IMAX CHINA HOLDING, INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1970)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

AND

INSIDE INFORMATION OUR CONTROLLING SHAREHOLDER IMAX CORPORATION RELEASED ITS FOURTH QUARTER AND FULL YEAR 2016 FINANCIAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of IMAX China Holding, Inc. (the "**Company**" or "**IMAX China**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 as follows.

INSIDE INFORMATION

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

Our controlling shareholder, IMAX Corporation has, on or about 23 February 2017 (4:01 p.m., New York time), announced its fourth quarter and year ended 31 December 2016 financial results and on or about 23 February 2017 (5:23 p.m., New York time), released its annual report and results for the year ended 31 December 2016.

FINANCIAL HIGHLIGHTS

	2016	2015	Change %
Total revenue (US$'000)	**118,532**	110,591	7.2%
Gross profit (US$'000)	**69,297**	72,280	(4.1)%
Gross profit %	**58.5%**	65.4%	(10.6)%
Profit(loss) for the year (US$'000)	**36,088**	(181,865)	(119.8)%
Profit(loss) for the year %	**30.4%**	(164.4)%	(118.5)%
Profit(loss) per share (US$)	**0.10**	(0.62)	(116.1)%
Adjusted profit (US$'000)	**37,562**	43,353	(13.4)%
Adjusted profit %	**31.7%**	39.2%	(19.1)%
Total theater system signings	**238**	74	221.6%
Sales arrangements	**37**	29	27.6%
Revenue sharing arrangements	**201**	45	346.7%
Total theater system installations	**119**	77	54.5%
Sales arrangements	**33**	25	32.0%
Revenue sharing arrangements	**84**	50	68.0%
Upgrades	**2**	2	—
Gross box office (US$'000)	**295,671**	312,406	(5.4)%
Box office per screen (US$'000)	**932**	1,345	(30.7)%

2017 OUTLOOK

The Company expects to install approximately 120 new theatres for the year 2017. Of these installations, roughly 35 are expected to be sales arrangements and 85 are expected to be revenue sharing arrangements. We also expect our selling, general and administrative expenses excluding share-based compensation to grow roughly 8.0% over 2016.

LETTER TO SHAREHOLDERS

Dear Shareholders,

It is my pleasure to present you with IMAX China's second annual results as a publicly listed Company.

It was only five years ago that IMAX China, which had just 70 commercial screens at the time, was established as a wholly-owned subsidiary in China, in an effort to help facilitate expansion in what we believed was going to be the next big growth driver for the cinema industry. Sitting here five years later with a theater network of 424 screens across 149 cities in the People's Republic of China ("**PRC**") and another 334 theatres in backlog, I think it is fair to say that our growth in China, both in pace and scale, has far exceeded any expectations I had set five years ago.

2016 was a year filled with a number of exciting accomplishments, such as record signings and installations which ultimately set the stage for 2017 and beyond.

To highlight a few of our many accomplishments last year:

- We signed agreements for a record 238 theatres in 2016, more than we signed in the previous two years combined, which included expansion with many existing partners, including our largest deals ever with Wanda Cinema Line and Jinyi;

- Our contracted backlog for future theater installations increased 55% to 334 theaters from 31 December 2015 and includes 275 revenue sharing arrangements;

- We grew our theatre footprint by over 40%, adding 117 new theatres, bringing our commercial footprint to 407 theatres and our overall network to 424 theaters, of which 261 are revenue sharing arrangements; and

- We achieved strong IMAX box office indexing on many of our top performing films.

Needless to say, with all these accomplishments, I am very pleased with the progress we made over the course of 2016. While we had challenges associated with underperforming content last year, we believe that these challenges are transitory and, in my opinion, our Company has never been better positioned to take advantage of the robust film slates ahead of us.

To look at the business in a bit more detail:

Network

For the full year, we added a record 117 screens to the network, ending the year with a total theatre count of 424, 407 of which are commercial theatres. We also signed deals for an additional 238 new theatre systems, bringing our total contracted backlog to 334 theatres, 82% of which are revenue sharing arrangements. The sheer size and scope of this network not only enables us to capture more box office, but also acts as a distribution network, which affords us with ancillary opportunities to exhibit original or alternative content.

I believe it is also important to point out that the large majority of these signings were with existing partners, which reflects positively on their view of IMAX from both an economic and strategic perspective. In addition to entering into our largest deal ever, a 150 theatre full revenue sharing expansion with Wanda Cinema Line, we also added several new full revenue sharing partners, namely Jinyi and Lumiere, who previously operated under sales and/or hybrid type arrangements. We believe this is a very positive development for the Company given these new theatres will allow us to more broadly participate in the upside potential of box office. And, of course, we will continue to strategically seek out new revenue share partners. While these revenue sharing arrangements do incur some one-time upfront costs associated with marketing and launching the theatre, we believe these theatres provide valuable recurring revenues and upside post-installation, which further contributes to our potential operating leverage moving forward.

Box Office

During 2016, we exhibited 37 films in the PRC, 10 of which were local language. We delivered full year Greater China box office of $296 million in 2016. On a constant currency basis in the PRC, IMAX box office increased by 0.5% over 2015.

Given our strong network growth, we did see a decline in our per-screen averages for the year, reflecting a downturn in the PRC film industry as a whole in 2016. We believe that this decline was primarily a result of weaker content in 2016 and not the result of any systemic issues in the China market. And because of the elastic ticket pricing in China, a weaker slate also tends to drive lower ticket prices. This phenomenon should become a net benefit when you have a strong film slate like we are expecting for 2017. We also saw a roughly 7% decline in the RMB in 2016.

With that being said, we ended the year on a strong note and seem to have carried that momentum into 2017. Our indexing over the past several films has been very strong. We did 15% of the PRC box office of *Doctor Strange*, 14% of *Fantastic Beasts and Where to Find Them*, 11% of *The Great Wall* and 13% of *Rogue One: A Star Wars Story*. And as we look to 2017, while not all films have been approved by the Chinese authorities, we are hopeful for a number of very well-established film franchises to make their way to the big screen including films such as *The Fate of the Furious*, *Transformers: The Last Knight*, *Guardians of the Galaxy Vol. 2* and *Spider-Man: Homecoming*. We believe that this slate, coupled with strong indexing and a growing footprint of theatres, positions us well for 2017 and beyond.

Financials

For the full year 2016, we delivered $118.5 million in total revenues, up 7.2% from 2015. Our gross profit was $69.3 million, or 58% of total revenue. On an adjusted basis, our net profit came in at $37.6 million. We ended the year with $106 million in cash, which reflects the $47 million we generated from operating activities last year. Our primary use of cash from an investment perspective should continue to be the rollout of theaters systems under our revenue sharing arrangements. While we anticipate the biggest use of cash to be network growth, we also continue to seek out interesting content opportunities through investments such as our China film fund with partner China Media Capital and also certain new initiatives such as virtual reality.

New Business

Our parent company launched its first IMAX Virtual Reality ("**VR**") Center in Los Angeles last month, and while it remains in the pilot phase, the initial reviews have been very positive. In fact, shortly after the launch of our Los Angeles facility, IMAX Corporation announced a VR partnership with our longstanding exhibitor partner, Jinyi, to launch the first IMAX VR center in China, which should open in the second half this year in Shanghai.

We view VR as a natural extension of IMAX given our loyal fanboy audience and the association between IMAX and immersive, entertaining experiences. Since we announced our VR strategy, there has been strong interest in partnerships, content deals and many other interesting opportunities. And unlike many other VR offerings out there, which target the at-home experience, we are focused on the location-based offering, which has the ability to provide a broader array of high quality, more immersive content experiences, with an added social component. We are encouraged by the preliminary results from IMAX Corporation's initial pilot location and look forward to opening our first China location.

We are also in the process of screening potential commercial content investments through our film fund with China Media Capital, which is expected initially to be capitalized with over $100 million.

Looking Ahead

Despite some transitory box office headwinds across the entire industry in 2016, we couldn't be happier with the level of activity we witnessed last year. This activity and strong IMAX indexing should provide meaningful upside during stronger film years, such as 2017 and 2018.

Across all of our major efforts, we will remain focused on delivering the highest quality and most immersive motion picture entertainment experiences, and are passionately committed to driving value for our shareholders.

I would also like to take this opportunity to express my sincere gratitude to our employees, our ecosystem of partners, as well as to our shareholders and business partners for their confidence and continued support of IMAX China.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of U.S. dollars)

	Notes	As at 31 December 2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	*4*	**69,751**	51,990
Other assets		**4,741**	4,362
Deferred income tax asset	*6*	**1,830**	1,309
Financing receivables	*7*	**30,309**	25,270
		106,631	82,931
Current assets			
Other assets		**1,796**	1,736
Film assets		**10**	35
Inventories		**5,731**	6,364
Prepayments		**1,093**	984
Financing receivables	*7*	**5,831**	3,783
Trade and other receivables	*5*	**37,975**	35,640
Cash and cash equivalents		**105,903**	90,689
		158,339	139,231
Total assets		**264,970**	222,162
LIABILITIES			
Non-current liabilities			
Deferred revenue	*10*	**21,067**	29,137
		21,067	29,137
Current liabilities			
Trade and other payables	*8*	**28,459**	12,172
Accruals and other liabilities		**10,820**	4,152
Income tax liabilities		**2,446**	6,217
Deferred revenue	*10*	**13,025**	12,762
		54,750	35,303
Total liabilities		**75,817**	64,440

	As at 31 December	
	2016	2015
EQUITY		
Equity attributable to owners of the Company		
Share capital	**35**	35
Share premium	**372,131**	369,864
Capital reserves	**(30,326)**	(30,794)
Accumulated deficit	**(142,800)**	(178,888)
Accumulated other comprehensive loss	**(9,887)**	(2,495)
Total equity	**189,153**	157,722
Total equity and liabilities	**264,970**	222,162

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(In thousands of U.S. dollars)

	Notes	Years Ended 31 December **2016**	2015
Revenues	*14*	**118,532**	110,591
Cost of sales	*13*	**(49,235)**	(38,311)
Gross profit	*14*	**69,297**	72,280
Selling, general and administrative expenses	*13*	**(17,083)**	(23,859)
Other operating expenses	*13*	**(6,363)**	(6,050)
Operating profit		**45,851**	42,371
Accretion of amortised cost of financial instrument		**—**	(3,790)
Fair value adjustment of conversion option		**—**	(209,884)
Interest income		**573**	436
Profit (loss) before income tax		**46,424**	(170,867)
Income tax expense	*9*	**(10,336)**	(10,998)
Profit (loss) for the year, attributable to owners of the Company		**36,088**	(181,865)
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		**(7,392)**	(2,207)
Other comprehensive loss		**(7,392)**	(2,207)
Total comprehensive income (loss) for the year, attributable to owners of the Company		**28,696**	(184,072)
Profit (loss) per share attributable to owners of the Company — basic and diluted (expressed in U.S. dollars per share):			
From profit (loss) for the year — basic	*11(d)*	**0.10**	(0.62)
From profit (loss) for the year — diluted	*11(d)*	**0.10**	(0.62)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. General information

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

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

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

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

Pursuant to the reorganisation of the Group (the "**Reorganisation**") as set out under the section headed "History and Reorganisation" in the prospectus of the Company dated 24 September 2015, which was completed on 8 October 2015, the Company became the holding company of the Group. The Reorganisation is merely a reorganisation of the Group's business, with no change in management of such business, and the Controlling Shareholder remains the same. Accordingly, the consolidated financial statements of the Group have been prepared as if the current Group structure had been in existence throughout both years presented.

These consolidated financial statements are 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 consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

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

(b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

3. New accounting standards and accounting changes

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Accounting for acquisitions of interests in joint operations — Amendments to IFRS 11
- Clarification of acceptable methods of depreciation and amortisation — Amendments to IAS 16 and IAS 38
- Annual improvements to IFRSs 2012 — 2014 cycle, and
- Disclosure initiative — amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards, amendments and interpretations not yet adopted

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

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

IFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

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

The Group is a lessee of various offices, warehouses and apartments which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in note 2(s) to the Consolidated Financial Statements with the Group's future operating lease commitments, which are not reflected in the consolidated statement of financial position, set out in note 25(b) to the Consolidated Financial Statements. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the statement of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in property, plant and equipment and an increase in financial liabilities in the consolidated statement of financial position. In the income statement, leases will be recognised in the future as capital expenditure on the purchasing side and will no longer be recorded as an operating expense. As a result, the operating expense under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. This will lead to an improvement in EBITDA. The new standard is not expected to apply until the financial year 2019, including the adjustment of prior years.

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

4. Property, plant and equipment

	Theatre System Components	Office and Production Equipment	Leasehold Improvements	Construction in Process	Total
As at 1 January 2015					
Cost	51,600	651	565	26	52,842
Accumulated depreciation	(9,195)	(299)	(532)	—	(10,026)
Net book amount	42,405	352	33	26	42,816
Year ended 31 December 2015					
Opening net book amount	42,405	352	33	26	42,816
Exchange differences	(115)	(2)	(3)	(5)	(125)
Additions	—	321	416	13,449	14,186
Transfers	13,016	—	—	(13,016)	—
Disposals	(133)	—	—	—	(133)
Depreciation charge	(4,513)	(101)	(140)	—	(4,754)
Closing net book amount	50,660	570	306	454	51,990
As at 1 January 2016					
Cost	**64,368**	**970**	**978**	**454**	**66,770**
Accumulated depreciation	**(13,708)**	**(400)**	**(672)**	**—**	**(14,780)**
Net book amount	**50,660**	**570**	**306**	**454**	**51,990**
Year ended 31 December 2016					
Opening net book amount	**50,660**	**570**	**306**	**454**	**51,990**
Exchange differences	**(5,075)**	**(216)**	**(54)**	**(131)**	**(5,476)**
Additions	**567**	**541**	**681**	**28,436**	**30,225**
Transfers	**25,034**	**284**	**399**	**(25,717)**	**—**
Disposals	**(389)**	**—**	**—**	**—**	**(389)**
Depreciation charge	**(5,865)**	**(269)**	**(465)**	**—**	**(6,599)**
Closing net book amount	**64,932**	**910**	**867**	**3,042**	**69,751**
As at 31 December 2016					
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**

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

	Years Ended 31 December	
	2016	2015
Cost of sales	**5,871**	4,513
Selling, general and administrative expenses	**728**	241
	6,599	4,754

During the year ended 31 December 2016, the Group recorded disposal charges of $0.4 million (2015: $0.1 million) related to theatre system components.

5. Trade and other receivables

	As at 31 December	
	2016	2015
Trade receivables	**18,979**	18,225
Less: provision for impairment of trade receivables	**(176)**	(49)
Trade receivables — net	**18,803**	18,176
Receivables from IMAX Corporation	**14,879**	14,991
Other accrued receivables	**4,293**	2,473
	37,975	35,640

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

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

	As at 31 December	
	2016	2015
0–30 days	**7,905**	11,401
31–60 days	**1,541**	1,080
61–90 days	**1,350**	2,216
Over 90 days	**23,062**	18,519
	33,858	33,216

As at 31 December 2016, trade receivables of $33.9 million (2015: $33.2 million) were fully performing.

As at 31 December 2016, trade receivables of $22.9 million (2015: $18.5 million) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and from whom the Company, based on past experience, believes the overdue amounts can be recovered, as well as related party receivables. The aging analysis of these trade receivables, including receivables from IMAX Corporation, is as follows:

	As at 31 December	
	2016	2015
Over 90 days	**22,886**	18,470

The aging of the Group's impaired trade receivables is as follows:

	As at 31 December	
	2016	2015
Over 90 days	**176**	49

At 31 December 2016, 32% (2015: 64%) of the Group's over 90 days trade and other receivables balance relates to receivables aged over one year, 68% (2015: 78%) of which do not bear interest, have no fixed repayment terms and are due on demand from IMAX Corporation.

