2017, respectively.

(6) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2019, 7 March 2020, 7 March 2021 and 7 March 2022, respectively.

(7) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 3 May 2019, 3 May 2020, 3 May 2021 and 3 May 2022, respectively.

Corporate Governance Highlights and Other Information (Continued)

The closing price of the shares on 22 April 2016, 6 March 2017, 31 July 2017, 6 March 2018 and 2 May 2018, being the trading date immediately before the relevant date of the grant, was HK$45.10, HK$36.10, HK$20.65, HK$24.45 and HK$27.55, respectively.

As of 30 June 2018, the total number of Shares available for grant under the Share Option Scheme and all other share option schemes was 24,452,186, representing approximately 6.815% of the issued share capital of the Company as of 30 June 2018.

During the six months ended 30 June 2018, no options under the Share Option Scheme were exercised, cancelled or lapsed.

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.

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 2018, there were outstanding 794,482 restricted stock units ("**RSUs**") representing approximately 0.22% of the issued share capital of the Company) granted pursuant to the RSU Scheme to directors, senior management and employees of the Group. Details of the RSUs outstanding are set out below:

Name of Grantee	Date of Grant	Number of Shares under RSUs Outstanding	Vesting Period
Directors			
Jiande Chen	7 March 2017	64,080	Four years from date of grant(1)
	7 March 2018	84,099	Four years from date of grant(2)
Jim Athanasopoulos	7 March 2017	48,060	Three years from date of grant(3)
	1 August 2017	122,363	Three years from date of grant(4)
Mei-Hui (Jessie) Chou	25 April 2016	8,475	Four years from date of grant(5)
	7 March 2017	32,040	Four years from date of grant(1)
	7 March 2018	60,071	Four years from date of grant(2)
Senior Management			
Karl Yuan	25 April 2016	8,475	Four years from date of grant(5)
	7 March 2017	16,020	Four years from date of grant(1)
	7 March 2018	36,042	Four years from date of grant(2)
Zi Maggie Chen	3 May 2018	31,536	Four years from date of grant(6)
Employees	25 April 2016	35,314	Four years from date of grant(5)
Employees	7 March 2017	60,241	Four years from date of grant(1)
Employees	7 March 2017	19,532	Two years from date of grant(7)
Employees	7 March 2018	134,156	Four years from date of grant(2)
Employees	7 March 2018	33,978	Two years from date of grant(8)
Total		**794,482**	

Corporate Governance Highlights and Other Information (Continued)

Notes:

(1) The vesting schedule of 100% of the RSUs granted is as follows: 20%, 25%, 25% and 30% on each of March 7, 2018, March 7, 2019, March 7, 2020 and March 7, 2021, respectively.

(2) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 7 March 2019, 7 March 2020, 7 March 2021 and 7 March 2022, respectively.

(3) The vesting schedule of 100% of the RSUs granted is as follows: 25%, 35% and 40% on each of 7 March 2018, 7 March 2019 and 7 March 2020, respectively.

(4) The vesting schedule is as follows: 25%, 35% and 40% on each of 1 August 2018, 1 August 2019 and 1 August 2020, respectively.

(5) The vesting schedule of 100% of the RSUs granted is as follows: 20%, 25%, 25% and 30% on each of 7 March 2017, 7 March 2018, 7 March 2019 and 7 March 2020 respectively.

(6) The vesting schedule is as follows: 20%, 25%, 25% and 30% on each of 3 May 2019, 3 May 2020, 3 May 2021 and 3 May 2022, respectively.

(7) The vesting schedule is as follows: 100% on 7 March 2019.

(8) The vesting schedule is as follows: 100% on 7 March 2020.

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 interim financial information set out on pages 58 to 111, 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 2018 and the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of 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 interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 July 2018

Condensed Consolidated Interim Financial Information

Condensed Consolidated Interim Statement of Comprehensive Income

(In thousands of U.S. dollars)

		Six months ended 30 June	
	Notes	2018 (Unaudited)	2017 (Unaudited)
Revenues	7	51,487	51,572
Cost of sales	8	(14,481)	(19,016)
Gross profit	7	37,006	32,556
Selling, general and administrative expenses	8	(8,111)	(7,799)
Restructuring expenses	8, 9	—	(584)
Other operating expenses	8	(2,888)	(3,191)
Operating profit		26,007	20,982
Interest income		411	285
Profit before income tax		26,418	21,267
Income tax expense	10	(5,953)	(4,778)
Profit for the period attributable to owners of the Company		20,465	16,489
Other comprehensive (loss) income:			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		(2,428)	3,412
Other comprehensive (loss) income		(2,428)	3,412
Total comprehensive income for the period attributable to owners of the Company		18,037	19,901
Profit per share attributable to owners of the Company — basic and diluted (expressed in U.S. dollars per share):			
From profit for the period – basic	11	0.06	0.05
From profit for the period – diluted	11	0.06	0.05

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

Condensed Consolidated Interim Statement of Financial Position

(In thousands of U.S. dollars)

	Notes	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	90,757	88,620
Other assets		8,777	4,403
Deferred income tax asset	14	2,750	3,291
Financing receivables		38,680	39,319
Interests in a joint venture	15	—	—
		140,964	135,633
Current assets			
Other assets		2,554	2,960
Film assets		9	—
Inventories		6,474	5,612
Prepayments		2,456	1,971
Financing receivables		8,546	8,450
Trade and other receivables	13	49,750	53,995
Cash and cash equivalents		116,602	116,678
		186,391	189,666
Total assets		327,355	325,299
LIABILITIES			
Non-current liabilities			
Deferred revenue	19	21,763	23,876
		21,763	23,876
Current liabilities			
Trade and other payables	17	17,229	18,522
Accruals and other liabilities	18	10,737	10,161
Income tax liabilities		3,615	4,458
Deferred revenue	19	21,985	23,545
		53,566	56,686
Total liabilities		75,329	80,562
EQUITY			
Equity attributable to owners of the Company			
Share capital		36	36
Share premium		362,385	375,296
Shares held for China long-term incentive plan		—	(133)
Capital reserves		(29,889)	(29,821)
Accumulated deficit		(76,524)	(99,087)
Accumulated other comprehensive loss		(3,982)	(1,554)
Total equity		252,026	244,737
Total equity and liabilities		327,355	325,299

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

The condensed consolidated interim financial information on pages 58 to 111 was approved by the board of directors on 25 July 2018 and was signed on its behalf.

Jiande Chen
Director

Jim Athanasopoulos
Director

Condensed Consolidated Interim Statement of Changes in Equity

(In thousands of U.S. dollars)

	Share Capital	Share Premium	Shares Held for China Long-term Incentive Plan	Capital Reserves	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Equity
Balance as at 1 January 2018	36	375,296	(133)	(29,821)	(99,087)	(1,554)	244,737
Change in accounting policy	–	–	–	–	2,098	–	2,098
Restated total equity as at 1 January 2018	36	375,296	(133)	(29,821)	(96,989)	(1,554)	246,835
Comprehensive income							
Profit for the period	–	–	–	–	20,465	–	20,465
Foreign currency translation	–	–	–	–	–	(2,428)	(2,428)
Total comprehensive income	–	–	–	–	20,465	(2,428)	18,037
Dividends recognised as distribution (note 24)	–	(14,355)	–	–		–	(14,355)
Exercise of stock options during the period	–	1,065	–	(265)	–	–	800
Restricted share units vested and settled	–	379	432	(811)	–	–	–
Acquisition of shares for settlement of restricted share units	–	–	(299)	–	–	–	(299)
China long-term incentive plan	–	–	–	1,008	–	–	1,008
Total transactions with owners, recognised directly in equity	–	(12,911)	133	(68)	–	–	(12,846)
Balance as at 30 June 2018 (unaudited)	36	362,385	–	(29,889)	(76,524)	(3,982)	252,026
Balance as at 1 January 2017	35	372,131	–	(30,326)	(142,800)	(9,887)	189,153
Comprehensive income							
Profit for the period	–	–	–	–	16,489	–	16,489
Foreign currency translation	–	–	–	–	–	3,412	3,412
Total comprehensive income	–	–	–	–	16,489	3,412	19,901
Restricted share units vested and settled	–	183	15	(183)	–	–	15
Acquisition of shares for settlement of restricted share units	–	–	(15)	–	–	–	(15)
China long-term incentive plan	–	–	–	718	–	–	718
Total transactions with owners, recognised directly in equity	–	183	–	535	–	–	718
Balance as at 30 June 2017 (unaudited)	35	372,314	–	(29,791)	(126,311)	(6,475)	209,772