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

	As at 31 December	
	2016	2015
US$	**15,630**	18,219
RMB	**22,269**	17,347
Other currencies	**76**	74
	37,975	35,640

Movements in the Group's allowance for impairment of trade receivables are as follows:

	As at 31 December	
	2016	2015
As at 1 January	**49**	41
Provision for receivables impairment	**146**	8
Write-off	**(19)**	—
As at 31 December	**176**	49

During the year ended 31 December 2016, the Group recorded a net provision of less than $0.1 million (2015: less than $0.1 million) related to trade receivables.

6. Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2016	2015
Deferred income tax assets		
Deferred income tax asset to be recovered after more than 12 months	**1,135**	872
Deferred income tax asset to be recovered within 12 months	**695**	437
Deferred income tax assets	**1,830**	1,309
Deferred income tax liabilities		
Deferred income tax liability to be recovered after more than 12 months	**—**	—
Deferred income tax liability to be recovered within 12 months	**—**	—
Deferred income tax liabilities	**—**	—

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

	As at 31 December	
	2016	2015
Opening balance	**1,309**	805
Exchange differences	**(192)**	7
Income statement charge (note 9)	**713**	497
Closing balance	**1,830**	1,309

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

	Fixed assets, inventory and other property	**Share-based compensation**	**Accrued reserves**	**Others**	**Total**
As at 1 January 2015	66	650	(47)	136	805
Credited (charged) to the income statement	4	261	245	(13)	497
Exchange difference	(2)	(76)	239	(154)	7
As at 31 December 2015	68	835	437	(31)	1,309
Credited to the income statement	13	352	317	31	713
Exchange difference	(6)	(127)	(59)	—	(192)
As at 31 December 2016	**75**	**1,060**	**695**	**—**	**1,830**

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

No deferred income tax liability has been provided for the People's Republic of China ("PRC") withholding tax that would be payable on the unremitted earnings totalling $88.2 million at 31 December 2016 (2015: $56.6 million). Such earnings are expected to be retained by the PRC subsidiaries and not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

7. Financing receivables

Some of the Group's leases are classified as finance leases. The Group classifies its lease arrangements at inception of the arrangement and, if required, after a modification of the lease arrangement, to determine whether they are finance leases or operating leases. Under the Group's lease arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Group's lease portfolio terms are typically non-cancellable for 10 to 12 years with renewal provisions from inception. The Group's leases generally do not contain an automatic transfer of title at the end of the lease term. The Group's lease arrangements do not contain a guarantee of residual value at the end of the lease term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Group for maintenance and extended warranty generally after the first year of the lease until the end of the lease term. The customer is responsible for obtaining insurance coverage for the theatre systems commencing on the date specified in the arrangement's shipping terms and ending on the date the theatre systems are delivered back to the Group.

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

	As at 31 December	
	2016	2015
Gross minimum finance lease payments receivable	**471**	1,556
Unearned finance income	**(40)**	(208)
Minimum finance lease payments receivable	**431**	1,348
Accumulated allowance for uncollectible amounts	**—**	—
Net investment in finance leases	**431**	1,348
Gross financed sales receivables	**48,037**	38,661
Unearned finance income	**(12,328)**	(10,956)
Financed sales receivables	**35,709**	27,705
Accumulated allowance for uncollectible amounts	**—**	—
Net financed sales receivables	**35,709**	27,705
Total financing receivables	**36,140**	29,053

	As at 31 December	
	2016	2015
Gross investment in finance leases may be analysed as follows:		
No later than one year	**110**	212
Later than one year and no later than five years	**361**	848
Later than five years	**—**	496
Total gross investment in finance leases	**471**	1,556
Gross financed sales receivables may be analysed as follows:		
No later than one year	**8,464**	5,987
Later than one year and no later than five years	**23,969**	20,082
Later than five years	**15,604**	12,592
Total financed sales receivables	**48,037**	38,661
Net investment in finance leases may be analysed as follows:		
No later than one year	**96**	154
Later than one year and no later than five years	**335**	1,132
Later than five years	**—**	62
Total net investment in finance leases	**431**	1,348
Net financed sales receivables may be analysed as follows:		
No later than one year	**5,735**	3,629
Later than one year and no later than five years	**16,611**	13,574
Later than five years	**13,363**	10,502
Total net financed sales receivables	**35,709**	27,705

As at 31 December 2016, the financed sales receivables had a weighted average effective interest rate of 8.9% (2015: 9.5%).

Contingent rents that meet the Group's revenue recognition policy, from customers under financing arrangements, were $0.4 million for the year ended 31 December 2016 (2015: $0.9 million).

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

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

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

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

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

As at 31 December 2016, 99% (2015: 99%) of the Group's financing receivables were in good standing.

8. Trade and other payables

	As at 31 December	
	2016	2015
Trade payables	**4,943**	1,272
Other payables	**1,097**	—
Amounts due to IMAX Corporation	**22,419**	10,900
	28,459	12,172

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

	As at 31 December	
	2016	2015
0–30 days	**13,205**	1,858
31–60 days	**1,745**	4,023
61–90 days	**1,288**	622
Over 90 days	**12,221**	5,669
	28,459	12,172

As at 31 December 2016 and 2015, the carrying amounts of trade and other payables approximated their fair values due to short maturity. Trade and other payables over 90 days primarily consist of amounts due to IMAX Corporation.

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

	As at 31 December	
	2016	2015
RMB	**19,142**	5,634
US$	**8,675**	4,430
Other	**642**	2,108
	28,459	12,172

9. Income tax expense

	Years Ended 31 December	
	2016	2015
Current income tax:		
Current tax on profits for the year	**(11,001)**	(11,476)
Adjustments in respect of prior years	**(48)**	(19)
Total current income tax	**(11,049)**	(11,495)
Deferred income tax (note 6)		
Origination and reversal of temporary differences	**713**	497
Total deferred income tax	**713**	497
Income tax expense	**(10,336)**	(10,998)

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

	Years Ended 31 December	
	2016	2015
Profit (loss) before tax	**46,424**	(170,867)
Tax calculated at domestic tax rates applicable to profits in all respective countries	**(10,410)**	(11,074)
Tax effects of:		
Income not subject to tax	**978**	842
Expenses not deductible for tax purposes	**(128)**	(75)
Withholding taxes	**(673)**	(671)
Other	**(55)**	(1)
Adjustment in respect of prior years	**(48)**	(19)
Tax charge	**(10,336)**	(10,998)

For the year ended 31 December 2016, the weighted average applicable tax rate was 22.3% (2015: negative 6.5%). The change is caused by a change in the profitability of the Group's subsidiaries in the respective countries and in particular, a significant pre-tax loss for the Company for the year ended 31 December 2015 due to charges relating to the fair value of the conversion option and accretion which is taxed at 0%.

10. Deferred revenue

	As at 31 December	
	2016	2015
Theatre system deposits	**29,486**	38,482
Maintenance prepayments	**4,526**	3,235
Other deferred revenue	**80**	182
	34,092	41,899
Deferred revenue, current	**13,025**	12,762
Deferred revenue, non-current	**21,067**	29,137
	34,092	41,899

11. Share capital and reserves

(a) Authorised

Common Shares

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

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

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

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

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

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

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

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

Reorganisation — Share Subdivision

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

Number of shares as at 1 January 2015	303,750,000
Redeemable Class C Shares issued	33,750,000
Common shares issued upon initial public offering	17,825,000
Number of shares as at 31 December 2015	355,325,000
Exercise of stock options	1,240,100
Number of shares as at 31 December 2016	356,565,100

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

(b) Changes during the year

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

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

IMAX Corporation issued 2,987 common shares in the year ended 31 December 2016 (2015: 29,251 common shares), pursuant to the exercise of stock options for cash proceeds of less than $0.1 million (2015: $0.5 million).

The Company issued 1,240,100 common shares in the year ended 31 December 2016 (2015: nil) pursuant to the exercise of stock options for cash proceeds of $1.7 million (2015: $nil).

(c) Share-based payments

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

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

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

A separate China Long-Term Incentive Plan (the "**China LTIP**") was adopted by the Group in October 2012. Each stock option issued prior to the IPO ("**China IPO Option**"), stock options issued after the IPO ("**China Option**"), RSU ("**China 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 consolidated statement of comprehensive income for these plans were $1.9 million in the year ended 31 December 2016 (2015: $3.0 million).

SOP and IMAX LTIP

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

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

The Group recorded an expense of $0.1 million in the year ended 31 December 2016 (2015: $0.1 million) related to stock option grants issued to Group employees in the IMAX LTIP and SOP plans.

The weighted average fair value of all stock options, granted to Group employees in the year ended 31 December 2016 at the measurement date was $8.57 per share (2015: $7.14 per share). The following inputs were used to estimate the average fair value of the stock options:

	Years Ended 31 December	
	2016	2015
Grant date share price	**$31.85**	$33.80
Exercise price	**$31.85**	$33.80
Average risk-free interest rate	**1.72%**	1.90%
Expected option life (in years)	**4.88**	4.51
Expected volatility	**30%**	30%
Dividend yield	**0%**	0%
Early exercise multiple	**1.28**	1.28

SOP and IMAX LTIP Summary

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

For the years ended 31 December:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2016	2015	**2016**	2015
Options outstanding, beginning of year	**57,645**	246,022	**29.93**	24.03
Granted	**4,376**	1,904	**31.85**	33.80
Transferred in	**7,877**	25,416	**32.01**	28.03
Exercised	**(2,987)**	(29,251)	**15.01**	18.58
Forfeited	**—**	(186,446)	**—**	23.70
Options outstanding, end of year	**66,911**	57,645	**30.97**	29.93
Options exercisable, end of year	**49,570**	31,533	**31.17**	30.01

No stock options were surrendered or cancelled by Group employees in the year ended 31 December 2016 (2015: none).

In respect of the stock options exercised during the year, the weighted average stock price at the dates of exercise is $32.70 (2015: $40.70). As at 31 December 2016, the weighted average remaining contractual life of options outstanding is 2.3 years (2015: 2.6 years).

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

China IPO Options Summary

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

During the year ended 31 December 2015, 1,113,700 China IPO Options were granted to certain employees in accordance with the China LTIP. No China IPO Options were granted after 2015. Both the China IPO Options and Tandem Options have a maximum contractual life of 7 years.

During the year ended 31 December 2016, the Group recorded an expense of $0.5 million (2015: $1.3 million) related to equity-settled China IPO Options issued under the China LTIP.

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

The weighted average fair value of China IPO Options granted in the year ended 31 December 2015 at the measurement date was $0.43 per share. China IPO Options were priced using Binomial Model. 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. The following inputs were used to estimate the fair value of the options:

	Years Ended 31 December	
	2016	2015
Exercise price	**n/a**	$1.33
Average risk-free interest rate	**n/a**	1.74%
Expected option life (in years)	**n/a**	4.27
Expected volatility	**n/a**	30%
Dividend yield	**n/a**	0%
Early exercise multiple	**n/a**	1.28

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

Equity-settled China IPO Options

For the years ended 31 December:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2016	2015	**2016**	2015
Options outstanding, beginning of year	**8,977,500**	7,863,800	**1.41**	1.42
Granted	**—**	1,113,700	**—**	1.33
Exercised	**(1,240,100)**	—	**1.36**	—
Options outstanding, end of year	**7,737,400**	8,977,500	**1.42**	1.41
Options exercisable, end of year	**4,635,760**	3,538,700	**1.43**	1.42

In respect of China IPO Options exercised during the year, the weighted average stock price at the dates of exercise is $5.67 (2015: $nil), As at 31 December 2016, the weighted average remaining contractual life of options outstanding is 3.6 years (2015: 4.5 years).

China Options Summary

During the year ended 31 December 2016, 139,579 (2015: nil) China Options were granted to certain employees in accordance with the China LTIP. The China Options vest between a three and four year period beginning on the date of grant. The China Options have a maximum contractual life of 7 years.

During the year ended 31 December 2016, the Group recorded an expense of less than $0.1 million (2015: $nil) related to China Options issued under the China LTIP.

The weighted average fair value of China Options granted in the year ended 31 December 2016 at the measurement date was $1.52 per share. China Options were priced used 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:

	Years Ended 31 December	
	2016	2015
Grant date share price	**HK$45.05**	n/a
Exercise price	**HK$45.31**	n/a
Average risk-free interest rate	**1.13%**	n/a
Expected option life (in years)	**4.27**	n/a
Expected volatility	**30%**	n/a
Dividend yield	**0%**	n/a
Early exercise multiple	**1.28**	n/a

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

	Number of Shares		Weighted Average Exercise Price Per Share	
	2016	2015	**2016**	2015
Options outstanding, beginning of year	**—**	—	**—**	—
Granted	**139,579**	—	**5.84**	—
Options outstanding, end of year	**139,579**	—	**5.84**	—
Options exercisable, end of year	**—**	—	**—**	—

As at 31 December 2016, the weighted average remaining contractual life of options outstanding is 6.2 years (2015: nil).

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. During the year ended 31 December 2016, the Group recorded an expense of $0.2 million (2015: $1.5 million) related to the CSSBP.

The carrying amount of the liability relating to the CSSBP transactions as of 31 December 2016 is $0.5 million (2015: $0.8 million). During the year ended 31 December 2016, a portion of the CSSBP awards vested and were settled in cash for $0.5 million (2015: $1.0 million).

Restricted Share Units

RSUs have been granted to employees of the Group under the IMAX LTIP. Each RSU represents a contingent right to receive one common share of IMAX Corporation and is the economic equivalent of one common share of IMAX Corporation. RSUs were not issued before 2013. The grant date fair value of each RSU is equal to the share price of IMAX Corporation's stock at the grant date. The Group recorded an expense of 0.3 million for the year ended 31 December 2016 (2015: $0.1 million) related to RSU grants issued to employees in the plan. The annual termination probability assumed for the year ended 31 December 2016 was 8.08% (2015: 8.07%).

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

RSUs Summary

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

For the years ended 31 December:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2016	2015	**2016**	2015
RSUs outstanding, beginning of year	**11,823**	4,909	**31.48**	27.26
Granted	**3,533**	5,525	**31.85**	36.31
Transferred in	**9,045**	2,572	**34.64**	27.16
Vested and settled	**(6,125)**	(1,183)	**31.21**	27.09
RSUs outstanding, end of year	**18,276**	11,823	**33.21**	31.48

China RSUs

China RSUs have been granted to employees of the Group under the IMAX China LTIP. Each China RSU represents a contingent right to receive one common share of the Company and its economic equivalent of one common share of the Company. China RSUs were not issued before 2015. The grant date fair value of each China RSU is equal to the share price of the Company's stock at the grant date. The Group recorded an expense of $0.7 million for the year ended 31 December 2016 (2015: $nil) related to China RSU grants issued to employees in the plan. The annual termination probability assumed for the year ended 31 December 2016 was nil (2015: nil).

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

China RSUs Summary

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

For the years ended 31 December:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2016	2015	**2016**	2015
RSUs outstanding, beginning of year	**—**	—	**—**	—
Granted	**239,821**	—	**5.65**	—
Vested and settled	**(58,254)**	—	**5.16**	—
Forfeited	**(6,592)**	—	**5.81**	—
RSUs outstanding, end of year	**174,975**	—	**5.81**	—

(d) Profit (loss) per share

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

	Years Ended 31 December	
	2016	2015
Profit (loss) for the year	**36,088**	(181,865)
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of year	**355,325**	270,000
Weighted average number of shares issued during the year	**509**	22,780
Weighted average number of shares used in computing basic earnings per share	**355,834**	292,780
Assumed exercise of stock options, net of shares assumed	**6,226**	—
Weighted average number of shares used in computing diluted earnings per share	**362,060**	292,780

Assumed exercise of stock options have not been included in the computation of diluted earnings per share as they are anti-dilutive for the year ended 31 December 2015.

(e) Reserves

The Group's reserves and movement therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Share premium

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

Capital reserve

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

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 31 December 2016, accordingly, no statutory reserves were appropriated (31 December 2015: $nil).

12. Financial instruments

(a) Financial instruments

The Group maintains cash with various major financial institutions.