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

Condensed Consolidated Interim Statement of Cash Flows

(In thousands of U.S. dollars)

		Six months ended 30 June	
	Notes	2018 (Unaudited)	2017 (Unaudited)
Cash flows from operating activities			
Cash provided by operations	20	26,925	22,247
Income taxes paid		(9,124)	(5,091)
Net cash provided by operating activities		17,801	17,156
Cash flows from investing activities			
Investment in equipment under joint revenue sharing arrangements		(6,055)	(7,961)
Investment in a virtual reality fund		(873)	—
Loan to a joint venture		—	(2,583)
Loan repayment from a joint venture		2,645	—
Purchase of property, plant and equipment		(12)	(72)
Net cash used in investing activities		(4,295)	(10,616)
Cash flows from financing activities			
Dividends paid to owners of the Company		(14,361)	—
Settlement of share-based payments		(299)	(122)
Proceeds from issuance of common shares upon exercise of stock options		800	—
Net cash used in financing activities		(13,860)	(122)
Effects of exchange rate changes on cash		278	616
(Decrease) Increase in cash and cash equivalents during period		(76)	7,034
Cash and cash equivalents, beginning of period		116,678	105,903
Cash and cash equivalents, end of period		116,602	112,937

(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 film technologies in Mainland China, Hong Kong, Taiwan and Macau ("Greater China").

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

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

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 2018 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 2017, 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 5.

2. Summary of significant accounting policies (Continued)

(b) Summary of significant accounting policies

Except as described in note 3, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

Taxes on income in the six months ended 30 June 2018 and 2017 are accrued using the tax rate that would be applicable to expected total annual profits.

(c) Impact of standards issued but not yet applied by the entity

IFRS 16 "Leases"

On 13 January 2016, the International Accounting Standards Board (IASB) published a new standard for the accounting of leases, International Financial Reporting Standard 16 — Leases ("IFRS 16"). It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The Group is a lessee of various offices, warehouses and apartments which are currently classified as operating leases. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the statement of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in property, plant and equipment and an increase in financial liabilities in the consolidated statement of financial position. In the income statement, leases will be recognised in the future as capital expenditure on the purchasing side and will no longer be recorded as an operating expense. As a result, the operating expense under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. This will lead to an improvement in EBITDA.

As a lessor, the Group has a significant portion of its revenue derived from leases and while the lessor accounting model is not fundamentally different, the Group continues to evaluate the effect of the standard on this revenue stream.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

3. New accounting standards and accounting changes

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" ("IFRS 9") and IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15") on the Group's financial information and the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods. Certain of the Group's accounting policies have been changed to comply with the adoption of IFRS 9 and IFRS 15.

3.1 Impact on the financial information

As explained in note 3.2.1 and 3.3.1 below, IFRS 9 and IFRS 15 were generally adopted by the Group without restating comparative information. As a result of the changes in the entity's accounting policies, certain reclassifications and adjustments are therefore not reflected in the restated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Condensed consolidated interim statement of financial position (extract)	31 December 2017 As originally presented	IFRS 9	IFRS 15	1 January 2018 Restated
Non-current assets				
Other assets — Financial assets at fair value through other comprehensive income ("FVOCI")	4,000	—	—	4,000
Deferred income tax asset	3,291	—	(763)	2,528
Other assets — Variable consideration	403	—	2,861	3,264
Equity				
Accumulated losses	(99,087)	—	2,098	(96,989)

Condensed consolidated interim statement of comprehensive income (extract) — 6 months ended 30 June 2018	Pre-adoption	IFRS 9	IFRS 15	As reported
Revenue	53,453	—	(1,966)	51,487
Cost of sales	(16,681)	—	2,200	(14,481)

3. New accounting standards and accounting changes (Continued)

3.2 Adoption of IFRS 9 "Financial Instruments"

3.2.1 IFRS 9 "Financial Instruments" - Impact of adoption

IFRS 9, "Financial instruments", addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The adoption of IFRS 9 has resulted in changes in the Group's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. The new accounting policies are set out in note 3.2.2 below.

Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 measurement categories including those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and those to be measured at amortised cost.

The Group's financial assets include cash and cash equivalents, trade and other receivables, net investment in finance leases, net financed sales receivable and preferred share investment. See note 6(b) for details about each type of financial asset.

Reclassification from available-for-sale to financial asset with fair value change through other comprehensive income ("FVOCI")

In 2014, the Group purchased one preferred share of IMAX (Hong Kong) Holdings, Limited at a cost of $4.0 million and this investment was classified as available-for-sale stated at cost under previous standard IAS 39. With the adoption of IFRS 9, this investment does not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. Therefore, this equity investment in preferred share is classified as financial asset measured at fair value and the group elected to present any changes in the fair value in other comprehensive income ("FVOCI"), because the investment is held as long-term strategic investments that are not expected to be sold in the short to medium term.

As a result of the adoption of IFRS 9, the above preferred share investment has been fair valued as at 1 January 2018 with reference to the valuation conducted by an independent external valuer. There was no significant difference between the fair value and the carrying amount of the investment as at 1 January 2018, and therefore no adjustment was recorded to opening equity.

3. New accounting standards and accounting changes (Continued)

3.2 Adoption of IFRS 9 "Financial Instruments" (Continued)

3.2.1 IFRS 9 "Financial Instruments" - Impact of adoption (Continued)

Other than that, there were no changes to the classification and measurement of financial instruments.

Summary of effects resulting from adoption of IFRS 9 is as follows:

	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial assets				
Preferred share investment	Available-for-sale investment stated at cost	4,000	FVOCI	4,000

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. The Group has three types of financial assets measured at amortised cost that are subject to IFRS 9's new expected credit loss model:

- Net financed sales receivable
- Net investment in finance leases
- Trade and other receivable

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established expected credit losses model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of expected credit losses on financial assets is insignificant as at 1 January 2018.

3. New accounting standards and accounting changes (Continued)

3.2 Adoption of IFRS 9 "Financial Instruments" (Continued)

3.2.2 IFRS 9 "Financial Instruments" — Summary of significant accounting policies

The following describes the Group's updated financial instruments policy to reflect the adoption of IFRS 9:

Classification and measurement of financial instruments

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income and gains – net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

3. New accounting standards and accounting changes (Continued)

3.2 Adoption of IFRS 9 "Financial Instruments" (Continued)

3.2.2 IFRS 9 "Financial Instruments" — Summary of significant accounting policies (Continued)

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4(a) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3.3 Adoption of IFRS 15 "Revenue from Contracts with Customers"

3.3.1 IFRS 15 "Revenue from Contracts with Customers" — Impact of adoption

IFRS 15, "Revenue from contracts with customers" ("IFRS 15") 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 new accounting policies are set out in note 3.3.2 below.