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

(b) Fair value measurements

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

	As at 31 December 2016		As at 31 December 2015	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Net financed sales receivable	**35,709**	**36,901**	27,705	28,914
Net investment in finance leases	**431**	**431**	1,348	1,297
Available-for-sale investment	**4,000**	**n/a**	4,000	n/a

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

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

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

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

Cash and cash equivalents are comprised of cash and interest-bearing investments with original maturity dates of 90 days or less. Cash and cash equivalents are recorded at cost, which approximates fair value as at 31 December 2016 and 2015, respectively.

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

The estimated fair values of the net financed sales receivable and net investment in finance leases are estimated based on discounting future cash flows at currently available interest rates with comparable terms as at 31 December 2016 and 2015, respectively.

The Company identified a conversion option embedded in the Class C share agreement that required bifurcation from its host contract. On issuance of the Class C Shares in April 2014, the Company valued the option at $12.4 million. On issuance of the additional Class C Shares in February 2015, the Company valued the additional option at $12.8 million. Immediately prior to the completion of the IPO, the Company marked the options to market, increasing the value of the Group's capital by $209.9 million with a corresponding loss through Fair Value Adjustments in the consolidated statement of comprehensive loss during the year ended 31 December 2015. The option was valued using a Monte Carlo simulation. The loss was a result of an increase in the equity value of the Group, which is the key assumption used in the valuation and is not based on observable inputs. The conversion option expired unexercised as a result of the reorganisation and IPO transactions in the year ended 31 December 2015.

There were no significant transfers between Level 1 and Level 2 during the year ended 31 December 2016 (2015: none). When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement.

13. Expenses by nature

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

	Years Ended 31 December	
	2016	2015
Cost of theatre system sales and finance leases	**24,207**	20,342
Depreciation, including joint revenue sharing arrangements and film cost	**13,442**	10,229
Employee salaries and benefits	**8,327**	6,923
Theatre maintenance fees	**3,009**	2,751
Other employee expenses	**3,855**	1,801
Advertising and marketing expenses	**5,046**	3,923
Technology and trademark fees	**6,175**	5,964
Travel and transportation expenses	**1,244**	1,128
Professional fees	**1,641**	488
Operating lease rentals in respect of office buildings	**1,347**	882
Share-based compensation expenses	**1,890**	3,020
Provision for receivables impairment	**146**	—
Foreign exchange loss	**500**	599
Other business expenses	**861**	745
Other film recovery	**(29)**	(170)
Auditor's remuneration		
— Non-audit services	**169**	23
— Audit services	**656**	357
Utilities and maintenance expenses	**195**	48
Listing expenses	**—**	9,167
Total costs of sales, selling, general and administrative expenses and other operating expenses	**72,681**	68,220

14. Segment information

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

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

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

Transactions between the other segments are not significant.

(a) Operating segments

	Years Ended 31 December **2016**	2015
Revenue		
Theatre Business		
Sales arrangements	**47,869**	37,038
Theatre system maintenance	**11,702**	9,346
Revenue sharing arrangements	**30,927**	34,498
Other	**1,224**	1,237
	91,722	82,119
Film Business	**26,810**	28,472
Total	**118,532**	110,591
Gross profit		
Theatre Business		
Sales arrangements	**30,360**	25,570
Theatre system maintenance	**6,503**	5,357
Revenue sharing arrangements	**14,423**	19,202
Other	**416**	418
	51,702	50,547
Film Business	**17,595**	21,733
Total gross profit	**69,297**	72,280
Selling, general and administrative expenses	**(17,083)**	(23,859)
Other operating expenses	**(6,363)**	(6,050)
Accretion of amortised cost of financial instrument	**—**	(3,790)
Fair value adjustment of conversion option	**—**	(209,884)
Interest income	**573**	436
Profit (loss) before income tax	**46,424**	(170,867)

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

Sales arrangements included $0.4 million of contingent rent recognised as income in 2016 (2015: $0.9 million). Revenue sharing arrangements included contingent rent recognised as income of $21.1 million in 2016 (2015: $24.3 million).

Significant Customers

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

Customer A

Revenues of approximately $23.8 million in 2016 (2015: $27.0 million) are derived from a single external customer. These revenues are attributable to sales arrangements, theatre system maintenance, revenue sharing arrangements, and other segments.

Customer B

Revenues of approximately $19.3 million in 2016 (2015: $20.6 million) are derived from a related party. These revenues are attributable to theatre system maintenance, film and other segments.

Customer C

Revenues of approximately $11.5 million in 2016 (2015: $11.7 million) are derived from a single external customer. These revenues are attributable to sales arrangements, theatre system maintenance and other segments.

No other single customers comprises of more than 10% of total revenues in 2016 or 2015.

Supplemental Information

(b) Depreciation and amortisation

	Years Ended 31 December	
	2016	2015
Sales arrangements	**8**	48
Theatre system maintenance	**212**	135
Revenue sharing arrangements	**5,857**	4,465
Film business	**6,843**	5,475
Corporate and other non-segment specific assets	**522**	106
Total	**13,442**	10,229

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

	Years Ended 31 December	
	2016	2015
Sales arrangements	**353**	—
Revenue sharing arrangements	**36**	133
Total	**389**	133

15. Balance sheet and reserve movement of the Company

(a) Balance sheet

	As at 31 December	
	2016	2015
ASSETS		
Non-current assets		
Investment in subsidiaries	**32,538**	32,538
Other assets	**462**	35
	33,000	32,573
Current assets		
Prepayments	**131**	91
Trade and other receivables	**20,642**	19,230
Cash and cash equivalents	**56,239**	53,512
	77,012	72,833
Total Assets	**110,012**	105,406
LIABILITIES		
Current liabilities		
Trade and other payables	**8,137**	4,415
Accrued and other liabilities	**506**	2,118
	8,643	6,533
Total Liabilities	**8,643**	6,533
EQUITY		
Share capital	**35**	35
Share premium	**372,131**	369,864
Capital reserve	**2,493**	349
Accumulated deficit	**(273,290)**	(271,375)
Total Equity	**101,369**	98,873
Total Equity and Liabilities	**110,012**	105,406

(b) Subsidiaries

The following is a list of the principal subsidiaries as at 31 December 2016:

Name of the Company	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares and paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
IMAX China (Hong Kong), Limited	Hong Kong S.A.R Limited Liability Company 12 November 2010	Sale and lease of theatre systems and associated film performance in Greater China	2 ordinary shares for HK39,000,000 12 ordinary shares for US$ 27,538,341	100%	100%
IMAX (Shanghai) Multimedia Technology Co., Ltd.	The PRC Wholly owned foreign-enterprise 31 May 2011	Sale and lease of theatre systems and associated film performance in Mainland China	Paid in capital of US$ 11,500,000	—	100%
IMAX (Shanghai) Theatre Technology Services Co., Ltd.	The PRC Wholly owned foreign-enterprise 9 November 2011	Technological development of theatre systems, provision of after-sales services (including installation), maintenance and repair of theatre systems and equipment in the PRC	Paid in capital of US$ 200,000	—	100%
IMAX (Shanghai) Digital Media Co., Ltd.	The PRC Wholly owned foreign-enterprise 23 December 2016	Technological development, technological transfer, technological consultation and technological services in the fields of digital media technology	Registered capital of RMB100,000	—	100%

(c) Dividends

On 15 October 2015, the Company paid a special dividend to its pre-IPO shareholders of $47.6 million. No dividends in respect of the year ended 31 December 2016 have been proposed or paid.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

History and Introduction

The IMAX business commenced operations in the PRC in 1998, when IMAX Corporation started offering its theatre systems to museums and science centres. Over the years, the focus of the business has moved from institutional theatres to commercial theatres and, as at 31 December 2016, there were 424 IMAX theatres in Greater China with an additional 334 theatres in backlog. The majority of the IMAX theatres currently in Greater China are commercial theatres. On 8 October 2015, the Company completed a Global Offering and the Company's Shares were listed on the Stock Exchange.

We believe that we are a key participant in the Greater China film industry with wide-spread recognition and consumer loyalty through our early entry and historical successes, including with such films as *Avatar* in 2010, *Transformers: Age of Extinction* in 2014, *Furious 7* and *Monster Hunt* in 2015, and *Warcraft* in 2016. A significant majority of our revenue is generated in the PRC, and we expect the PRC to be the principal source of our growth in the future. Our goal is to deliver the IMAX experience to an even wider audience in both the PRC and Greater China as a whole, being the second largest and the fastest growing major cinema market in the world by total box office revenue.

We have two principal business segments, namely the theatre business and the films business.

Theatre Business

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

We generate revenue by charging fees to exhibitors under 3 different structures: (1) sales arrangements, (2) full revenue sharing arrangements, and (3) hybrid revenue sharing arrangements. Under sales arrangements, we typically charge a significant upfront fee and smaller ongoing fees which are the greater of an annual minimum payment or small percentage of the theatre's box office. Under full revenue sharing arrangements, we provide theatre systems to our exhibitor partners in return for ongoing fees based on a percentage of the IMAX box office with no upfront fee. Under hybrid revenue sharing arrangements, we will charge a relatively small upfront fee to our exhibitor partners and receive ongoing fees based on a percentage of IMAX box office. The percentage charged under a hybrid is typically less than a full revenue sharing arrangement. All structures include an annual maintenance fee and all structures include initial terms of 10 to 12 years in length plus renewal terms of 5 to 10 additional years.

The revenue sharing business model enables our exhibitor partners to expand their IMAX theatre network more rapidly by reducing their upfront costs, while aligning our interests with theirs and allowing us to share in the box office they generate. These arrangements create a recurring revenue stream from the theater side of our business for the term of the agreement without IMAX having to incur the capital expenditures required to build and operate movie theatres.

Film Business

Our film business involves the digital re-mastering of Hollywood and Chinese language films into the IMAX format through a proprietary IMAX DMR conversion process and the exhibition of these films on the IMAX theatre network in Greater China.

We generate revenue by sharing a fixed percentage of our studio partners' box office generated from IMAX films. This arrangement enables us to share in the box office success of a film while limiting our exposure to the significant capital investment required in making a film and the regulatory requirements governing the production and distribution of films in Greater China.

While we expect to continue to generate the majority of our revenue in the films business from Hollywood films, we intend to continue to grow our portfolio of Chinese language films to complement our Hollywood film slate by building on our long term partnerships with local studios and filmmakers. To further strengthen our ties to local studios and filmmakers, and in furtherance of our commitment to grow our portfolio of Chinese language films, we committed to invest in a film fund (the "China Film Fund") together with an entity related to CMC Capital Partners ("CMC"). The purpose of the China Film Fund is to invest in tentpole Chinese language films.

IMAX Technology

IMAX theatre systems bring together IMAX DMR conversion technology, advanced projection systems, curved screens and proprietary theatre geometry as well as specialised sound systems to create a more intense, immersive and exciting experience than in a traditional movie theatre. They are the product of nearly 50 years of research and development by IMAX Corporation, our Controlling Shareholder. As the exclusive licensee of the IMAX brand and technology in Greater China, we have full access to the most advanced IMAX theatre systems based on proprietary technology produced by IMAX Corporation.

Our Partnerships

We have strong and successful partnerships with a number of key players across the Greater China film industry. These include over 50 exhibitors, including the largest exhibitor in the world, Wanda Cinema, as well as other established market players such as CGI Holdings Limited (formerly CJ CGV Holdings, Ltd.), Guangzhou Jinyi Media Corporation, Omnijoi Cinema Development Co., Ltd and Shanghai Film Co. Ltd.. We also work with leading producers, directors and studios in Greater China, such as Huayi Brothers Media Corporation, Bona Film Group Limited, Wanda Media Co. Ltd. and Filmko Holdings Co., Ltd., to convert Chinese language films into the IMAX format for release on the IMAX theatre network. These films have included *Journey to the West: Conquering the Demons, Flying Swords of the Dragon Gate, Monster Hunt, The Monkey King* and *Mojin: The Lost Legend*. In addition, we work with large commercial real estate developers, such as Wanda Plaza, China Resources and Longfor, to identify potential new IMAX theatre locations.

Our Competitive Strengths

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

- A strong entertainment brand in the large and fast-growing Greater China market;

- Strong slate of Hollywood films complemented by a growing portfolio of Chinese language films;

- Unparalleled network supported by strong exhibitor partnerships;

- Leading IMAX theatre system and technology delivering a unique cinematic experience;

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

- Experienced management team supported by prominent shareholders.

Our Business Strategies

Our goal is to deliver the unique IMAX experience to an even wider audience in both the PRC and Greater China as a whole through the following strategies:

- Expanding the IMAX theatre network in the PRC;

- Increasing the number of revenue sharing arrangements with our exhibitor partners;

- Strengthening our cooperation with PRC studios and filmmakers, including through the China Film Fund;

- Maintaining our position as a provider of leading cinema technology;

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

- Leveraging the IMAX brand to develop and invest in complementary businesses.

The management discussion and analysis is based on the Company's consolidated financial statements for FY2016 prepared in accordance with IFRS and must be read together with the consolidated financial statements and the notes which form an integral part of the consolidated financial statements.

Significant Factors Affecting our Financial Condition and Results of Operations

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

Expansion of the IMAX Theatre Network in Greater China

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

Network Expansion

Under our theatre business, we generate revenue primarily through charging exhibitors either upfront fees or ongoing fees based on a percentage of the box office for the installation of IMAX theatre systems and associated services, brand and technology licensing and maintenance services. Under our films business, we generate revenue by charging fees based on a fixed percentage of our studio partners' box office generated from IMAX films. As a result, the bigger the IMAX theatre network, the more opportunities we have to increase our revenue and profit across our two principal business segments.

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

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

The number of IMAX theatres in Greater China increased from 307 IMAX theatres as at 31 December 2015 to 424 IMAX theatres as at 31 December 2016. The revenue generated from these incremental theaters helped alleviate the revenue impact resulting from decreased IMAX per screen box office averages in FY2016. The revenue from our theatre business increased from US$82.1 million for FY2015 to US$91.7 million for FY2016, and the revenue from our films business decreased from US$28.5 million for FY2015 to US$26.8 million for FY2016. Total revenue increased from US$110.6 million in FY2015 to US$118.5 million for FY2016.

Backlog

Our ability to expand the IMAX theatre network is driven by our ability to sign new theatre agreements with exhibitor partners and replenish our backlog as theatres are installed. The installation of theatre systems in newly-built and retrofitted multiplexes depends primarily on the timing of the construction of these projects by exhibitors and/or commercial real estate developers, which is not under our control. Although revenue from our backlog is recognised following the installation of the relevant IMAX theatre systems and not at the time of signing, continuously replenishing our backlog is crucial to our long-term success as it underpins the continued growth of the IMAX theatre network. The number of IMAX theatre systems in our backlog increased from 215 as at 31 December 2015 to 334 as at 31 December 2016, a record for the Company, and the carrying value of our backlog decreased from US$127.6 million as at 31 December 2015 to US$114.9 million as at 31 December 2016. Approximately 18% of our backlog are sale arrangements, 60% are full revenue sharing arrangements and 22% are hybrid revenue sharing arrangements.

As part of our strategy to expand the IMAX theatre network, we have mapped out a number of "IMAX zones" across Greater China. Each zone represents an area in which, based on our analysis, an exhibitor could potentially open an IMAX theatre without negatively affecting the business and financial results of the nearest IMAX theatre. We estimate each IMAX zone will typically only contain one IMAX theatre, subject to certain exceptions based on the location of the zone and any carve-outs in the agreements we entered into with exhibitors. The number of zones may continue to grow as the population and/or consumer demand in a geographical area increases to a level where it becomes commercially viable for us to add an IMAX theatre and create a new IMAX zone without negatively affecting the business and financial performance of the nearest IMAX theatre. As at 31 December 2016, we had identified approximately 1,000 IMAX zones across Greater China.

We had installed IMAX theatres in 149 different cities in the PRC as at 31 December 2016. Historically, we focused on Tier 1 and Tier 2 Cities and building the IMAX theatre network in more developed cities and regions. We plan to further penetrate major Tier 1 and Tier 2 Cities by continuing to work with our exhibitor partners and commercial real estate developers to identify new zones for IMAX theatres. We also plan to further expand the IMAX theatre network in Tier 3 and Tier 4 Cities where we currently have a smaller presence and therefore a significant number of vacant zones to capture growth opportunities presented by those markets. Our network in the PRC currently includes 67 theatres in Tier 1 cities, 192 in Tier 2 cities, 72 in Tier 3 cities and 77 in Tier 4 cities and below.

Box Office Success of IMAX Films

Film Slate

Our financial performance is affected by the number of films released to the IMAX network in Greater China (known as the "slate") and the box office performance of those films. We source films produced by Hollywood and Chinese studios and filmmakers and convert those films into the IMAX format using IMAX DMR conversion technology developed by IMAX Corporation. In FY2015 and FY2016, 31 and 37 IMAX films, respectively, were released and generated revenue for us in the PRC. IMAX Corporation has entered into contractual arrangements with Hollywood filmmakers and studios to convert a number of films into the IMAX format for release in FY2017 and FY2018, including some of the most highly anticipated films such as *Furious 8, Transformers: The Last Knight, Guardians of the Galaxy 2, Dunkirk, Wonder Woman, Spider-man, Logan, Kong: Skull Island, Beauty and the Beast, Pirates of the Caribbean: Dead Man Tell No Tales, The Mummy* and many more. However, while it is our intention that these films be released to the IMAX theatre network in the PRC, given the restrictions imposed by film quotas for Hollywood films in the PRC and censorship rules, we cannot assure you that all of these IMAX format Hollywood films will be made available.

Securing a slate of desirable Hollywood and Chinese language films in the IMAX format is critical to driving higher total box office and average box office per screen for IMAX theatres than non-IMAX theatres. The strength of the movie slate we choose is also important to maintaining the ticket price premium that IMAX theatres typically command. With this in mind, we carefully select films for conversion into the IMAX format that we believe will be best received by local audiences, and then we work closely with the studios and filmmakers to enhance the viewing experience, which in addition to conversion into the IMAX format may include unique aspect ratios and utilisation of IMAX cameras for image capture. As a result, the average box office per screen for IMAX theatre is significantly higher than that of conventional theatres in the PRC. The average box office per screen of IMAX theatres in Greater China was US$0.93 million in FY2016 and this compares to average box office per screen of approximately US$0.17 million for all screens in the PRC for FY2016, according to EntGroup Inc, an independent third party consulting firm. Higher average box office per screen for IMAX theatres make them more attractive to exhibitors, which enables us to grow the IMAX theatre network and generate revenue from new installations.

In addition, because the number of IMAX theatres under revenue sharing arrangements has grown considerably from 177 as at 31 December 2015 to 261 as at 31 December 2016, and because our backlog as at 31 December 2016 also included an additional 275 IMAX theatre systems under revenue sharing arrangements, strong box office performance of films will continue to weigh significantly on both theater and film business revenues as well as profit. While we mitigate box office highs and lows by employing a portfolio approach to our films in any given year, we believe that a key factor in the box office success of our films is not only selecting the right Hollywood and Chinese language films, but also ensuring the right balance of Hollywood and Chinese language films for our slate.

Film Release Date and Film Mix

Censorship rules and film quotas restrict the number of Hollywood films that can be shown in the PRC each year. Accordingly, balancing the release dates for IMAX films released in Greater China as well as the mix of Chinese language films and Hollywood films released in the PRC is an important factor affecting our business. Over the past few years, PRC regulatory bodies have supported gradual liberalisation of the film industry and introduced a number of government initiatives to foster growth of the film industry, including a 2012 agreement with the United States to permit an additional 14 3D or IMAX films to be released in the PRC each year beyond the previous quota of 20 Hollywood films. Since a significant portion of our revenue is derived from the box office of Hollywood films released in IMAX format in the PRC, an increase in the number of Hollywood films that can be released in the PRC has had in the past, and is likely to continue to have in the future, an impact on our results of operations. However, the 2012 agreement with the United States is expiring in 2017 and will need to be renegotiated. The scope of any renegotiation may include the quota of Hollywood films to be released in the PRC and Hollywood studios' take rate on these films. If the number of Hollywood films to be released in the PRC increases over and above the current quota and/or if the Hollywood studios' take rate increases, it will likely have a positive effect on our business. However, we cannot assure you that the Hollywood film quota or Hollywood studio take rate will increase or that any renegotiation will benefit us.

Release dates for Hollywood films in the PRC generally have been set with a shorter lead times than they are in other markets. In addition, at certain times during the year, Chinese language films are released with less competition from Hollywood films. As a result, supplying IMAX theatres with Chinese language films in the IMAX format is important to ensure that there are IMAX films showing in IMAX theatres at all times, as well as to cater to local consumer demand for Chinese language films. Chinese language films also have proven to be very successful at the box office. According to EntGroup Inc., as at 31 December 2016, 7 of the top 10 box office films in the PRC in calendar 2016 were Chinese language films. In 2016, the Chinese language films *Monkey King 2*, *Time Raiders* and *The Great Wall* were a part of the top 10 performing box office films for the Company. We also share a higher percentage of box office for Chinese language films compared to Hollywood films primarily due to Chinese studios retaining a much higher percentage of box office than Hollywood studios. Chinese language films make up a significant share of total PRC box office, amounting to 62.0% in FY2015 and 58.0% in FY2016, according to EntGroup Inc. IMAX format Chinese language films as a percentage of our Greater China box office amounted to 21.3% in FY2016 and 25.2% in FY2015. As part of our commitment to increase the availiability of Chinese language films that are suitable for release to our network, we committed to invest in the China Film Fund.

Proportion of Revenue Sharing Arrangements

We generate revenue through charging fees to exhibitors for the IMAX theatre system. Historically, we entered into sales arrangements with exhibitor partners under which the majority of fees were paid around the time of installation of the IMAX theatre system, and substantially all of our revenue from such sales were recognised at the same time. In recent years, we have entered into an increasing number of revenue sharing arrangements, whereby we charge a smaller or no upfront fee at the time of the IMAX theatre system installation. We recognise as revenue any initial payments we receive on installation and percentage of the box office revenue when box office results are reported to us by the exhibitors.

Our revenue sharing arrangements drive our revenue by providing us with a percentage of recurring box office generated from our exhibitor partners for IMAX films over the 10 to 12 year term of the agreement and allow us to benefit from future growth in the box office of IMAX theatres in Greater China. However, as the percentage we are able to share from our exhibitor partners' box office varies among exhibitors and may change from contract to contract, any increased revenue from having more revenue sharing arrangements may be affected.

We require increased working capital to continue to fund the purchase and installation of IMAX theatre systems provided to our exhibitor partners under full revenue sharing arrangements. However, as the network of IMAX theatres continues to grow, we believe increases in working capital will be offset by an increase in recurring revenue we receive under all revenue sharing arrangements.

Impact on Our Profitability

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

The proportion of IMAX theatre systems we install under hybrid revenue sharing arrangements has an effect on our gross profit and gross profit margin. Given that fact, with respect to our theatre systems under hybrid revenue sharing arrangements, we recognise revenue on the upfront fee received and all associated costs at the time of system installation and such upfront fees typically cover only the costs related to the installation. We record minimal gross profit and gross profit margin for hybrid revenue sharing arrangements during the period of system installation, but we record substantially higher gross profit and gross profit margin in subsequent periods. As our base of hybrid theaters grows, the percentage box office revenue earned by these theatres increases with no corresponding cost related to the system.

Revenue sharing arrangements increased from 177 arrangements in FY2015 to 261 arrangements in FY2016. As the level of our involvement and capital commitment is much greater with a revenue sharing arrangement, we are able to provide more input in the exhibitor's marketing campaigns for an IMAX film or an IMAX theatre launch. Going forward, we plan to continue to promote revenue sharing arrangements to exhibitors that are able to roll out their theatre network quickly and that have a portfolio of quality theatres with box office potential or a proven track record of success with IMAX theatres. Notwithstanding our interest in adding additional revenue sharing arrangements, our exhibitor partners may have other commercial considerations and may not choose revenue sharing arrangements over sales arrangements.

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

Continued growth in our business depends on urbanisation and rising standards of living in the PRC, which we believe drives demand for entertainment. Overall economic growth and disposable income levels in the PRC have been and will continue to be affected by a number of macroeconomic factors, including changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC government.

Economic growth and development had a significant impact on the entertainment industry in the PRC over the past few years, as individuals and households have been able to increase the amount of money they are willing to spend on movie tickets. We believe leisure consumption will be an important growth area in the coming decade for the Chinese consumer. Box office in the PRC grew to US$6.9 billion in 2016 at a compound annual growth rate (CAGR) of 28.4% from FY2010 to 2016.

As the majority of new IMAX theatres are located in large shopping malls, we are also affected by fluctuations in the PRC property market. Periods of high economic growth are typically accompanied by additional development. The opposite occurs during periods of lower economic growth or market slowdowns. While we believe the cinema industry has historically been more resilient to economic downturns than other industries and lifestyle offerings including cinema are becoming more important to shopping mall developers, should the PRC property market experience a slowdown, commercial real estate developers could be negatively affected, which, in turn, could result in a decrease in the general demand for new IMAX theatres and, therefore, negatively affect our business and prospects.

Our Ability to Maintain Our Pricing and Profit Margins

A significant portion of our operating costs are fixed for our films business and theatre business under revenue sharing arrangements, such as DMR conversion costs per film and theatre system depreciation. As a result, our ability to maintain our pricing and our profit margin is an important factor driving our results. As we expand the IMAX theatre network and cooperate with more exhibitor partners, we may be expected to offer volume discounts to existing exhibitors who increase their commitment for more IMAX theatre systems, or who contract to install a large number of IMAX theatre systems upfront. We may strategically offer other discounts or concessions to certain exhibitors to maintain or gain market share. Given our relatively fixed cost base, any material decrease in revenue due to adjustments in pricing will have an adverse impact on our profitability.

Seasonality Effects

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

Currency Fluctuations

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

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

Description of Selected Line Items in the Statement of Comprehensive Income Items

Revenue

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

Theatre Business

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

- Sales arrangements, pursuant to which the Company generates revenue from the one-time sale of an IMAX theater system and related services. The revenue recognized includes an upfront purchase price and discounted minimum ongoing payments, all recognized at the time of installation and delivery of IMAX theater systems;

- Revenue sharing arrangements, pursuant to which the Company generates revenue from the lease of an IMAX theater system and related services. The revenue recognized includes an ongoing percentage of the exhibitor's IMAX box office receipts, recognized when reported by exhibitors. Certain hybrid revenue sharing arrangements will also recognize a smaller upfront fee at the time of installation and delivery of the IMAX theater system; and

- 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 all exhibitors under all arrangements.

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

Film Business

Our film business revenue is comprised of a certain percentage of IMAX box office received by our studio partners and recognized when reported by our exhibitor partners for the conversion and release of Hollywood and Chinese language films to the IMAX theatre network.

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

	FY2016		FY2015	
	US$'000	**%**	*US$'000*	%
Theatre Business				
Sales arrangements	**47,869**	**40.4%**	37,038	33.5%
Revenue sharing arrangements	**30,927**	**26.1%**	34,498	31.2%
Theatre system maintenance	**11,702**	**9.9%**	9,346	8.5%
Sub-total[(1)]	**91,722**	**77.4%**	82,119	74.3%
Film Business	**26,810**	**22.6%**	28,472	25.7%
Total	**118,532**	**100.0%**	110,591	100.0%

Note:

(1) Theatre business also includes other revenue of US$1.2 million and US$1.2 million in FY2016 and FY2015, respectively.

Cost of Sales

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

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

	FY2016		FY2015	
	US$'000	***%***	*US$'000*	*%*
Theatre Business				
Sales arrangements	**17,509**	**36.6%**	11,468	31.0%
Revenue sharing arrangements	**16,504**	**53.4%**	15,296	44.3%
Theatre system maintenance	**5,199**	**44.4%**	3,989	42.7%
Sub-total[(1)]	**40,020**	**43.6%**	31,572	38.4%
Film Business	**9,215**	**34.4%**	6,739	23.7%
Total	**49,235**	**41.5%**	38,311	34.6%

Note:

(1) Theatre business also includes cost of sales in respect of other revenue of US$0.8 million and US$0.8 million in FY2016 and FY2015, respectively.

Gross Profit and Gross Profit Margin

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

	FY2016		FY2015	
	US$'000	***%***	*US$'000*	*%*
Theatre Business				
Sales arrangements	**30,360**	**63.4%**	25,570	69.0%
Revenue sharing arrangements	**14,423**	**46.6%**	19,202	55.7%
Theatre system maintenance	**6,503**	**55.6%**	5,357	57.3%
Sub-total[(1)]	**51,702**	**56.4%**	50,547	61.6%
Film Business	**17,595**	**65.6%**	21,733	76.3%
Total	**69,297**	**58.5%**	72,280	65.4%

Note:

(1) Theatre business also includes gross profit in respect of other revenue of US$0.4 million and US$0.4 million in FY2016 and FY2015, respectively.

Selling, General and Administrative Expenses

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

	FY2016		FY2015	
	US$'000	**%**	*US$'000*	%
Employee salaries and benefits	**6,137**	**5.2%**	5,442	4.9%
Share-based compensation expenses	**1,890**	**1.6%**	3,020	2.7%
Travel and transportation	**1,244**	**1.0%**	1,128	1.0%
Advertising and marketing	**1,252**	**1.1%**	1,256	1.1%
Professional fees	**2,466**	**2.1%**	868	0.8%
Other employee expense	**480**	**0.4%**	306	0.3%
Facilities	**1,542**	**1.3%**	931	0.9%
Depreciation	**728**	**0.6%**	241	0.2%
Foreign exchange	**500**	**0.4%**	599	0.5%
Other expenses	**844**	**0.7%**	901	0.8%
IPO related costs	**—**	**—**	9,167	8.3%
Total	**17,083**	**14.4%**	23,859	21.5%

Note:

(1) Our selling, general and administrative expenses would have been US$14.7 million or 13.3% of our revenue for FY2015 if we were to exclude non-recurring IPO related costs.

Other Operating Expenses

Other expenses primarily include the annual license fees payable to IMAX Corporation in relation to the trademark and technology licensed under the Technology Licence Agreements and the Trademark Licence Agreements, charged at an aggregate of 5% of our revenue. Our other operating expenses for FY2016 and FY2015 were US$6.4 million and US$6.1 million, respectively.

Interest Income and Expense

Interest income represents interest earned on various term deposits we hold. None of the term deposits had a term of more than 90 days. Our interest income for FY2016 and FY2015 was US$0.6 million and US$0.4 million, respectively.

Fair Value Adjustment

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

The shareholders' agreement in connection with the IMAX China Investment (the "**Class C Shareholders' Agreement**") terminated upon completion of the Company's Global Offering on the Listing Date. However, while the Class C Shareholders' Agreement was in effect, certain conversion options (the "**Conversion Options**") were embedded within the Class C Shareholders' Agreement that required bifurcation, separate valuation and marked to market value when the shares were issued on the above dates as well as at FY2015 and the Listing Date. The Conversion Options were marked to market using a Monte Carlo simulation.

The Conversion Options were valued at US$12.4 million and US$12.8 million on issuance of the Redeemable Class C Shares in April 2014 and February 2015 respectively. As at the Listing Date, we had marked the options to market and recorded a US$209.9 million non-cash charge through fair value adjustment in FY2015. The loss was the result of an increase in the equity value of the Company which was the key assumption used in the valuation and was not based on observable inputs. The equity of the Group was determined using a discounted cash flow with consideration given to other comparable companies, including IMAX Corporation. On the Listing Date and corresponding termination of the Class C Shareholders Agreement, these non-cash charges were reversed to Equity Share Premium due to the termination of the Class C Shareholders Agreement.