3. New accounting standards and accounting changes (Continued)

3.3 Adoption of IFRS 15 "Revenue from Contracts with Customers" (Continued)

3.3.1 IFRS 15 "Revenue from Contracts with Customers" — Impact of adoption (Continued)

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

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

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

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

3. New accounting standards and accounting changes (Continued)

3.3 Adoption of IFRS 15 "Revenue from Contracts with Customers" (Continued)

3.3.1 IFRS 15 "Revenue from Contracts with Customers" — Impact of adoption (Continued)

The Group's arrangements include a requirement for the provision of maintenance services over the life of the arrangement, subject to a consumer price index adjustment on renewal each year. Under the new standard, the Group has included the future consideration from the provision of maintenance services in the relative selling price calculation at revenue recognition. The amount allocated to maintenance services is deferred and recognized over the full life of the arrangement. As the maintenance services are a stand ready obligation revenue is recognized evenly over time, which is consistent with past treatment. Under the previous recognition standard, only the first year's extended warranty and maintenance services included as part of the upfront consideration received by the Group was included in the relative selling price allocation to determine the allocation of consideration between deliverables, while the future years maintenance services were recognized and amortized over each year's renewal term. There's no significant change in the allocation of consideration between performance obligations to arise as a result of this change.

The recognition of variable consideration involves a significant amount of judgment. IFRS 15 requires variable consideration to be recognized subject to appropriate constraints to avoid a significant reversal of revenue in future periods. The standard identifies several examples of situations where constraining variable consideration would be appropriate:

- The amount of consideration is highly susceptible to factors outside the entity's influence
- The uncertainty about the amount of consideration is not expected to be resolved for a long period of time
- The Group's experience (or other evidence) with similar types of contracts is limited, or that experience has limited predictive value
- The Group has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances

The Group recorded an increase to opening retained earnings of $2.1 million, net of tax, as of January 1, 2018 due to the cumulative impact of adopting IFRS 15, with the impact primarily related to revenue from its theatre system business. The impact to revenues as a result of applying IFRS 15 was an increase of $0.3 million for the six months ended June 30, 2018.

3. New accounting standards and accounting changes (Continued)

3.3 Adoption of IFRS 15 "Revenue from Contracts with Customers" (Continued)

3.3.1 IFRS 15 "Revenue from Contracts with Customers" — Impact of adoption (Continued)

Revenues from IMAX DMR films are recognized when box office receipts are reported by the third party that owns or holds the related film rights, provided collectability is reasonably assured. The Group is entitled to receive a certain percentage of box office for IMAX format films from IMAX Corporation or local studios. DMR services are performed by IMAX Corporation and are based on master distribution and DMR services agreements. Depending on each type of films such as 2D, 3D or others, DMR cost are charged to the Group based on an agreed upon flat-fee for Hollywood films. For films produced by local studios, DMR services are purchased on a cost-plus basis. For films produced by local studios, DMR revenue applies the variable consideration exemption for sales or usage-based royalties. While the Group does not hold rights to the intellectual property in the form of the film content, the Group is receiving revenue for the application of IMAX intellectual property used in the DMR process of creating IMAX DMR version of film. For films with DMR revenue received from IMAX Corporation, the payment of DMR costs to IMAX Corporation is not in exchange for a distinct good or service that IMAX Corporation transfers to the Group. Therefore, the payment of DMR conversion cost for these films is considered as a payment to customer and is net against DMR revenue earned from IMAX Corporation. As a result of the adoption of IFRS 15, both DMR revenue from IMAX Corporation and DMR conversion costs to IMAX Corporation for imported films were reduced by $2.2 million for the six months period ended June 30, 2018.

The Group's remaining revenue streams are not significantly impacted by the new standard. As the arrangements do not call for variable consideration and recognition of revenues transfer at the time of provision of service or transfer of control of goods as appropriate.

3.3.2 IFRS 15 "Revenue from Contracts with Customers" — Summary of significant accounting policies

The following describes the Group's updated revenue recognition policy to reflect the adoption of IFRS 15:

Contracts with Multiple Performance Obligations

The Group's revenue arrangements with certain customers may involve performance obligations consisting of the delivery of a theater system (projector, sound system, screen system and glasses cleaning machine); services associated with the theatre system (including theatre design support, supervision of installation, and projectionist training); trademark licensing of IMAX; 3D glasses; equipment maintenance and licensing of films. The Group evaluates all of the performance obligations in an arrangement to determine which are considered distinct, either individually or in a group, for accounting purposes and which of the deliverables represent separate units of accounting based on the applicable accounting guidance in IFRS 15 and IAS 17 "Lease" ("IAS 17"). If separate units of accounting are either required under the relevant accounting standards or determined to be applicable under the IFRS 15, the total consideration received or receivable in the arrangement is allocated based on the applicable guidance in the above noted standards.

3. New accounting standards and accounting changes (Continued)

3.3 Adoption of IFRS 15 "Revenue from Contracts with Customers" (Continued)

3.3.2 IFRS 15 "Revenue from Contracts with Customers" — Summary of significant accounting policies (Continued)

(a) Theater Systems

The Group has identified the projection system, sound system, screen system and 3D glasses cleaning machine, theater design support, supervision of installation, projectionist training and the use of the IMAX brand to be, as a group, a distinct performance obligation, and a single unit of accounting (the "System Obligation"). When an arrangement does not include all the performance obligations of a System Obligation, the performance obligations of the System Obligation included in the arrangement are considered by the Group to be a grouped distinct performance obligation and a single unit of accounting. The Group is not responsible for the physical installation of the equipment in the customer's facility; however, the Group supervises the installation by the customer. The customer has the right to use the IMAX brand from the date the Group and the customer enter into an arrangement.

The Group's System Obligation arrangements involve either a lease or a sale of the theater system. Consideration for the System Obligation, other than for those delivered pursuant to operating lease under joint revenue sharing arrangements, consist of upfront or initial payments made before and after the final installation of the theater system equipment and ongoing payments throughout the term of the lease or over a period of time, as specified in the arrangement. The ongoing payments are the greater of an annual fixed minimum amount or a certain percentage of the theater box office. Amounts received in excess of the annual fixed minimum amounts are considered contingent payments. The Group's arrangements are non-cancellable, unless the Group fails to perform its obligations. In the absence of a material default by the Group, there is no right to any remedy for the customer under the Group's arrangements. If a material default by the Group exists, the customer has the right to terminate the arrangement and seek a refund only if the customer provides notice to the Group of a material default and only if the Group does not cure the default within a specified period.

Sales Arrangements

For arrangements qualifying as sales, the revenue allocated to the System Obligation is recognized in accordance with IFRS 15, when all of the following conditions signifying transfer of control have been met: (i) the projector, sound system and screen system have been installed and are in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed and (iv) the earlier of (a) receipt of written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater, provided there is persuasive evidence of an arrangement, the price is fixed or determinable and collectability is reasonably assured.

The initial revenue recognized consists of the initial payments received and the present value of any future initial payments, fixed minimum ongoing payments and an estimate of future variable consideration (future CPI and additional payments in excess of the minimums in the case of full sale arrangements or a percentage of ongoing box office in the case of hybrid sales arrangements) that have been attributed to this unit of accounting.

3. New accounting standards and accounting changes (Continued)

3.3 Adoption of IFRS 15 "Revenue from Contracts with Customers" (Continued)

3.3.2 IFRS 15 "Revenue from Contracts with Customers" — Summary of significant accounting policies (Continued)

(a) Theater Systems (Continued)

Sales Arrangements (Continued)

The difference between the gross receivable and totals of their present value is recorded as unrealized finance incomes at the beginning of contract term.