Accretion of amortised cost of financial instrument

Transaction costs of US$2.8 million related to the Redeemable Class C Shares sold to CMC and FountainVest and the fair value of the conversion option of US$12.4 million at inception and US$12.8 million at February 2015 were netted against the US$80.0 million proceeds and were amortised using the effective interest rate method over a 5 year period representing the period of time provided under the Class C Shareholders' Agreement for a qualified initial public offering to occur. They accreted to the carrying value of the Redeemable Class C share value. The charge amounted to US$3.8 million in FY2015, and US$nil in FY2016. On the Listing Date, these non-cash charges were reversed to Equity Share Premium due to termination of the Class C Shareholders' Agreement.

Income Tax Expenses

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

Our income tax expense for FY2016 and FY2015 was US$10.3 million and US$11.0 million, respectively. Our effective tax rate was 22.3% and −6.4% during FY2016 and FY2015, respectively. In FY2015, we recorded a loss before income tax of US$170.9 million, which was the result of a fair value adjustment of the bifurcated conversion option amounting to US$209.9 million associated with our Redeemable Class C Shares and the accretion of amortised cost of financial instrument of US$3.8 million. Such adjustments were made to reflect the mark to market revaluation of the bifurcated Conversion Option prior to its exercise on the Listing Date. The revaluation was due to an increase in our equity value, which did not impact our taxable income for the year. In addition, listing expenses in FY2015 of US$9.2 million related to the initial public offering were not set up as a deferred tax asset and will be deducted only when their deductibility in the PRC can be reasonably assured. Without taking into account such one-time, non-cash and non-deductible adjustments, our effective tax rate for FY2015 would have been 21.2%.

Year to Year Comparison of Results of Operations

Consolidated Statement of Comprehensive Income (Loss)

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

	FY2016		FY2015	
	US$'000	**%**	*US$'000*	%
Revenues	**118,532**	**100.0%**	110,591	100.0%
Cost of sales	**(49,235)**	**(41.5)%**	(38,311)	(34.6)%
Gross profit	**69,297**	**58.5%**	72,280	65.4%
Selling, general and administrative expenses	**(17,083)**	**(14.4)%**	(23,859)	(21.6)%
Other operating expenses	**(6,363)**	**(5.4)%**	(6,050)	(5.5)%
Operating profit	**45,851**	**38.7%**	42,371	38.3%
Accretion of amortised cost of financial instrument	**—**	**—**	(3,790)	(3.4)%
Fair value adjustment of conversion option	**—**	**—**	(209,884)	(189.8)%
Interest income	**573**	**0.5%**	436	0.4%
Profit (loss) before income tax	**46,424**	**39.2%**	(170,867)	(154.5)%
Income tax expense	**(10,336)**	**(8.8)%**	(10,998)	(9.9)%
Profit (loss) for the year, attributable to owners of the Company	**36,088**	**30.4%**	(181,865)	(164.4)%
Item that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	**(7,392)**	**(6.2)%**	(2,207)	(2.0)%
Other comprehensive loss	**(7,392)**	**(6.2)%**	(2,207)	(2.0)%
Total comprehensive income (loss) for the year, attributable to owners of the Company	**28,696**	**24.2%**	(184,072)	(166.4)%

Adjusted Profit

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

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

	FY2016 *US$'000*	FY2015 *US'000*
Profit (loss) for the year	**36,088**	(181,865)
Adjustments:		
Share-based compensation	**1,890**	3,020
Accretion of amortised cost of financial instrument	**—**	3,790
Fair value adjustment of conversion option	**—**	209,884
IPO related costs	**—**	9,167
Tax impact on items listed above	**(416)**	(643)
Adjusted profit	**37,562**	43,353

FY2016 Compared with FY2015

Revenue

Our revenue increased 7.2% from US$110.6 million in FY2015 to US$118.5 million in FY2016 driven by an increase of US$9.6 million in our theatre business revenue and a decrease of US$1.7 million in the film business revenue, as explained further below.

Theatre Business

Revenue from our theatre business increased 11.7% from US$82.1 million in FY2015 to US$91.7 million in FY2016.

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

Commercial	**As at 31 December**		
	2016	2015	Growth (%)
The PRC	**394**	278	41.7%
Hong Kong	**4**	4	—
Taiwan	**9**	8	12.5%
	407	290	40.3%
Institutional[1]	**17**	17	—
Total	**424**	307	38.1%

Note:

(1) Institutional IMAX theatres include museums, zoos, aquaria and other destination entertainment sites that do not exhibit commercial films. Two institutional IMAX theatres located in Taiwan were closed in 2015.

The following table sets out the number of IMAX theatre systems installed by business arrangements in FY2016 and FY2015:

	FY2016	FY2015
Sales arrangements	**33**	25
Revenue sharing arrangements	**84**	50
Laser upgrades	**2**	2
Total theatre systems installed	**119**[(2)]	77[(1)]

Notes:

(1) We installed 75 new IMAX theatre systems plus 2 laser upgrades (1 sale and 1 revenue sharing arrangement) in 2015.

(2) We installed 117 new IMAX theatre systems plus 2 laser upgrades (2 sales arrangements) in 2016.

Sales arrangements

Theatre business revenue from sales arrangements increased 29.2% from US$37.0 million in FY2015 to US$47.9 million in FY2016, resulting primarily from the revenue recognition in FY2016 of 8 additional system sales over FY2015. We recognised sales revenue on 25 new theatre systems in FY2015 with a total value of US$32.3 million, compared to 33 new theatre systems in FY2016 with a total value of US$42.0 million. In addition, we installed 2 laser upgrades at a total value of US$2.9 million in FY2016, compared to 1 laser upgrade at a total value of US$1.5 million in FY2015.

Average revenue per new system under sales arrangements was unchanged in FY2016 and FY2015 at US$1.3 million.

Revenue sharing arrangements

Revenue from revenue sharing arrangements decreased 10.4% from US$34.5 million in FY2015 to US$30.9 million in FY2016, primarily due to a lower box office revenue per screen, which was partly offset by a greater number of IMAX theatres operating under revenue sharing arrangements in FY2016 compared to FY2015. We had 177 theatres operating under revenue sharing arrangements at the end of FY2015, as compared to 261 at the end of FY2016, which represented an increase of 47.5%.

Revenue from full revenue sharing arrangements decreased 17.0% from US$21.6 million in FY2015 to US$17.9 million in FY2016 as a result of lower box office revenue per screen while partly offset by growth in the full revenue sharing network in FY2016, which increased 48.9% year over year, from 131 IMAX theatres in FY2015 to 195 IMAX theatres in FY2016.

Revenue from hybrid revenue sharing arrangements increased 1.3% from US$12.9 million in FY2015 to US$13.0 million in FY2016, primarily driven by percentage of box office revenue recognised on a larger IMAX theatre network in FY2016, which increased 43.5% from 46 IMAX theatres in FY2015 to 66 IMAX theatres in FY2016.

Theatre system maintenance

Theatre system maintenance revenue increased 25.2% from US$9.3 million in FY2015 to US$11.7 million in FY2016. Maintenance revenue increased in FY2016 commensurate with the increase in the number of theatres in the IMAX theatre network.

Film Business

Revenue from our film business decreased 5.8% from US$28.5 million in FY2015 to US$26.8 million in FY2016, primarily due to a decrease in the box office revenue generated by IMAX films. The box office revenue generated by IMAX films decreased 5.3% from US$312.4 million in FY2015 to US$295.7 million in FY2016, as a result of lower box office revenue per screen. The overall PRC market on a same currency basis increased 3.7% from FY2015 to FY2016.

Box office revenue per screen decreased 30.6% from US$1.34 million for FY2015 to US$0.93 million in FY2016 as a result of the strong performance of the Company's film slate in FY2015, which included the top grossing Hollywood film of all time in China, *Furious 7*, along with *Avengers Age of Ultron* and *Jurrassic World*. The depreciation of the RMB relative to the USD also impacted recorded box office in FY2016 versus FY2015.

The following table sets out the number of films we released in the IMAX format in FY2016 and FY2015 in Greater China:

	FY2016	FY2015
Hollywood films	**27**	23
Hollywood films (Hong Kong and Taiwan only)	**9**	10
Chinese language films	**10**	8
Total IMAX films released	**46**	41

Cost of Sales

Our cost of sales increased 28.5% from US$38.3 million in FY2015 to US$49.2 million in FY2016. This increase was due to the increase in costs for both our theatre and films business segments as a result of increased business activity.

Theatre Business

The cost of sales for our theatre business increased 26.8% from US$31.6 million in FY2015 to US$40.0 million in FY2016, primarily due to the installation of a total of 8 additional IMAX theatre systems under sales arrangements and hybrid revenue sharing arrangements as well as the maintenance associated with the growth in the IMAX theatre network.

Sales arrangements

Cost of sales from our theatre business under sales arrangements increased 52.7% from US$11.5 million in FY2015 to US$17.5 million in FY2016, primarily due to the installation of 26 IMAX theatre systems under sales arrangements in FY2015 which includes 1 laser upgrade, as compared to 35 in FY2016 which included 2 laser upgrades.

Revenue sharing arrangements

Cost of sales from our theatre business under revenue sharing arrangements increased 7.9% from US$15.3 million in FY2015 to US$16.5 million in FY2016, primarily due to the one time upfront costs related to the installation of 35 incremental full revenue share agreements as well as an increase in depreciation and IMAX theatre marketing expenses associated with the increase in the number of IMAX theatres under full revenue sharing arrangements.

Cost of sales from full revenue sharing arrangements increased 15.8% from US$7.0 million in FY2015 to US$8.1 million in FY2016, primarily due to higher depreciation expenses from a greater number of IMAX theatres under full revenue sharing arrangements and higher associated marketing costs.

Cost of sales from hybrid revenue sharing arrangements was relatively flat from US$8.3 million in FY2015 to US$8.4 million in FY2016, primarily due to the costs recognised on 21 theatre system installations under hybrid revenue sharing arrangements in FY2015 as compared to 20 in FY2016, offset by incremental per unit importation costs related to custom duties and taxes.

Theatre system maintenance

Cost of sales from our theatre business with respect to theatre system maintenance increased 30.3% from US$4.0 million in FY2015 to US$5.2 million in FY2016 commensurate with the additional costs associated with servicing a larger IMAX theatre network in FY2016 versus FY2015.

Film Business

The cost of sales for our film business increased 36.7% from US$6.7 million in FY2015 to US$9.2 million in FY2016 due to additional DMR conversion and marketing costs for 5 more films shown during FY2016 as compared to FY2015.

Gross Profit and Gross Profit Margin

Our gross profit in FY2015 was US$72.3 million, or 65.4% of total revenue, compared to US$69.3 million, or 58.5% of total revenue, in FY2016. The decrease was largely attributable to lower box office revenue per screen in FY2016 as compared to FY2015, 1 additional laser projector installation, which has higher product costs than a traditional digital xenon projector, and additional film conversion and marketing costs in FY2016.

Theatre Business

The gross profit for our theatres business increased 2.3% from US$50.5 million in FY2015 to US$51.7 million in FY2016. During the same period, our gross profit margin decreased from 61.6% to 56.4%. The decreases in gross profit margin were primarily driven by an additional laser upgrade coupled with lower box office revenue per screen for revenue sharing arrangements and higher depreciation costs associated with a larger network of full revenue sharing theatres.

Sales arrangements

The gross profit for our theatre business from sales of new IMAX theatre systems increased 18.7% from US$25.6 million in FY2015 to US$30.4 million in FY2016, primarily due to our installation of 8 additional IMAX theatre systems under sales arrangements plus 2 laser upgrades in FY2016, as compared to 1 laser upgrade in FY2015. Our gross profit margin decreased from 69.0% in FY2015 to 63.4% in FY2016 due to the additional installation of one laser projector upgrade.

Revenue sharing arrangements

The gross profit for our theatre business from revenue sharing arrangements decreased 24.9% from US$19.2 million in FY2015 to US$14.4 million in FY2016. Our gross profit margin was 55.7% in FY2015 as compared to 46.6% in FY2016. The decrease in gross profit and gross profit margin were primarily driven by the incremental costs associated with continued growth in the IMAX theatre network under revenue sharing arrangements coupled by lower box office revenue per screen in FY2016 versus FY2015.

The gross profit for full revenue sharing arrangements was US$14.6 million in FY2015 and US$9.8 million in FY2016. The gross profit margin was 67.6% in FY2015 and 54.8% in FY2016. Gross profit margin decreased primarily due to increased depreciation costs associated with a larger full revenue sharing network, one-time costs associated with the installation of 35 incremental systems in FY2016 and lower box office revenue per screen in FY2016 as compared to FY2015.

The gross profit for hybrid revenue sharing arrangements remained relatively constant at US$4.6 million in FY2015 to FY2016, primarily driven by an increase in box office revenue from a larger theatre network offset by incremental per unit importation costs related to custom duties and taxes. The gross profit margin was 35.6% in FY2015 as compared to 35.4% in FY2016. Gross profit margin remained stable in FY2016 primarily due to the box office percentage revenue recognized in FY2016 on the 46 hybrid revenue sharing arrangements installed prior to FY2015. The costs related to these theatres were recognized in prior years when the installation occurred.

Theatre system maintenance

The gross profit for our theatre system maintenance increased 21.4% from US$5.4 million in FY2015 to US$6.5 million in FY2016 as a result of the growth of the IMAX theatre network. Our gross profit margin decreased from 57.3% in FY2015 to 55.6% in FY2016.

Films Business

The gross profit from our films business decreased 19.0% from US$21.7 million in FY2015 to US$17.6 million in FY2016, primarily due to a decrease in our overall box office revenue from US$312.4 million in FY2015 to US$295.7 million in FY2016 as a result of the strong slate of films in FY2015 including Furious 7, Avengers Age of Ultron and Jurrassic World, as well as the additional DMR conversion and marketing cost for 5 more films shown in FY2016 as compared to FY2015. Box office revenue per screen decreased from US$1.34 million in FY2015 to US$0.93 million in FY2016. The gross profit margin for our films business decreased from 76.3% in FY2015 to 65.6% in FY2016, primarily due to lower box revenue per screen and additional DMR conversion and marketing costs in FY2016 versus FY2015.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased 28.4% from US$23.9 million in FY2015 to US$17.1 million in FY2016, primarily due to: (i) US$9.2 million decrease in costs which were directly related to our Global Offering in FY2015; (ii) a US$0.7 million increase in salaries and benefits and other staff costs as a result of increased head count and salary increases to manage the growing IMAX theatre network; (iii) a decrease in stock based compensation of US$1.1 million related to previous grants issued in FY2015 and cash awards granted to certain PRC employees that increased in value commensurate with increase in value of the Company; (iv) an increase in professional fees of US$1.6 million due to higher audit, legal costs and other compliance related fees incurred in our first year as a public company; and (v) an increase in facilities costs of US$0.6 million to reflect additional office space required to accommodate our growth and expansion.

Income Tax Expense

Our income tax expense decreased 6.0% from US$11.0 million in FY2015 to US$10.3 million in FY2016. The decrease in income tax expense was primarily due to a decrease in our adjusted profit from US$43.4 million in FY2015 to US$37.6 million in FY2016. Calculated based on our adjusted profit, our adjusted effective tax rate was 21.2% in FY2015 as compared to 22.3% in FY2016 as a result of a larger proportion of our revenue being earned in the PRC (which has a higher EIT rate than Hong Kong) in FY2016 as compared to FY2015.

Profit for the Year

We reported a comprehensive profit for the year of US$28.7 million in FY2016 as compared to a loss of US$184.1 million in FY2015. The loss in FY2015 primarily resulted from the fair value adjustment of the conversion option (US$209.9 million), and the non-cash charges associated with the accretion of amortised costs of financial instrument (US$3.8 million) and costs associated with the Global Offering (US$9.2 million). Our other comprehensive loss increased 234.9% from US$2.2 million in FY2015 to US$7.4 million in FY2016 due to a roughly 7% depreciation of the RMB relative to the USD.