Lease Arrangements

The Group uses IAS 17 to evaluate whether an arrangement is a lease within the scope of the accounting standard. Transactions accounted for under IAS 17 are not within the scope of IFRS 15.

For lease arrangements, the Group determines the classification of the lease in accordance with IAS 17. A lease arrangement that transfers substantially all of the benefits and risks incident to ownership of the equipment is classified as a finance leases based on the criteria established by the accounting standard; otherwise the lease is classified as an operating lease.

For operating leases, initial payments and fixed minimum ongoing payments are recognized as revenue on a straight-line basis over the lease term. For operating leases, the lease term is considered to commence when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and in full working condition; (ii) the 3D glasses cleaning machine, if applicable, has been delivered; (iii) projectionist training has been completed; and (iv) the earlier of (a) receipt of written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater. Contingent payments in excess of fixed minimum ongoing payments are recognized as revenue when reported by theater operators, provided collectability is reasonably assured.

Operating leases include joint revenue sharing arrangements with rental payments that are fully contingent on the box office results reported by the theatre operators. Revenue is calculated as a percentage of box office reported by the theatre operator and is recognised when the amounts are deemed probable and the amounts can be measured reliably.

As lessor, the Group classifies a lease as a finance leases based on the criteria set out in paragraph 10 of IAS 17.

For finance leases, the revenue allocated to the System Obligation is recognized when the lease term commences, which the Group deems to be when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and are in full working condition; (ii) the 3D glasses cleaning machine, if applicable, has been delivered; (iii) projectionist training has been completed; and (iv) the earlier of (a) receipt of the written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater, provided collectability is reasonably assured.

3. New accounting standards and accounting changes (Continued)

3.3 Adoption of IFRS 15 "Revenue from Contracts with Customers" (Continued)

3.3.2 IFRS 15 "Revenue from Contracts with Customers" — Summary of significant accounting policies (Continued)

(a) Theater Systems (Continued)

Lease Arrangements (Continued)

The initial revenue is the lower of the asset's fair value or the present value of the minimum lease payments computed at a market rate of interest. Contingent payments in excess of the fixed minimum payments are recognised when reported by theatre operators, provided the amount can be measured reliably and deemed probable of collection. The cost of sales recognised at the commencement of the lease term is the cost (or carrying amount of the asset, if different) less the present value of any unguaranteed residual value.

The difference between the gross receivable and totals of their present value is recorded as unrealized finance incomes at the beginning of lease term. The method for allocating gross earnings to accounting years is referred to as the 'actuarial method'. The actuarial method allocates rentals between finance income and repayment of capital in each accounting year in such a way that finance income will be recognised as a constant rate of return over the lease term.

Minimum lease receipts and unrealized finance income are presented on net basis in financing receivables.

Finance leases include joint revenue sharing arrangements which have upfront payments and meet the finance lease criteria discussed above. The contingent revenues from these arrangements is recognised as box office results are reported by the theatre operator, when the amounts are deemed probable and the amounts can be measured reliably.

Finance Income

Finance income is recognized over the term of the finance leases or financed sales receivable, provided collectability is reasonably assured. Finance income recognition ceases when the Group determines that the associated receivable is not collectible.

Finance income is suspended when the Group identifies a theater that is delinquent, non-responsive or not negotiating in good faith with the Group. Once the collectability issues are resolved the Group will resume recognition of finance income.

Improvements and Modifications

Improvements and modifications to the theater system after installation are treated as separate revenue transactions, if and when the Group is requested to perform these services. Revenue is recognized for these services when the performance of the services has been completed, provided there is persuasive evidence of an arrangement, the fee is fixed or determinable and collectability is reasonably assured.

3. New accounting standards and accounting changes (Continued)

3.3 Adoption of IFRS 15 "Revenue from Contracts with Customers" (Continued)

3.3.2 IFRS 15 "Revenue from Contracts with Customers" — Summary of significant accounting policies (Continued)

(a) Theater Systems (Continued)

Cost of sales arrangements and finance leases under joint revenue sharing arrangements

Theater systems and other equipment subject to finance leases under joint revenue sharing arrangements and sales arrangements includes the cost of the equipment and costs related to project management, design, delivery and installation supervision services as applicable.

The costs related to theater systems under sales and finance leases arrangements are relieved from inventory to costs and expenses applicable to revenues-equipment and product sales when revenue recognition criteria are met.

In addition, the Group defers direct selling costs such as sales commissions and other amounts related to these contracts until the related revenue is recognized. The Group may have warranty obligations at or after the time revenue is recognized which require replacement of certain parts that do not affect the functionality of the theater system or services. The costs for warranty obligations for known issues are accrued as charges to costs and expenses applicable to revenues-equipment and product sales at the time revenue is recognized based on the Group's past historical experience and cost estimates.

Cost of operating leases under joint revenue sharing arrangements

For theater systems and other equipment subject to an operating lease or placed in a theater operators' venue under a joint revenue sharing arrangement, the cost of equipment and those costs that result directly from and are essential to the arrangement, is included within property, plant and equipment. Depreciation and impairment losses, if any, are included in cost of rentals based on the accounting policy set out in note 2(k) of the Group's 2017 annual report. Under the new standard, commissions continue to be deferred and recognized as costs and expenses applicable to revenues-rentals in the month they are earned, which is typically the month of installation. Direct advertising and marketing costs for each theatre are charged to cost of sales as incurred.

Maintenance and Extended Warranty Services

Maintenance and extended warranty services may be provided under a multiple element arrangement or as a separately priced contract. Revenues related to these services are deferred and recognized on a straight-line basis over the contract period and are recognized in services revenues. Maintenance and extended warranty services includes maintenance of the customer's equipment and replacement parts. Under certain maintenance arrangements, maintenance services may include additional training services to the customer's technicians. All costs associated with this maintenance and extended warranty program are expensed as incurred. A loss on maintenance and extended warranty services is recognized if the expected cost of providing the services under the contracts exceeds the related deferred revenue. As the maintenance services are a stand ready obligation with the cost of providing the service expected to increase throughout the term, revenue is recognized over the term of the arrangement such that increased amounts are recognized in later periods.

3. New accounting standards and accounting changes (Continued)

3.3 Adoption of IFRS 15 "Revenue from Contracts with Customers" (Continued)

3.3.2 IFRS 15 "Revenue from Contracts with Customers" — Summary of significant accounting policies (Continued)

(b) *IMAX Digital Re-Mastering (IMAX DMR)*

Revenues from IMAX DMR films are recognized when box office receipts are reported by the third party that owns or holds the related film rights, provided collectability is reasonably assured. The Group is entitled to receive a certain percentage of box office for IMAX format films from IMAX Corporation or local studios.

DMR services are performed by IMAX Corporation and are based on master distribution and DMR services agreements. Depending on each type of films such as 2D, 3D or others, DMR cost are charged to the Group based on an agreed upon flat-fee for Hollywood films. For films produced by local studios, DMR services are purchased on a cost-plus basis.

For films produced by local studios, DMR revenue applies the variable consideration exemption for sales or usage-based royalties. While the Group does not hold rights to the intellectual property in the form of the film content, the Group is receiving revenue for the application of IMAX intellectual property used in the DMR process of creating IMAX DMR version of film.

For films with DMR revenue received from IMAX Corporation, the payment of DMR costs to IMAX Corporation is not in exchange for a distinct good or service that IMAX Corporation transfers to the Group. Therefore, the payment of DMR conversion cost for these films is considered as a payment to customer and is net against DMR revenue earned from IMAX Corporation.

Losses on film performance are recognised as cost of sales in the year when it is determined that the Group's estimate of total revenues to be realised by the Group will not exceed estimated total cost of the respective film asset.

(c) *Other revenues*

Revenue from the sale of 3D glasses is recognized in Equipment and product sales revenue when the 3D glasses have been delivered to the customer.

Other service revenues are recognized in Service revenues when the performance of contracted services is complete.

4. 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 condensed consolidated interim 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 2017.

There have been no changes in the risk management policies since year end except for the policy to monitor credit risk under expected credit losses model.

(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 2018 would have been approximately $0.3 million worse/better (30 June 2017: $0.4 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.

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.

4. Financial risk (Continued)

(a) Market risk (Continued)

Credit risk (Continued)

For the six months ended 30 June 2018, 68.7% (30 June 2017: 48.2%) 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 2018, the Group had concentration of credit risk as 64.2% (31 December 2017: 42.4%) of the total trade and other receivables due from the Group's largest three (31 December 2017: two) customers.

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtors;
- significant increases in credit risk on other financial instruments of the same debtors;
- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors and changes in the operating results of the debtors.

The Group has policies in place to ensure that receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. The credit period granted to the customers and the credit quality of these customers are assessed, which takes into account their financial position, past experience and available forward-looking information. Management believes that the credit risk inherent in the Group's outstanding trade receivables arising from sales of products due from them is not significant.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and available forward-looking information. Management believes that the credit risk inherent in the Group's outstanding other receivable balance is not significant.

4. Financial risk (Continued)

(a) Market risk (Continued)

Credit risk (Continued)

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 17. Accrued and other liabilities are expected to be settled within one year from the date accrued. There are no other borrowings to disclose.

(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

See note 6 for disclosures of the fair value estimation of the Group's financial assets and liabilities.

5. 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 2017, except for 5(g) Impairment of available-for-sales investments, which was replaced with the adoption of IFRS 9, as below:

Valuation of preferred share investment

The preferred share purchased by the Group is not traded in an active market and the respective fair value is determined by using valuation techniques. The Group has used income approach to determine the fair value of the preferred share. Key assumptions are disclosed in note 6(b).

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.

(b) Fair value measurements

The Group's financial instruments at the following year/period-ends are comprised of the following:

	Financial assets at amortised costs	Financial assets at FVOCI	Total
30 June 2018 (unaudited)			
Assets as per statement of financial position			
Preferred share investment	—	4,000	4,000
Net financed sales receivable	46,897	—	46,897
Net investment in finance leases	329	—	329
Trade and other receivables	49,750	—	49,750
Cash and cash equivalents	116,602	—	116,602
	213,578	4,000	217,578

6. Financial instruments (Continued)

(b) ***Fair value measurements (Continued)***

	Liabilities at amortised cost	Total
Liabilities as per statement of financial position		
Trade and other payables	17,229	17,229
	17,229	17,229

	Financial assets at amortised costs	Available-for-sale investment stated at cost	Total
31 December 2017 (audited)			
Assets as per statement of financial position			
Preferred share investment	—	4,000	4,000
Net financed sales receivable	47,394	—	47,394
Net investment in finance leases	375	—	375
Trade and other receivables	53,995	—	53,995
Cash and cash equivalents	116,678	—	116,678
	218,442	4,000	222,442

	Liabilities at amortised cost	Total
Liabilities as per statement of financial position		
Trade and other payables	18,522	18,522
	18,522	18,522

As explained in note 3.2.1, the preferred share investment is classified as financial asset with fair value change through other comprehensive income under IFRS 9 as effective from 1 January 2018. There was no significant change for the fair value of this investment during the six months ended 30 June 2018.

6. Financial instruments (Continued)

(b) Fair value measurements (Continued)

This preferred share investment is classified as Level 3 financial instrument for fair value assessment purpose. The fair value is determined by using income approach with significant unobservable inputs. The key assumptions include weighted average cost of capital, projected revenue, expenses, capital spending and assumed terminal growth rate.

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.

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 2018 and 31 December 2017, respectively.

The estimated fair values of the net financed sales receivable and net investment in finance leases are estimated based on discounting future cash flows at currently available interest rates with comparable terms as at 30 June 2018 and 31 December 2017, respectively.

	As at 30 June 2018 (Unaudited)		As at 31 December 2017 (Audited)	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Net financed sales receivable	46,897	47,554	47,394	48,206
Net investment in finance leases	329	329	375	375

7. Revenue and segmented information

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

The Group has six operating and reportable segments: sales arrangements, theatre system maintenance, revenue sharing arrangements, film, other theatre, new business and other.

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

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	
	2018 (Unaudited)	2017 (Unaudited)
Revenue		
Network business		
Film	14,933	14,579
Revenue sharing arrangements — contingent rent	12,245	10,908
Sales arrangements — contingent rent	—	176
	27,178	25,663
Theatre business		
Sales arrangements	13,224	16,499
Revenue sharing arrangements — upfront fees	1,022	1,878
Theatre system maintenance	9,554	6,979
Other theatre	422	414
	24,222	25,770
New business and other	87	139
Total	51,487	51,572
Gross profit		
Network business		
Film	12,728	9,987
Revenue sharing arrangements — contingent rent	6,716	5,743
Sales arrangements — contingent rent	—	176
	19,444	15,906
Theatre business		
Sales arrangements	10,372	11,892
Revenue sharing arrangements — upfront fees	227	222
Theatre system maintenance	6,754	4,281
Other theatre	198	187
	17,551	16,582
New business and other	11	68
Total gross profit	37,006	32,556
Selling, general and administrative expenses	(8,111)	(7,799)
Restructuring expenses	—	(584)
Other operating expenses	(2,888)	(3,191)
Interest income	411	285
Profit before income tax	26,418	21,267

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.

7. Revenue and segmented information (Continued)

(b) Significant customers

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

Customer A

Revenues of approximately $15.1 million in the six months ended 30 June 2018 (30 June 2017: $11.9 million) are derived from a single external customer. These revenues are attributable to film, revenue sharing arrangements, theatre system maintenance, sales arrangements and other segments.

Customer B

Revenues of approximately $14.7 million in the six months ended 30 June 2018 (30 June 2017: $12.9 million) are derived from a related party. These revenues are attributable to film, theatre system maintenance and other segments.

Customer C

Revenues of approximately $5.6 million in the six months ended 30 June 2018 (30 June 2017: $0.1 million) are derived from a single external customer. These revenues are attributable to film, sales arrangements, theatre system maintenance and other segments.

No other single customers comprises of more than 10% of total revenues in the six months ended 30 June 2018 or 2017.

8. Expenses by nature

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

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Cost of theatre system sales and finance leases	3,257	6,310
Depreciation, including joint revenue sharing arrangements and film cost	5,784	7,742
Employee salaries and benefits	4,004	4,741
Advertising and marketing expenses	3,183	2,213
Technology and trademark fees	2,859	2,769
Theatre maintenance fees	1,584	1,426
Other employee expenses	1,037	1,100
Professional fees	997	764
Share-based compensation expenses	1,014	1,003
Operating lease rentals in respect of office buildings	555	624
Travel and transportation expenses	476	489
Provision for receivables impairment	—	85
Foreign exchange losses (gains)	116	(146)
Other business expenses	390	975
Other film (recoveries) costs	(97)	103
Auditor's remuneration		
— Non-audit services	91	56
— Audit services	160	217
Utilities and maintenance expenses	70	119
Total costs of sales, selling, general and administrative expenses, restructuring expenses and other operating expenses	25,480	30,590

9. Restructuring expenses

In June 2017, the Company announced the implementation of a cost-reduction plan to create cost savings aimed at increasing profitability, operating leverage and free cash flow. Restructuring expenses are mainly comprised of employee severance costs and expenses of facilities contract termination costs. A liability for expenses associated with an exit is recognized and measured at its fair value in the condensed consolidated statement of financial position in the period in which the liability is incurred.