Adjusted Profit

Adjusted profit, which consists of profit/loss for the year adjusted for the impact of share-based compensation, accretion of amortised cost of financial instrument, fair value adjustment of conversion option, IPO related cost, and the related tax impact, was US$43.4 million in FY2015 as compared to adjusted profit of US$37.6 million in FY2016, a decrease of 13.4%.

Liquidity and Capital Resources

	As at 31 December	
	2016	2015
	US$'000	*US$'000*
Current assets		
Other assets	**1,796**	1,736
Film assets	**10**	35
Inventories	**5,731**	6,364
Prepayments	**1,093**	984
Financing receivables	**5,831**	3,783
Trade and other receivables	**37,975**	35,640
Cash and cash equivalents	**105,903**	90,689
Total Current assets	**158,339**	139,231
Current liabilities		
Trade and other payables	**28,459**	12,172
Accruals and other liabilities	**10,820**	4,152
Income tax liabilities	**2,446**	6,217
Deferred revenue	**13,025**	12,762
Total Current Liabilities	**54,750**	35,303
Net Current Assets	**103,589**	103,928

As at 31 December 2016, we had net current assets of US$103.6 million compared to net current assets of US$103.9 million as at 31 December 2015. The decrease in net current assets in FY2016 was mainly attributable to a US$16.3 million increase in trade and other payables which correlates to increased business activities in FY2016 and offset by a US$15.2 million increase in cash and cash equivalents.

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

	As at 31 December	
	2016	2015
Cash and cash equivalents denominated in US$	**$70,376**	$66,041
Cash and cash equivalents denominated in RMB (in thousands)	**¥218,253**	¥158,498
Cash denominated in Hong Kong dollars HK$ (in thousands)	**$31,520**	$1,430

CAPITAL MANAGEMENT

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

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

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

Cash Flow Analysis

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

	FY2016	FY2015
	US$'000	*US$'000*
Net cash provided by (used in) operating activities	**46,723**	(156)
Net cash used in investing activities	**(28,838)**	(14,062)
Net cash provided by financing activities	**837**	56,602
Effects of exchange rate changes on cash	**(3,508)**	(15)
Increase in cash and cash equivalents during year	**15,214**	42,369
Cash and cash equivalents, beginning of year	**90,689**	48,320
Cash and cash equivalents, end of year	**105,903**	90,689

Cash From Operating Activities

FY2016

Our net cash provided by operations was approximately US$46.7 million in FY2016. We had profit before income tax for the year of US$46.4 million in FY2016, amortisation of film assets of US$6.8 million and depreciation of property, plant and equipment of US$6.6 million, reduced by our taxes paid of US$13.2 million, our net investment in film assets of US$6.8 million and changes in working capital of US$3.9 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US$1.3 million; (ii) an increase in financing receivables of US$8.4 million; (iii) a decrease in deferred revenue of US$4.7 million; and (iv) a decrease in inventories of US$0.1 million, partially offset by: (i) an increase in trade and other payables of US$15.1 million; and (ii) an increase in accruals and other liabilities of US$3.6 million.

FY2015

Our net cash used in operations was approximately US$0.2 million in FY2015. We had loss before income tax for the year of US$170.9 million in FY2015 and positive adjustments for fair value adjustment of conversion option of US$209.9 million, amortisation of film assets of US$5.5 million, depreciation of property, plant and equipment of US$4.8 million and accretion charges associated with the Redeemable Class C Shares of US$3.8 million, reduced by our taxes paid of US$12.3 million, our net investment in film assets of US$5.4 million and changes in working capital of US$38.9 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US$10.4 million; (ii) a decrease in trade and other payables of US$27.7 million; (iii) an increase in inventories of US$2.9 million; (iv) an increase in financing receivables of US$4.9 million; and (v) a decrease in accruals and other liabilities of US$3.3 million, partially offset by an increase in deferred revenue of US$11.1 million.

Cash Used in Investing Activities

FY2016

Our net cash used in investing activities was approximately US$28.8 million for FY2016, primarily related to: (i) investments in IMAX theatre equipment amounting to US$24.2 million installed in our exhibitor partners' theatres under full revenue sharing arrangements; and (ii) the purchase of property, plant and equipment amounting to US$4.6 million.

FY2015

Our net cash used in investing activities was approximately US$14.1 million for FY2015, primarily related to: (i) investments in IMAX theatre equipment amounting to US$13.5 million installed in our exhibitor partners' theatres under full revenue sharing arrangements; and (ii) the purchase of property, plant and equipment amounting to US$0.6 million.

Cash From Financing Activities

FY2016

Our net cash provided by financing activities was approximately US$0.8 million for FY2016 primarily due to issuance of common shares of US$1.7 million, partially offset by settlement of restricted share units and options of US$0.8 million.

FY2015

Our net cash provided by financing activities was approximately US$56.6 million for FY2015. The increase primarily related to: (i) US$71.3 million in proceeds from our initial public offering; and (ii) receipt of the second US$38.0 million instalment in net proceeds from our sale of 20% of the equity interest in our Company to entities owned and controlled by CMC and FountainVest. The sale price was US$80.0 million and payable in two equal instalments. The first instalment was received on 8 April 2014 and the second instalment was received on 10 February 2015. The net cash increase generated from financing activities was partially offset by: (i) a US$47.6 million special dividend paid to pre IPO shareholders in accordance to our Redeemable Class C Shareholder Agreement Share; and (ii) US$5.1 million in initial public offering listing share issuance costs not categorized in selling, general and administrative expenses.

Contractual Obligations and Capital Commitments

Lease Commitments

We have lease commitments in FY2017 and FY2018 amounting to US$1.7 million and US$1.3 million respectively related primarily to leased office and warehouse space in Shanghai and Beijing.

Capital Commitments

As at 31 December 2016, we had capital expenditures contracted but not provided for of US$26.4 million (2015: US $0.7 million), and capital expenditures authorised but not contracted for of US$5.0 million (2015: US $nil)

Capital Expenditures and Contingent Liabilities

Capital Expenditures

Our capital expenditures primarily relate to the acquisition of IMAX theatre systems. During FY2016 and FY2015, our capital expenditures were US$28.8 million and US$14.1 million, respectively.

Going forward, with respect to our theatre business, we plan to allocate a significant portion of our capital expenditures to the continued expansion of the IMAX theatre network under revenue sharing arrangements to execute on our existing contractual backlog and future signings. For our films business, in order to further our strategy with respect to securing more Chinese language film content and enhancing longer term partnerships in the PRC cinema industry for the IMAX theatre network, we plan to build out an IMAX screening theatre and expand our DMR conversion facility to convert Chinese language films into the IMAX format. We expect to incur capital expenditures of approximately US$41.1 million in FY2017, which will be primarily used to expand the IMAX theatre network under full revenue sharing arrangements, fund DMR conversion costs and invest in a China film fund.

Contingent Liabilities

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

In March 2013, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("IMAX Shanghai Multimedia"), the Company's wholly-owned subsidiary in the People's Republic of China ("PRC"), received notice from the Shanghai office of the General Administration of Customs ("**Customs Authority**") that it had been selected for a customs audit (the "**Audit**"). A key issue raised by the Audit was the transfer pricing policy basis for the importation of IMAX theatre systems by IMAX Shanghai Multimedia into the PRC and the applicability of customs duties and taxes to the trademark and technology license fees paid by IMAX Shanghai Multimedia to IMAX Corporation. In December, 2016, the Customs Authority conclusively determined any trademark, technology and warranty fees paid by IMAX Shanghai Multimedia on systems revenue directly related to imported systems should be included as part of the tax cost base of these systems and subject to applicable duties and taxes. In connection with the conclusion, for the period beginning 1 January 2012 through 31 October 2016, IMAX Shanghai Multimedia recorded US$2.95 million in duties and taxes on the trademark, technology and warranty fees applicable to systems imported during that period and settled the payment in January, 2017. In the course of the Audit, the Customs Authority discovered the underpayment of approximately US$0.1 million by IMAX Shanghai Multimedia in connection with the freight and insurance portion of the customs duties and taxes applicable to the importation of certain IMAX theatre systems during the period from October, 2011 through March, 2013. Though IMAX Shanghai Multimedia's importation agent accepted responsibility for the error giving rise to the underpayment, the matter has been transferred to the Anti-Smuggling Bureau of the Customs Authority for further review. The Group is unable to assess the potential impact, if any, of this outstanding matter at this time.

Except as disclosed above or as otherwise disclosed herein, as at 31 December 2016, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. The Directors confirm that there has been no material change in our commitments and contingent liabilities since 31 December 2016.

Working Capital

We finance our working capital needs primarily through cash flow from operating activities. Cash flow generated from operating activities was US$46.7 million in FY2016, and cash flow used in operating activities was US$0.2 million in FY2015. 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 as well as any initial capital expenditures required under revenue sharing arrangements.

Statement of Indebtedness

As at 31 December 2016:

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

Since 31 December 2016, being the latest date of our audited financial statements, there has been no material adverse change to our indebtedness.

Recent Developments

We are in the process of modifying the chief operating decision maker's reporting packages to support a revised reporting structure which will move away from the two principal business segments — the theatre business and the film business — that was used historically towards a revised structure with three principal business segments. These three principal business segments are: the network business, which represents revenue generated by box-office results; the theater business, which represents revenue generated by the sale of goods and services, primarily related to theater installation and maintenance services; and new business. The new segments are expected to be implemented in the first half of 2017.

Off Balance Sheet Arrangements

We had no off-balance sheet arrangements as at 31 December 2016.

Key Financial Ratios

The following table lays out certain financial ratios as at the dates and for the periods indicated. We presented adjusted gearing ratio and adjusted profit margin because we believe they present a more meaningful picture of our financial performance than unadjusted numbers as they exclude the impact from share-based compensation, accretion of amortised cost of financial instrument, fair value adjustments, IPO related costs, and the related tax impact.

	2016	2015
Gearing ratio[(1)]	**40.1%**	40.9%
Adjusted profit margin[(2)]	**31.7%**	39.2%

Notes:

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

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

Gearing Ratio

Our gearing ratio decreased from 40.9% as at 31 December 2015 to 40.1% as at 31 December 2016, primarily due to an increase in profit for the year in FY2016 from FY2015.

Adjusted Profit Margin

Our adjusted profit margin decreased from 39.2% as at 31 December 2015 to 31.7% as at 31 December 2016, primarily due to lower box office revenue per screen, higher depreciation cost on full revenue sharing theater systems due to a larger network, with higher selling, general and administrative expenses associated with business growth, and the incremental costs related to our first year as a public company.

Dividend Policy and Distributable Reserves

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

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

As at 31 December 2016, the Company had a total equity of US$101.4 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.

2016 Dividend

The Board has recommended that no final dividend be paid in respect of the year ended 31 December 2016.

Material Acquisitions or Disposals

We have not undertaken any material acquisition or disposal for the year ended 31 December 2016.

Significant Investments

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

Technology Holdings Limited). TCL-IMAX Entertainment engages in the design, development, manufacturing and global sale of premium home theatre systems incorporating components of IMAX's projection and sound technology adapted for a broader home environment. TCL-IMAX Entertainment has commenced offering home theatre systems in Greater China in the second half of 2016. We did not receive any distributions or dividends from TCL-IMAX Entertainment during the year ended 31 December 2016.

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

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 purchase, sale or redemption by the Group of its listed Shares during the year ended December 31, 2016 (the "**Reporting Period**").

CORPORATE GOVERNANCE REPORT

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

The shares of the Company have been listed on the Stock Exchange since 8 October 2015. The Company has in practice complied with the new requirements under the amendments to C.3.3 of the CG Code relating to risk management and internal control since 1 January 2016. The Board has adopted new terms of reference for the audit committee of the Company on 20 July 2016 to comply with the new requirements under the amendments to C.3.3 of the CG Code. In addition, the Directors did not participate in any training as set out in the Code Provision A.6.5 during the Reporting Period and the Company therefore did not comply with Code Provision A.6.5. However, all Directors attended a training provided by a Hong Kong law firm on the updates on annual report requirements on 23 February 2017. Save as disclosed above, the Company has complied with all the code provisions of the CG Code during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

The audit committee consists of three members: Mr. John Davison, an Independent Non-executive Director, Ms. Dawn Taubin, an Independent Non-Executive Director and Mr. Richard Gelfond, a Non-executive Director. Mr. John Davison is the chairman of the audit committee. The audit committee members have reviewed the Group's results for the year ended 31 December 2016.

ANNUAL REPORT

The Company's annual report for the year ended 31 December 2016 containing all the information required by Appendix 16 of the Listing Rules has been published on the Company's and the Stock Exchange's websites.

LITIGATION

The Group did not have any material litigation outstanding as at 31 December 2016.

INSIDE INFORMATION

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

Results of IMAX Corporation

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

On or about 23 February 2017 (4:01 p.m., New York time), IMAX Corporation made an announcement regarding its financial results for the fourth quarter and full year ended 31 December 2016 (the "**Earnings Release**") and held its fourth quarter and full year results earnings call (the "**Earnings Call**"). If you wish to review the Earnings Release prepared by IMAX Corporation and as filed with the U.S. Securities and Exchange Commission, please visit: https://www.sec.gov/Archives/edgar/data/921582/000119312517053974/d328458dex991.htm. Unless otherwise provided therein, all dollar amounts in the Earnings Release and Earnings Call are denominated in United States dollars.

On or about 23 February 2017 (5:23 p.m., New York time), IMAX Corporation filed its audited annual report on the Form 10-K for the year ended 31 December 2016 with the United States Securities and Exchange Commission (the "**Annual Report**"), in accordance with the ongoing disclosure obligations applicable to the companies listed on the New York Stock Exchange. The Annual Report includes certain annual financial information and operating statistics regarding the Company. If you wish to review the Annual Report prepared by IMAX Corporation and as filed with the U.S. Securities and Exchange Commission, please visit: https://www.sec.gov/Archives/edgar/data/921582/000119312517054210/d339843d10k.htm. Unless otherwise provided therein, all dollar amounts in the Annual Report are denominated in United States dollars.

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

With a view to ensuring that all shareholders and potential investors of the Company have equal and timely access to information pertaining to the Company, set forth below are the key highlights of financial information and other information published by IMAX Corporation in the Annual Report and Earnings Release that relate to our Company and our operations:

(1) ANNUAL REPORT EXTRACTS

"ITEM 1 — BUSINESS

GENERAL

Greater China continues to be the Company's second-largest and fastest-growing market, measured by revenues. In recent years, the Company's Greater China operations have accounted for an increasingly significant portion of its overall revenues, with approximately 31% of overall revenues generated from the Company's China operations in 2016. As at December 31, 2016, the Company had 424 theaters operating in Greater China and an additional 334 theaters in backlog that are scheduled to be installed in Greater China by 2022. The Company's backlog in Greater China represents 67.1% of the Company's current backlog. The Company continues to invest in joint revenue sharing arrangements with select partners to ensure ongoing revenue in this key market. The Company's largest single international partnership is in China with Wanda Cinema Line Corporation ("**Wanda**"). In 2016, the Company and Wanda signed an agreement for an additional 150 theater systems under a joint revenue sharing arrangement. This increases Wanda's total commitment to the Company to 360 theater systems, of which 345 theater systems are under the parties' joint revenue sharing arrangement. Furthermore, the Company has partnerships with CJ CGV Holdings, Ltd., for a commitment of 120 theater systems (of which 100 theater systems will be located in China), and with Guangzhou JinYi Media Corporation for a commitment of 60 theater systems (all of which are located in China).

In 2014, the Company completed the sale and issuance of 20% of the shares of the Company's subsidiary, IMAX China Holding, Inc. ("**IMAX China**"), to entities owned and controlled by CMC Capital Partners ("**CMC**"), an investment fund that is focused on media and entertainment, and FountainVest Partners ("**FountainVest**"), a China-focused private equity firm. The sale price for the interest was $80.0 million (collectively, the "**IMAX China Investment**"). On October 8, 2015, IMAX China completed an initial public offering of its ordinary shares on the Main Board of the Hong Kong Stock Exchange Limited (the "**IMAX China IPO**"). Following the IMAX China IPO, the Company continues to indirectly own approximately 68.2% of IMAX China, which remains a consolidated subsidiary of the Company.