In connection with the Company's restructuring initiatives, the Company incurred $0.6 million in restructuring expenses for the six months ended 30 June 2017, to better align its organizational structure and costs with its strategy. There were no restructuring expenses incurred during the six months ended 30 June 2018. A summary of the restructuring expenses recognised during the six months ended 30 June 2017 is as follows:

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Employee severance and benefits	—	297
Facilities	—	246
Share-based compensation expenses	—	41
Total restructuring expenses	—	584

10. Income tax expense

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Current income tax:		
Current tax on profits for the period	(6,495)	(5,798)
Adjustments in respect of prior years	300	—
Total current income tax	(6,195)	(5,798)
Deferred income tax (note 14):		
Origination and reversal of temporary differences	242	1,020
Total deferred income tax	242	1,020
Income tax expense	(5,953)	(4,778)

10. Income tax expense (Continued)

Income tax expense for the six months ended 30 June 2018 and 2017 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 2018, the estimated average annual tax rate used for the year ending 31 December 2018 was 23%. For the six months ended 30 June 2017, the estimated average annual tax rate used for the year ended 31 December 2017 was 22%.

11. Profit per share

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

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Profit for the period	20,465	16,489
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of period	358,125	356,565
Weighted average number of shares issued during the period	299	19
Weighted average number of shares used in computing basic earnings per share	358,424	356,584
Adjustments for:		
Stock options	3,286	5,282
Restricted share units	195	59
Weighted average number of shares used in computing diluted earnings per share	361,905	361,925

12. Property, plant and equipment

	Theatre System Components	Office and Production Equipment	Leasehold Improvements	Construction in Process	Total
As at 1 January 2018 (audited)					
Cost	112,140	1,725	1,818	1,704	117,387
Accumulated depreciation and impairment	(26,430)	(948)	(1,389)	—	(28,767)
Net book amount	85,710	777	429	1,704	88,620
Six months ended 30 June 2018 (unaudited)					
Opening net book amount	85,710	777	429	1,704	88,620
Exchange differences	(1,100)	(7)	(2)	(37)	(1,146)
Additions	34	12	—	8,485	8,531
Transfers	6,292	—	—	(6,292)	—
Disposals	(26)	—	—	—	(26)
Depreciation charge	(4,854)	(183)	(185)	—	(5,222)
Closing net book amount	86,056	599	242	3,860	90,757
As at 30 June 2018 (unaudited)					
Cost	116,823	1,716	1,792	3,860	124,191
Accumulated depreciation	(30,767)	(1,117)	(1,550)	—	(33,434)
Net book amount	86,056	599	242	3,860	90,757
As at 1 January 2017 (audited)					
Cost	82,408	1,514	1,905	3,042	88,869
Accumulated depreciation	(17,476)	(604)	(1,038)	—	(19,118)
Net book amount	64,932	910	867	3,042	69,751
Six months ended 30 June 2017 (unaudited)					
Opening net book amount	64,932	910	867	3,042	69,751
Exchange differences	1,892	29	31	39	1,991
Additions	—	72	—	12,691	12,763
Transfers	7,681	—	73	(7,754)	—
Disposals	(332)	—	(73)	—	(405)
Depreciation charge	(3,833)	(188)	(222)	—	(4,243)
Closing net book amount	70,340	823	676	8,018	79,857

13. Trade and other receivables

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Trade receivables	23,587	31,438
Less: provision for impairment of trade receivables	(317)	(321)
Trade receivables – net	23,270	31,117
Receivables from IMAX Corporation (note 23(b))	22,454	16,448
Loan receivable from a joint venture (note 23(b))	215	2,806
Other accrued receivables	3,811	3,624
	49,750	53,995

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 2018 (Unaudited)	As at 31 December 2017 (Audited)
0–30 days	10,112	7,848
31–60 days	1,777	3,642
61–90 days	3,377	4,797
Over 90 days	30,775	31,599
	46,041	47,886

14. Deferred income tax

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

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Opening balance	3,291	1,830
Exchange differences	(20)	141
Charged to retained earnings (note 3)	(763)	—
Credited to profit or loss (note 10)	242	1,320
Closing balance	2,750	3,291

15. Interests in a joint venture

The Group established a joint venture in 2017 with details as below:

Name of the entity	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares/ registered capital	Paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd.	The People's Republic of China ("PRC") Joint venture invested by foreign invested enterprise and domestic enterprise 25 January 2017	Investment management, investment consulting	Registered capital of RMB 7,000,000	$nil	—	50%

16. Share capital and reserves

(a) Share capital

	Number of Shares		Share capital	
	2018	2017	2018	2017
			US$	US$
Ordinary shares of US$0.0001 each				
Authorised				
At beginning and end of six months ended	625,625,000	625,625,000	62,562.50	62,562.50

	Number of shares		Share capital	
	2018	2017	2018	2017
			US$	US$
Issued and fully paid				
At beginning of 1 January (audited)	358,125,084	356,565,100	35,812.51	35,656.51
Exercise of stock options	600,000	—	60.00	—
Shares issued for vested restricted share units	56,036	28,501	5.60	2.85
At 30 June (unaudited)	358,781,120	356,593,601	35,878.11	35,659.36

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) Shares held for China long-term incentive plan

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

16. Share capital and reserves (Continued)

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

For the six months ended 30 June:

	Number of shares		US$'000	
	2018	2017	2018	2017
Shares held for China long-term incentive plan				
At beginning of period	43,900	—	133	—
Acquisition of shares by the Trust	84,555	3,081	299	15
Issued to employees for vested restricted share units	(128,455)	(3,081)	(432)	(15)
At end of period	—	—	—	—

(c) *Share-based payments*

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

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

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

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

The compensation costs recorded in the condensed consolidated interim statement of comprehensive income for these plans were $1.0 million in the six months ended 30 June 2018 (30 June 2017: $1.0 million).

16. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

(i) SOP and IMAX LTIP

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

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

The Group recorded an expense of less than $0.1 million in the six months ended 30 June 2018 (30 June 2017: less than $0.1 million) related to stock option grants issued to IMAX China employees under the SOP and IMAX LTIP.

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

16. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

(i) SOP and IMAX LTIP (Continued)

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Grant date share price	NA	$32.45
Exercise price	NA	$32.45
Average risk-free interest rate	NA	2.40%
Expected option life (in years)	NA	4.80
Expected volatility	NA	30%
Dividend yield	NA	0%
Early exercise multiple	NA	1.28

SOP and IMAX LTIP Summary

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

For the six months ended 30 June:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Options outstanding, beginning of period	37,000	66,911	31.73	30.97
Granted	—	4,204	—	32.45
Expired	(37,000)	—	31.73	—
Options outstanding, end of period	—	71,115	—	31.05
Options exercisable, end of period	—	57,886	—	30.79

No stock options were surrendered or cancelled by Group employees in the six months ended 30 June 2018 (30 June 2017: none).

As at 31 December 2017, the weighted average remaining contractual life of options outstanding is 0.5 years.

16. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

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

China IPO Options Summary

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

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

In the six months ended 30 June 2018, the Group recorded an expense of $nil (30 June 2017: $0.2 million) related to equity-settled China IPO Options issued under the China LTIP.

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

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

For the six months ended 30 June:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Options outstanding, beginning of period	6,252,400	7,737,400	1.43	1.42
Exercised	(600,000)	—	1.33	—
Options outstanding, end of period	5,652,400	7,737,400	1.44	1.42
Options exercisable, end of period	5,652,400	5,378,260	1.44	1.41

16. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

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

China IPO Options Summary (Continued)

In respect of China IPO Options exercised in the six months ended 30 June 2018, the weighted average stock price at the dates of exercise is $3.66. As at 30 June 2018, the weighted average remaining contractual life of options outstanding is 2.1 years (31 December 2017: 2.8 years).

China Options Summary

In the six months ended 30 June 2018, 264,647 (30 June 2017: 278,576) China Options were granted to certain employees in accordance with the China LTIP. The China Options vest between a three and four year period beginning on the date of grant. The China Options have a maximum contractual life of 7 years.

In the six months ended 30 June 2018, the Group recorded an expense of $0.1 million (30 June 2017: less than $0.1 million) related to China Options issued under the China LTIP.

The weighted average fair value of China Options granted in the six months ended 30 June 2018 at the measurement date was $0.92 per share (30 June 2017: $1.22 per share). China Options were priced using Binomial Model. Expected volatility is based on the historical volatility of IMAX Corporation's stock price over the past years and the industry average historical volatility. The following inputs were used to estimate the average fair value of the options:

	Six months ended 30 June		
	2018 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
	A	B	
Grant date share price	HK$24.45	HK$28.00	HK$36.35
Exercise price	HK$24.45	HK$28.00	HK$36.94
Average risk-free interest rate	1.85%	2.02%	1.66%
Expected option life (in years)	4.77	6.45	4.27
Expected volatility	30%	30%	30%
Dividend yield	1.50%	1.50%	0%
Early exercise multiple	2.23	2.23	1.28

16. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

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

China Options Summary (Continued)

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

For the six months ended 30 June:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Options outstanding, beginning of period	554,673	139,579	4.53	—
Granted	264,647	278,576	3.18	4.76
Options outstanding, end of period	819,320	418,155	4.10	5.12
Options exercisable, end of period	163,986	27,913	5.44	5.84

As at 30 June 2018, the weighted average remaining contractual life of options outstanding is 5.9 years (31 December 2017: 6.4 years).

Cash Settled China Awards

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

The carrying amount of the liability relating to the CSSBP transactions as of 30 June 2018 is $nil (31 December 2017: $nil). In the six months ended 30 June 2017, a portion of the CSSBP awards vested and were settled in cash for $0.1 million.

16. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

(iii) Restricted Share Units

RSUs under IMAX LTIP

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 $nil for the six months ended 30 June 2018 (30 June 2017: $0.2 million) related to RSU grants issued to employees in the plan. The annual termination probability assumed for the six months ended 30 June 2018 was zero (30 June 2017: zero).

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

RSUs under IMAX LTIP Summary

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

For the six months ended 30 June:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
RSUs outstanding, beginning of period	1,296	18,276	36.09	33.21
Granted	—	3,467	—	32.45
Vested and settled	(326)	(4,468)	33.80	30.89
RSUs outstanding, end of period	970	17,275	36.86	33.66

16. Share capital and reserves (Continued)

(c) Share-based payments (Continued)

(iii) Restricted Share Units (Continued)

China RSUs under China LTIP

China RSUs have been granted to employees of the Group under the IMAX China LTIP. Each China RSU represents a contingent right to receive one common share of the Company and its economic equivalent of one common share of the Company. China RSUs were not issued before 2015. The grant date fair value of each China RSU is equal to the share price of the Company's stock at the grant date. The Group recorded an expense of $0.9 million for the six months ended 30 June 2018 (30 June 2017: $0.4 million) related to China RSU grants issued to employees in the plan. The annual termination probability assumed for the six months ended 30 June 2018 was nil (30 June 2017: nil).

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

China RSUs under China LTIP Summary

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

For the six months ended 30 June:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
RSUs outstanding, beginning of period	523,829	174,975	4.39	5.81
Granted	475,811	334,211	3.23	4.68
Vested and settled	(184,491)	(31,582)	4.40	5.40
Forfeited	(20,667)	(9,955)	3.88	4.85
RSUs outstanding, end of period	794,482	467,649	3.71	5.05

16. Share capital and reserves (Continued)

(d) Reserves

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

Share premium

The application of the share premium account is governed by Section 34(2) of the Companies Law (2013 Revision) of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business. The Company distributed a dividend of $14.4 million out of share premium for the six months ended 30 June 2018 (30 June 2017: $nil).

Capital reserve

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

Statutory reserves

The PRC laws and regulations require companies registered in the PRC to provide certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. PRC companies are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their post-tax profits. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the Board of Directors. The PRC companies of the Group had not distributed any of their post-tax profits up to 30 June 2018, accordingly, no statutory reserves were appropriated (31 December 2017: $nil).

17. Trade and other payables

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Trade payables	1,220	2,732
Other payables	413	1,134
Amounts due to IMAX Corporation (note 23(b))	15,596	14,656
	17,229	18,522

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

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
0 – 30 days	8,889	8,015
31 – 60 days	943	2,264
61 – 90 days	1,380	925
Over 90 days	6,017	7,318
	17,229	18,522

As at 30 June 2018 and 31 December 2017, 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.

18. Accruals and other liabilities

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Value-added tax payable	3,906	3,549
Accrued marketing and advertising expenses	1,918	1,225
Accrued selling expenses	1,570	1,204
Withholding individual income tax	694	693
Other tax payable	611	717
Accrued salaries and benefits	393	817
Contingent liability (note 22)	329	333
Accrued audit fees	317	442
Accrued legal fees	204	183
Other accrued expenses	795	998
Accruals and other liabilities, total	10,737	10,161

19. Deferred revenue

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Theatre system deposits	39,042	41,832
Maintenance prepayments	4,706	5,589
	43,748	47,421
Deferred revenue, current	21,985	23,545
Deferred revenue, non-current	21,763	23,876
	43,748	47,421

20. Statement of cash flow supplemental information

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Profit before income tax for the period	26,418	21,267
Adjustment for:		
Amortization of film assets	2,763	3,499
Depreciation of property, plant and equipment	5,222	4,243
Equity settled and other non-cash compensation	1,008	1,003
Loss on disposal of property, plant and equipment	26	405
Write-downs	—	132
Foreign exchange gains	(4)	(150)
Investment in film assets	(2,789)	(3,531)
Changes in working capital		
Trade and other receivables	1,253	(3,082)
Inventories	(1,026)	(4,043)
Financing receivables	109	(2,284)
Trade and other payables	(3,138)	(3,022)
Accruals and other liabilities	1,028	(2,804)
Deferred revenue	(3,061)	12,143
Prepayments	(581)	(1,534)
Other assets	(303)	5
Cash provided by operations	26,925	22,247

21. Commitments

(a) ***Capital commitments***

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

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Capital expenditure contracted but not provided for in the condensed consolidated interim financial information in respect of:		
Acquisition of property, plant and equipment	3,281	84
Capital injection to a film fund	25,000	25,000
Investment in a joint venture	2,267	—
Investment in a virtual reality fund	4,021	4,894

(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 2018 (Unaudited)	As at 31 December 2017 (Audited)
Within one year	1,012	1,573
Between 1 and 2 years	101	355
Between 2 and 3 years	—	10
	1,113	1,938

Rent expense was $0.6 million for the six months ended 30 June 2018 (30 June 2017: $0.6 million).