The Company believes that there have been a number of financial, strategic and operating benefits resulting from both the IMAX China Investment and the IMAX China IPO. With respect to the IMAX China Investment, the Company believes that the investors' knowledge of, and influence in, the Chinese media and entertainment industry has contributed to the continued expansion of IMAX's theater network in China and the further strengthening of the Company's government and industry relationships. In addition, the Company believes that the IMAX China IPO provides investors the ability to directly access and evaluate the IMAX China business, and provides greater clarity into the business's performance in the fastest-growing entertainment market in the world.

NEW BUSINESS INITIATIVES

In order to deliver high quality content to the IMAX VR Centers, the Company has partnered with Google to design and develop a cinema-grade IMAX VR camera, which will enable filmmakers and content creators to capture and deliver high-quality, 360-degree content experiences to audiences. In addition, the Company recently announced the creation of an approximately $50.0 million virtual reality fund (the "**VR Fund**") among the Company, its subsidiary IMAX China and other strategic investors. The VR Fund will help finance the creation of an estimated 25-30 interactive VR content experiences over the next three years for use across all VR platforms, including in the IMAX VR Centers. The VR Fund will target premium productions with its Hollywood studio and filmmaker partners, as well as gaming publishers and other leading content developers.

In January 2017, the Company launched its flagship pilot IMAX VR Center in Los Angeles and has signed agreements for additional IMAX VR center pilots in China, the U.S. and the United Kingdom, which are scheduled to open in the coming months. The Company plans to use these pilot locations to test several factors including the overall customer experience, pricing models, throughput, types of content featured and differences in geographic areas. If successful, the Company's intent is to roll out IMAX VR centers globally.

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

The Company has also made inroads in the realm of in-home entertainment. To that end, the Company has announced home theater initiatives, including a joint venture with TCL Multimedia Technology Holding Limited ("**TCL**") to design, develop, manufacture and sell a premium home theater system. Since 2013, the joint venture has signed agreements with end users for the sale of more than 140 premium home theater systems, and has signed agreements with distributors for the sale of more than 500 home theater systems. Beyond its premium home theater, the Company is also currently developing other components of broader home entertainment platform designed to allow consumers to experience elements of *The* IMAX *Experience*® in their homes.

IMAX Theater Systems, Theater System Maintenance and Joint Revenue Sharing Arrangements

In 2012, Dalian Wanda Group Co., Ltd. ("**Dalian Wanda**"), the parent company of Wanda, acquired AMC Entertainment Holdings, Inc. ("**AMC**"). Under common ownership, Wanda and AMC together is the Company's largest customer, representing approximately 13.5%, 16.0% and 14.5% of the Company's total revenue in 2016, 2015 and 2014, respectively. In addition, Wanda and AMC together represented approximately 40.3% of the commercial network and 39.8% of the Company's backlog as of December 31, 2016. See Risk Factors — "Under common ownership, Wanda and AMC together account for a significant and growing portion of the Company's revenue and backlog. A deterioration in the Company's relationship with Wanda and/or AMC could materially, adversely affect the Company's business, financial condition or results of operations." in Item 1A.

Films

Film Production and Digital Re-mastering (IMAX DMR)

The Company believes that the growth in international box-office will continue to be an important driver of future growth for the Company. In fact, during the year ended December 31, 2016, 61.8% of the Company's gross box-office from IMAX DMR films was generated in international markets. To support growth in international markets, the Company has sought to bolster its international film strategy, supplementing the Company's film slate of Hollywood DMR titles with appealing local IMAX DMR releases in select markets. In 2016, the Company released 12 local language IMAX DMR films, including nine in China, two in Russia and one in Japan, and in 2015, the Company released 11 local language IMAX DMR films, including eight in China and three in Japan.

In 2016, 51 films were converted through the IMAX DMR process and released to theaters in the IMAX network by film studios as compared to 44 films in 2015.

To date, the Company has announced the following 26 DMR titles to be released in 2017 to the IMAX theater network:

- *Your Name: The IMAX Experience* (Toho Co., Ltd., January 2017);
- *xXx: Return of Xander Cage: The* IMAX *Experience* (Paramount Pictures, January 2017);
- *Resident Evil: The Final Chapter: The* IMAX *Experience* (Sony Pictures, January 2017);

- *Attraction: The* IMAX *Experience* (Art Pictures Studio, January 2017, Russia only);
- *Journey to The West: The Demons Strike Back: The* IMAX *Experience* (Alibaba Pictures Group, January 2017);
- *The Lego Batman Movie: The* IMAX *Experience* (Warner Bros. Pictures, February 2017);
- *Sing: The* IMAX *Experience* (Universal Pictures, February 2017, China and Japan only);
- *Logan: The* IMAX *Experience* (20th Century Fox, March 2017);
- *Kong: Skull Island: The* IMAX *Experience* (Warner Bros. Pictures, March 2017);
- *Beauty and The Beast: The* IMAX *Experience* (Walt Disney Studios, March 2017);
- *Ghost in the Shell: The* IMAX *Experience* (Paramount Pictures, March 2017);
- *The Fate of the Furious: The* IMAX *Experience* (Universal Pictures, April 2017);
- *Guardians of the Galaxy Vol. 2: The* IMAX *Experience* (Walt Disney Studios, May 2017);
- *Pirates of the Caribbean: Dead Men Tell No Tales: The* IMAX *Experience* (Walt Disney Studios, May 2017);
- *Wonder Woman: The* IMAX *Experience* (Warner Bros. Pictures, June 2017);
- *The Mummy: The* IMAX *Experience* (Universal Pictures, June 2017);
- *Transformers: The Last Knight: The* IMAX *Experience* (Paramount Pictures, June 2017);
- *Spider-Man: Homecoming: The* IMAX *Experience* (Sony Pictures-distributed and Marvel Studios and Sony Pictures-produced, July 2017);
- *Dunkirk: The* IMAX *Experience* (Warner Bros. Pictures, July 2017);
- *The Solutrean: The* IMAX *Experience* (Sony Pictures, September 2017);
- *The Lego Ninjago Movie: The* IMAX *Experience* (Warner Bros. Pictures, September 2017);
- *Blade Runner 2049: The* IMAX *Experience* (Warner Bros. Pictures, October 2017);
- *Geostorm: The* IMAX *Experience* (Warner Bros. Pictures, October 2017);
- *Thor: Ragnarök: The* IMAX *Experience* (Walt Disney Studios, November 2017);
- *Justice League: The* IMAX *Experience* (Warner Bros. Pictures, November 2017); and
- *Star Wars: The Last Jedi: The* IMAX *Experience* (Walt Disney Studios, December 2017).

Marketing and Customers

The following table outlines the breakdown of the theater network by type and geographic location as at December 31:

	2016 Theater Network Base				2015 Theater Network Base			
	Commercial Multiplex	**Commercial Destination**	**Institutional**	**Total**	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	**349**	**5**	**41**	**395**	342	6	45	393
Canada	**37**	**2**	**7**	**46**	37	2	8	47
Greater China[1]	**407**	**—**	**17**	**424**	290	—	17	307
Asia (excluding Greater China)	**93**	**2**	**3**	**98**	81	3	6	90
Western Europe	**76**	**6**	**10**	**92**	69	7	10	86
Russia & the CIS	**56**	**—**	**—**	**56**	49	—	—	49
Latin America[2]	**38**	**—**	**12**	**50**	35	—	11	46
Rest of the World	**51**	**1**	**2**	**54**	40	1	2	43
Total	**1,107**	**16**	**92**	**1,215**	943	19	99	1,061

(1) Greater China includes the People's Republic of China, Hong Kong, Taiwan and Macau.

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

ITEM 1A. RISK FACTORS

The Company faces risks in connection with the continued expansion of its business in China.

At present, Greater China is the Company's second largest and fastest-growing market, by revenue. In recent years, the Company's Greater China operations have accounted for an increasingly significant portion of its overall revenues, with nearly 31% of overall revenues generated from the Company's China operations in 2016. As at December 31, 2016, the Company had 424 theaters operating in Greater China with an additional 334 theaters in backlog, which represent 67.1% of the Company's current backlog and which are scheduled to be installed in Greater China by 2022.

The China market faces a number of risks, including changes in laws and regulations, currency fluctuations, increased competition and changes in economic conditions, including the risk of an economic downturn or recession, as well as other conditions that may impact consumer spending. Adverse developments in any of these areas could impact the Company's future revenues and cash flows and could cause the Company to fail to achieve anticipated growth.

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

Under common ownership, Wanda and AMC together account for a significant and growing portion of the Company's revenue and backlog. A deterioration in the Company's relationship with Wanda and/or AMC could materially, adversely affect the Company's business, financial condition or results of operation.

In 2012, Dalian Wanda, the parent company of Wanda, acquired AMC. In December 2013, AMC completed an initial public offering of approximately 20% of its outstanding shares, with Dalian Wanda retaining the approximately 80% remaining. Under common ownership, Wanda and AMC together represent approximately 13.5%, 16.0% and 14.5% of the Company's total revenue in 2016, 2015 and 2014, respectively. On August 2, 2016, Wanda entered into an agreement with the Company for an additional 150 IMAX theater systems to be built over six years, bringing Wanda's total commitment to 360 IMAX theater systems. With the latest expansion of the Company's joint revenue sharing arrangement with Wanda, Wanda and AMC together represented approximately 40.3% of the commercial network and 39.8% of the Company's backlog as of December 31, 2016. The share of the Company's revenue that is generated by Wanda and AMC is expected to continue to grow as the significant number of Wanda theater systems currently in backlog are opened. No assurance can be given that either Wanda and/or AMC will continue to purchase theater systems and/or enter into joint revenue sharing arrangements with the Company and if so, whether contractual terms will be affected. If the Company does business with either Wanda and/or AMC less frequently or on less favorable terms than currently, the Company's business, financial condition or results of operations may be adversely affected. Recent consolidation in the industry, including AMC's acquisition of Carmike Cinemas and Odeon/UCI Cinemas Group, further augments this risk.

ITEM 3. LEGAL PROCEEDINGS

In March 2013, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai**"), the Company's majority-owned subsidiary in China, received notice from the Shanghai office of the General Administration of Customs ("**Customs Authority**") that it had been selected for a customs audit (the "**Audit**"). A key issue raised by the Audit is the transfer pricing policy basis for the importation of IMAX theatre systems by IMAX Shanghai into the People's Republic of China and the applicability of customs duties and taxes to the trademark and technology license fees paid by IMAX Shanghai to the Company. In December 2016, the Customs Authority conclusively determined that any trademark, technology and warranty fees paid by IMAX Shanghai on systems revenue directly related to imported theatre systems should be included as part of the tax cost base of these systems and subject to applicable duties and taxes. In connection with the conclusion, for the period beginning January 1, 2012 through October 31, 2016, IMAX Shanghai recorded $2.95 million in duties and taxes on the trademark, technology and warranty fees applicable to theatre systems imported during that period and settled the payment in January 2017. In the course of the Audit, the Customs Authority discovered the underpayment by IMAX Shanghai of the freight and insurance portion of the customs duties and taxes applicable to the importation of certain IMAX theatre systems during the period from October 2011 through March 2013 of approximately $0.1 million. Though IMAX Shanghai's importation agent accepted responsibility for the error giving rise to the underpayment, the matter has been transferred to the Anti-Smuggling Bureau of the Customs Authority for further review. IMAX Shanghai is unable to assess the potential impact, if any, of this outstanding matter at this time.

ITEM 6. SELECTED FINANCIAL DATA

(In thousands of U.S. dollars, except per share amounts)	**Years Ended December 31,**				
	2016	2015	2014	2013	2012
Statements of Operations Data:					
Selling, general and administrative expenses[4]	**124,745**	115,345	93,260	84,854	81,560
Net income	**39,328**	64,624	42,169	44,115	41,337
Less: net income attributable to non-controlling interests[9]	**(10,584)**	(8,780)	(2,433)	—	—

(4) Includes share-based compensation expense of $30.5 million, $21.9 million, $15.1 million, $11.9 million and $13.1 million for 2016, 2015, 2014, 2013 and 2012, respectively. Also includes consulting and other professional fees associated with the IMAX China IPO of $1.3 million for 2015.

(9) The Company's consolidated financial statements include the non-controlling interest in the net income of IMAX China resulting from the IMAX China Investment and IMAX China IPO. In addition, the Company recognized the impact of a non-controlling interest in its subsidiary created for the Film Fund activity. See note 21 of the accompanying audited consolidated financial statements in Item 8 for more information.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

In order to deliver high quality content to the IMAX VR Centers, the Company has partnered with Google to design and develop a cinema-grade IMAX VR camera, which will enable filmmakers and content creators to capture and deliver high-quality, 360-degree content experiences to audiences. In addition, the Company recently announced the creation of an approximately $50.0 million virtual reality fund (the "**VR Fund**") among the Company, its subsidiary IMAX China Holding Inc. ("**IMAX China**") and other strategic investors. The VR Fund will help finance the creation of an estimated 25-30 interactive VR content experiences over the next three years for use across all VR platforms, including in the IMAX VR Centers. The VR Fund will target premium productions with its Hollywood studio and filmmaker partners, as well as gaming publishers and other leading content developers.

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

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

With respect to in-home entertainment, the Company has announced home theater initiatives, including a joint venture with TCL Multimedia Technology Holding Limited ("TCL") to design, develop, manufacture and sell a premium home theater system. Since 2013, the joint venture has signed agreements with end users for the sale of more than 140 premium home theater systems, and has signed agreements with distributors for the sale of more than 500 home theater systems. Beyond its premium home theater, the Company is also currently developing other components of broader home entertainment platform designed to allow consumers to experience elements of *The* IMAX *Experience*® in their homes.

IMAX Theater Network

The following table outlines the breakdown of the theater network by type and geographic location as at December 31:

	2016 Theater Network Base				2015 Theater Network Base			
	Commercial Multiplex	**Commercial Destination**	**Institutional**	**Total**	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	**349**	**5**	**41**	**395**	342	6	45	393
Canada	**37**	**2**	**7**	**46**	37	2	8	47
Greater China(1)	**407**	**—**	**17**	**424**	290	—	17	307
Asia (excluding Greater China)	**93**	**2**	**3**	**98**	81	3	6	90
Western Europe	**76**	**6**	**10**	**92**	69	7	10	86
Russia & the CIS	**56**	**—**	**—**	**56**	49	—	—	49
Latin America(2)	**38**	**—**	**12**	**50**	35	—	11	46
Rest of the World	**51**	**1**	**2**	**54**	40	1	2	43
Total	**1,107**	**16**	**92**	**1,215**	943	19	99	1,061

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

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

As of December 31, 2016, 36.3% of IMAX systems in operation were located in the United States and Canada compared to 41.5% as at the end of last year.

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

The Company believes that over time its commercial multiplex theater network could grow to approximately 2,450 IMAX theaters worldwide from 1,107 commercial multiplex IMAX theaters operating as of December 31, 2016. The Company believes that the majority of its future growth will come from international markets. As at December 31, 2016, 63.7% of IMAX theater systems in operation were located within international markets (defined as all countries other than the United States and Canada), up from 58.5% as at December 31, 2015. Revenues and gross box-office derived from outside the United States and Canada continue to exceed revenues and gross box-office from the United States and Canada. Risks associated with the Company's international business are outlined in Risk Factors — "The Company conducts business internationally, which exposes it to uncertainties and risks that could negatively affect its operations, sales and future growth prospects" in Item 1A of Part I.