22. 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 year or years 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. ("IMAX Shanghai Multimedia"), the Company's wholly-owned subsidiary in the PRC, received notice from the Shanghai office of the General Administration of Customs ("Customs Authority") that it had been selected for a customs audit (the "Audit"). In the course of the Audit, the Customs Authority discovered the underpayment by IMAX Shanghai Multimedia of the freight and insurance portion of the customs duties and taxes applicable to the importation of certain IMAX theatre systems during the period from October, 2011 through March, 2013. Though IMAX Shanghai Multimedia's importation agent accepted responsibility for the error giving rise to the underpayment, the matter has been transferred first to the Anti-Smuggling Bureau (the "ASB") of the Customs Authority and then to the Third Division of Shanghai People's Procuratorate for further review. During the six months ended 30 June 2017, at the request of the ASB, the Company paid RMB 1 million (approximately US$0.15 million) to the ASB to satisfy the amount owing as a result of the underpayment. Given that the amount of the underpayment exceeds RMB200,000, the Company has been advised that the matter may be treated as a criminal rather than as an administrative matter. During the six months ended 30 June 2017, the Company accrued US$0.3 million in respect of fines that it believes are likely to result from the matter. The Company has been advised that the range of potential penalties is between three and five times the underpayment depending on whether the matter is assessed as criminal or administrative; however, the actual amount of any fines or other penalties remains unknown and the Company cautions that these actual fines or other penalties may be greater or less than the amount accrued or the expected range. As of 30 June 2018, there were no updates of this matter and the accrued penalties were kept at US$0.3 million.

Financial guarantees

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

23. 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.

IMAX Corporation (incorporated in Canada) is the Controlling Shareholder of the Company who holds 67.80% of the Company's shares as at 30 June 2018.

IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd. is the joint venture established by the Group with 50% equity interest.

The following continuing transactions were carried out with related parties:

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

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Purchase of goods:		
IMAX Corporation (theatres systems)	11,592	18,492
Purchase of services:		
IMAX Corporation (film related transactions)	2,770	3,575
IMAX Corporation (management fees — legal and administration services)	247	346
Other transactions:		
IMAX Corporation (dividends paid to)	9,731	—
IMAX Corporation (reimbursement of compensation of Company employees paid by IMAX Corporation)	851	1,327
IMAX Corporation (trademark and technology fees)	2,851	2,751
IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd. (loan to)	—	2,583
IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd. (interest income)	88	18
Revenue earned from film services through IMAX Corporation	12,445	12,150
Revenue earned from maintenance services provided to IMAX Corporation	81	111

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

23. Related party transactions (Continued)

(b) Period/Year-end balances

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Receivables from related parties (note 13):		
IMAX Corporation	22,454	16,448
Loan receivable from a joint venture (note 13):		
IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd.	215	2,806
Payables to related parties (note 17):		
IMAX Corporation	15,596	14,656

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, except that the loan receivable from IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd. is unsecured, with a fixed interest rate and repayable within one year. The principal of loan was repaid during the six months ended 30 June 2018.

(c) Other related party transactions

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Investment in IMAX (Hong Kong) Holding, Limited (note 6(b))	4,000	4,000

23. Related party transactions (Continued)

(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	
	2018 (Unaudited)	2017 (Unaudited)
Salaries and other short-term employee benefits	1,582	2,068
Post-employment benefits	9	14
Other benefits[1]	688	637
Share-based payments	494	749
	2,773	3,468

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

24. Dividends

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Dividends recognised as distribution during the period:		
2017 Final - HK$0.314 (2016: $nil) per share	14,355	—

In the Company's board meeting held on 25 July 2018, the Board of Directors approved an interim dividend of $0.02 per share (equivalent to HK$0.157 per share) for the six months ended 30 June 2018 to the Shareholders. There will be no scrip dividend option for the 2018 interim dividend. The proposed dividend has not been provided for in the condensed consolidated financial statements for the six months ended 30 June 2018. No dividends in respect of the six months ended 30 June 2017 had been proposed.

25. Subsidiaries

The following is a list of the principal subsidiaries as at 30 June 2018:

Name of the Company	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares / registered capital	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 HK$39,000,000 12 ordinary shares for US$ 27,538,341	2 ordinary shares for HK$39,000,000 12 ordinary shares for US$ 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	US$ 11,500,000	US$ 9,800,000	–	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	US$ 200,000	US$ 200,000	–	100%
IMAX (Shanghai) Digital Media Co., Ltd.	The PRC Limited Liability Company (wholly owned by foreign-invested enterprise) 23 December 2016	Technological development, technological transfer, technological consultation and technological services in the fields of digital media technology in the PRC	RMB 100,000	$nil	–	100%

25. Subsidiaries (Continued)

Name of the Company	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares / registered capital	Paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
IMAX (Shanghai) Commerce and Trade Co., Ltd.	The PRC Limited Liability Company (wholly owned by foreign-invested enterprise) 24 August 2017	sales of gift, handicraft, stationery commodity, clothing and apparel, electronic product; ticket agent; advertising design, production, agency and publishing; technology development, technology consulting, technology service, technology transfer in the field of computer information; handicraft design, gift design; culture and art exchange and planning; business consultation; creative services; conference services; electronic business (excluding telecom value-added service and financial service) in the PRC	RMB 2,000,000	$nil	—	100%

26. Events occurring after the reporting period

Subsequent to 30 June 2018, IMAX Shanghai Multimedia entered into an unsecured revolving facility for up to RMB 200 million (approximately $30 million) on 5 July 2018 to fund ongoing working capital requirements.

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
"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
"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
"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 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)
"Participants"	directors, employees and consultants of the Group who are granted options pursuant to the Share Option Scheme

Definitions (Continued)

"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
"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 "Corporate Governance Highlights and 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 "Corporate Governance Highlights and 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 films and IMAX Original Films. We also use the concept of box office in our revenue sharing arrangements, where it refers to the aggregate proceeds from ticket sales received by exhibitors in respect of IMAX films with which we have entered into a revenue sharing arrangement
"box office revenue"	the portion of box office that is due to be paid to the Group under revenue sharing arrangements in our theatre systems business and/or arrangements with IMAX Corporation and studios in our films business, as applicable
"Chinese language films"	a motion picture approved for theatrical release in the PRC which has been produced by a PRC producer or jointly produced by a PRC producer and a foreign producer, and which meets the requirements of the relevant laws and regulations of the PRC
"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 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 films over the term of the arrangement, and no, or a relatively small, upfront payment

Glossary (Continued)

"Greater China DMR Film"	a conventional Chinese language film produced by a third party which is converted into IMAX format and released to IMAX theatres in Greater China pursuant to a DMR production services agreement entered into between IMAX Shanghai Multimedia or IMAX Hong Kong and a distributor in their respective territories
"Greater China Original Film"	any Chinese language film invested in, produced or coproduced by IMAX Shanghai Multimedia or IMAX Hong Kong and released to IMAX theatres in Greater China, which may or may not be in IMAX format
"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 films over the term of the arrangement, that is typically half of that under a full revenue sharing arrangement
"IMAX DMR"	the proprietary digital re-mastering process or any other postproduction process and/or technology used by IMAX Corporation in connection with the conversion of a conventional film into an IMAX film
"IMAX film"	a film converted from a conventional film using DMR technology
"IMAX Original Film"	any IMAX film invested in, produced or co-produced by IMAX Corporation and released to IMAX theatres, and/or for which IMAX Corporation owns and/or controls its theatrical distribution rights
"IMAX theatre"	any movie theatre in which an IMAX screen is installed
"revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for, among other things, a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement; our revenue sharing arrangements are either full revenue sharing arrangements or hybrid revenue sharing arrangements (See the separate glossary explanations for these terms)
"sales arrangement"	an arrangement with an exhibitor pursuant to which we sell that exhibitor an IMAX theatre system for a fee and the exhibitor agrees to pay us on-going royalty fees for use of the IMAX brand and technology over the term of the arrangement
"studio"	an organisation that produces films (which may include all or some of script writing, financing, production team and equipment sourcing, casting, shooting and post production), owns the copyright to the films it produces and works with distributors to release those films at theatres
"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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