Greater China continues to be the Company's second-largest and fastest-growing market, measured by revenues. The Company's Greater China operations have accounted for an increasingly significant portion of its overall revenues, with nearly 31% of overall revenues generated from the Company's China operations in 2016. As at December 31, 2016, the Company had 424 theaters operating in Greater China with an additional 334 theaters in backlog that are scheduled to be installed in Greater China by 2022. The Company's backlog in Greater China represents 67.1% of the Company's current backlog. The Company continues to invest in joint revenue sharing arrangements with select partners to ensure ongoing revenue in this key market. The Company's largest single international partnership is in China with Wanda Cinema Line Corporation ("**Wanda**"). In 2016, the Company and Wanda signed an agreement for an additional 150 theater systems under a joint revenue sharing arrangement. This increases Wanda's total commitment to the Company to 360 theater systems in Greater China, of which 345 theater systems are under the parties' joint revenue sharing arrangement. Furthermore, the Company has a partnership with CJ CGV Holdings, Ltd., for a commitment of 120 theater systems, of which 100 theater systems will be located in China. In addition, in 2016, the Company and Guangzhou JinYi Media Corporation ("**JinYi**") expanded its existing commitment to include 40 theater systems under a joint revenue sharing arrangement. With the addition of these theater systems, JinYi's total commitment to the Company is for 60 theater systems, all of which are located in China. See Risk Factors — "The Company faces risks in connection with the continued expansion of its business in China" in Item 1A of Part I.

In 2014, the Company completed the sale and issuance of 20% of the shares of the Company's subsidiary, IMAX China Holding, Inc. ("**IMAX China**"), to entities owned and controlled by CMC Capital Partners ("**CMC**"), an investment fund that is focused on media and entertainment, and FountainVest Partners ("**FountainVest**"), a China-focused private equity firm. The sale price for the interest was $80.0 million (collectively, the "**IMAX China Investment**"). On October 8, 2015, IMAX China completed an initial public offering of its ordinary shares on the Main Board of the Hong Kong Stock Exchange Limited (the "**IMAX China IPO**"). Following the IMAX China IPO, the Company continues to indirectly own approximately 68.2% of IMAX China, which remains a consolidated subsidiary of the Company.

The following table outlines the breakdown of the Commercial Multiplex theater network by arrangement type and geographic location as at December 31:

	2016 IMAX Commercial Multiplex Theater Network			2015 IMAX Commercial Multiplex Theater Network		
	JRSA	**Sale/ Sales-type lease**	**Total**	JRSA	Sale/ Sales-type lease	Total
Domestic Total (United States & Canada)	**266**	**120**	**386**	261	118	379
International:						
Greater China	**261**	**146**	**407**	177	113	290
Asia (excluding Greater China)	**54**	**39**	**93**	42	39	81
Western Europe	**44**	**32**	**76**	39	30	69
Russia & the CIS	**—**	**56**	**56**	—	49	49
Latin America	**—**	**38**	**38**	—	35	35
Rest of the World	**15**	**36**	**51**	10	30	40
International Total	**374**	**347**	**721**	268	296	564
Worldwide Total	**640**	**467**	**1,107**	529	414	943

As at December 31, 2016, 266 (2015 — 261) of the 640 (2015 — 529) theaters under joint revenue sharing arrangements in operation, or 41.6% (2015 — 49.3%) were located in the United States and Canada, with the remaining 374 (2015 — 268) or 58.4% (2015 — 50.7%) of arrangements being located in international markets. The Company continues to seek to expand its network of theaters under joint revenue sharing arrangements, particularly in select international markets.

Sales Backlog

The following table outlines the breakdown of the total backlog by arrangement type and geographic location as at December 31:

	2016 IMAX Theater Backlog			2015 IMAX Theater Backlog		
	JRSA	**Sale/ Lease**	**Total**	JRSA	Sale/ Lease	Total
Domestic Total (United States & Canada)	**51**	**10**	**61**	23	21	44
International:						
Greater China	**275**	**59**	**334**	158	57	215
Asia (excluding Greater China)	**12**	**20**	**32**	19	17	36
Western Europe	**12**	**6**	**18**	7	6	13
Russia & the CIS	**—**	**18**	**18**	—	23	23
Latin America	**—**	**15**	**15**	—	20	20
Rest of the World	**5**	**15**	**20**	5	16	21
International Total	**304**	**133**	**437**	189	139	328
Worldwide Total	**355**	**143**	**498**	212	160	372

Approximately 87.8% of IMAX theater system arrangements in backlog as at December 31, 2016 are scheduled to be installed in international markets (2015 — 88.2%).

Films: Digital Re-Mastering (IMAX DMR) and other film revenue

The Company believes that the growth in international box-office is an important driver of future growth for the Company. During 2016 61.8% of the Company's gross box-office from IMAX DMR films was generated in international markets, as compared to 60.8% in 2015. To support growth in international markets, the Company continues to bolster its international film strategy, supplementing the Company's film slate of Hollywood DMR titles with appealing local IMAX DMR releases in select markets. During 2016, the Company released 12 local language IMAX DMR films, including nine in China, two in Russia and one in Japan. In 2015, 11 local language IMAX DMR films were released, including eight in China and three in Japan.

To date, the Company has announced the following 26 DMR titles to be released in 2017 to the IMAX theater network:

- *Your Name: The* IMAX *Experience* (Toho Co., Ltd., January 2017);
- *xXx: Return of Xander Cage: The* IMAX *Experience* (Paramount Pictures, January 2017);
- *Resident Evil: The Final Chapter: The* IMAX *Experience* (Sony Pictures, February 2017);
- *Attraction: The* IMAX *Experience* (Art Pictures Studio, January 2017, Russia only);
- *Journey to The West: The Demons Strike Back: The* IMAX *Experience* (Alibaba Pictures Group, January 2017);
- *The Lego Batman Movie: The* IMAX *Experience* (Warner Bros. Pictures, February 2017);
- *Sing: The* IMAX *Experience* (Universal Pictures, February 2017, China and Japan only);
- *Logan: The* IMAX *Experience* (20th Century Fox, March 2017);
- *Kong: Skull Island: The* IMAX *Experience* (Warner Bros. Pictures, March 2017);
- *Beauty and The Beast: The* IMAX *Experience* (Walt Disney Studios, March 2017);
- *Ghost in the Shell: The* IMAX *Experience* (Paramount Pictures, March 2017);
- *The Fate of the Furious: The* IMAX *Experience* (Universal Pictures, April 2017);
- *Guardians of the Galaxy Vol. 2: The* IMAX *Experience* (Walt Disney Studios, May 2017);
- *Pirates of the Caribbean: Dead Men Tell No Tales: The* IMAX *Experience* (Walt Disney Studios, May 2017);
- *Wonder Woman: The* IMAX *Experience* (Warner Bros. Pictures, June 2017);
- *The Mummy: The* IMAX *Experience* (Universal Pictures, June 2017);
- *Transformers: The Last Knight: The* IMAX *Experience* (Paramount Pictures, June 2017);
- *Spider-Man: Homecoming: The* IMAX *Experience* (Sony Pictures-distributed and Marvel Studios and Sony Pictures-produced, July 2017);
- *Dunkirk: The* IMAX *Experience* (Warner Bros. Pictures, July 2017);
- *The Solutrean: The* IMAX *Experience* (Sony Pictures, September 2017);

- *The Lego Ninjago Movie: The* IMAX *Experience* (Warner Bros. Pictures, September 2017);
- *Blade Runner 2049: The* IMAX *Experience* (Warner Bros. Pictures, October 2017);
- *Geostorm: The* IMAX *Experience* (Warner Bros. Pictures, October 2017);
- *Thor: Ragnarök: The* IMAX *Experience* (Walt Disney Studios, November 2017);
- *Justice League: The* IMAX *Experience* (Warner Bros. Pictures, November 2017); and
- *Star Wars: The Last Jedi: The* IMAX *Experience* (Walt Disney Studios, December 2017).

RESULTS OF OPERATIONS

Year Ended December 31, 2016 Versus Year Ended December 31, 2015

	Years Ended December 31,			
	2016		2015	
	Net Income	**Diluted EPS**	Net Income	Diluted EPS
Reported net income	**$ 39,320**	**$ 0.58**	$ 64,624	$ 0.90[1]
Adjustments:				
Stock-based compensation	**30,523**	**0.45**	21,880	0.31
Tax impact on items listed above	**(8,783)**	**(0.13)**	(4,056)	(0.06)
Adjusted net income	**61,060**	**0.90**	82,448	1.15[1]
Net income attributable to non-controlling interests	**(10,532)**	**(0.16)**	(8,780)	(0.12)
Stock-based compensation (net of tax of $0.2 million and $0.2 million, respectively) attributable to non-controlling interests	**(533)**	**(0.01)**	(703)	(0.01)
Adjusted net income attributable to common shareholders	**$ 49,995**	**$ 0.73**	$ 72,965	$ 1.02[1]
Weighted average diluted shares outstanding		**68,263**		71,058

(1) Includes impact of $0.8 million of accretion charges associated with redeemable Class C shares of IMAX China.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $124.7 million in 2016, as compared to $115.3 million in 2015. Selling, general and administrative expenses excluding the impact of stock-based compensation were $94.2 million in 2016, as compared to $93.4 million in 2015. The following reflects the significant items impacting selling, general and administrative expenses as compared to the prior year period:

- an $8.6 million increase in the Company's stock-based compensation;

- a $3.6 million increase in staff costs related to the core business, including salaries and benefits; partially offset by

Non-Controlling Interests

The Company's consolidated financial statements include the non-controlling interest in the net income of IMAX China resulting from the IMAX China Investment and the IMAX China IPO as well as the impact of a non-controlling interest in its subsidiary created for the Film Fund activity. For the year ended December 31, 2016, the net income attributable to non-controlling interests of the Company's subsidiaries was $10.5 million (2015 — $8.8 million).

Year Ended December 31, 2015 versus Year Ended December 31, 2014

	Years Ended December 31,			
	2015		2014	
	Net Income	**Diluted EPS**	Net Income	Diluted EPS
Reported net income	**$ 64,624**	**$ 0.90**[(1)]	$ 42,169	$ 0.59[(1)]
Adjustments:				
Stock-based compensation	**21,880**	**0.31**	15,128	0.22
Tax impact on items listed above	**(4,056)**	**(0.06)**	(2,370)	(0.03)
Adjusted net income	**82,448**	**1.15**[(1)]	54,927	0.78[(1)]
Net income attributable to non-controlling interests	**(8,780)**	**(0.12)**	(2,433)	(0.03)
Stock-based compensation (net of tax of $0.2 million) attributable to non-controlling interests	**(703)**	**(0.01)**	—	—
Adjusted net income attributable to common shareholders	**$ 72,965**	**$ 1.02**[(1)]	$ 52,494	$ 0.75[(1)]
Weighted average diluted shares outstanding		**71,058**		69,754

(1) Includes impact of $0.8 million (2014 — $0.4 million) of accretion charges associated with redeemable Class C shares of IMAX China.

Non-Controlling Interests

The Company's consolidated financial statements include the non-controlling interest in the net income of IMAX China resulting from the IMAX China Investment and the IMAX China IPO as well as the impact of a non-controlling interest in its subsidiary created for the Film Fund activity. For the year ended December 31, 2015, the net income attributable to non-controlling interests of the Company's subsidiaries was $8.8 million (2014 — $2.4 million).

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As at December 31, 2016, the Company's principal sources of liquidity included cash and cash equivalents of $204.8 million, the Credit Facility, anticipated collection from trade accounts receivable of $96.3 million including receivables from theaters under joint revenue sharing arrangements and DMR agreements with studios, anticipated collection from financing receivables due in the next 12 months of $23.3 million and payments expected in the next 12 months on existing backlog deals. As at December 31, 2016, the Company did not have any amount drawn on the Credit Facility (remaining availability of $200.0 million). As at December 31, 2016, the Company had $27.7 million drawn on the Playa Vista Loan. There were $nil letters of credit and advance payment guarantees outstanding under the Credit Facility and $0.1 million under the Bank of Montreal Facility. Cash held outside of Canada as at December 31, 2016 was $148.0 million (December 31, 2015 — $122.2 million), of which $31.5 million was held in the People's Republic of China ("**PRC**") (December 31, 2015 — $24.4 million). The Company's intent is to permanently reinvest these amounts outside of Canada and the Company does not currently anticipate that it will need funds generated from foreign operations to fund North American operations. In the event funds from foreign operations are needed to fund operations in North America and if withholding taxes have not already been previously provided, the Company would be required to accrue and pay these additional withholding tax amounts on repatriation of funds from China to Canada. The Company currently estimates this amount to be $4.9 million.

Prior Year Cash Flow Activities

Net cash provided by financing activities in 2015 amounted to $204.7 million as compared to cash used in financing activities of $52.0 million in 2014. In 2015, the Company received cash proceeds for the issuance of common shares net of related issuance costs of $38.0 million related to the IMAX China Investment by CMC and Fountain Vest, which represented a non-controlling interest in the Company's subsidiary. The Company also received $35.6 million from the issuance of common shares resulting from stock option exercises offset by $34.3 million paid for the repurchase of common shares under the Company's share repurchase program. The Company spent $10.0 million to purchase treasury stock for the settlement of restricted share units and stock options and paid $9.5 million in dividends to the non-controlling interest shareholders of IMAX China as a result of the IMAX China IPO. The Company also borrowed $25.3 million under the Playa Vista Loan.

ITEM 7A. QUANTITATIVE AND QUALITATIVE FACTORS ABOUT MARKET RISK

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

Foreign Exchange Rate Risk

A majority of the Company's revenue is denominated in U.S. dollars while a significant portion of its costs and expenses is denominated in Canadian dollars. A portion of the Company's net U.S. dollar cash flows is converted to Canadian dollars to fund Canadian dollar expenses through the spot market. The Company has incoming cash flows from its revenue generating theaters and ongoing operating expenses in China through its majority-owned subsidiary IMAX Shanghai Multimedia Technology Co., Ltd. In Japan, the Company has ongoing Yen-denominated operating expenses related to its Japanese operations. Net Renminbi and Japanese Yen cash flows are converted to U.S. dollars through the spot market. The Company also has cash receipts under leases denominated in Renminbi, Japanese Yen, Euros and Canadian dollars. In addition, because IMAX films generate box-office in 74 different countries, unfavourable exchange rates between applicable local currencies, and the U.S. dollar could affect the Company's reported gross box-office and revenues, further impacting the Company's results of operations.

The Company's subsidiaries, IMAX (Shanghai) Multimedia Technology Co., Ltd. and IMAX (Shanghai) Theatre Technology Services Co. Ltd., held approximately 218.2 million Renminbi ($31.5 million U.S dollars) in cash and cash equivalents in the PRC as at December 31, 2016 (December 31, 2015 — 158.0 million Renminbi or $24.4 million U.S. dollars) and are required to transact locally in Renminbi. Foreign currency exchange transactions, including the remittance of any funds into and out of the PRC, are subject to controls and require the approval of the China State Administrative of Foreign Exchange to complete. Any developments relating to the Chinese economy and any actions taken by the China government are beyond the control of the Company, however, the Company monitors and manages its capital and liquidity requirements to ensure compliance with local regulatory and policy requirements.

IMAX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars)

	As at December 31, 2016	2015
Assets		
Cash and cash equivalents	**$ 204,759**	$ 317,449
Accounts receivable, net of allowance for doubtful accounts of $1,250 (December 31, 2015 — $1,146)	**96,349**	97,981
Financing receivables (notes 4 and 19(c))	**122,125**	117,231
Inventories (note 5)	**42,121**	38,753
Prepaid expenses	**6,626**	6,498
Film assets (note 6)	**16,522**	14,571
Property, plant and equipment (note 7)	**245,415**	218,267
Other assets (notes 8 and 19(e))	**33,195**	26,136
Deferred income taxes (note 9)	**20,779**	25,766
Other intangible assets (note 10)	**30,416**	28,950
Goodwill	**39,027**	39,027
Total assets	**$ 857,334**	$ 930,629
Liabilities		
Bank indebtedness (note 11)	**$ 27,316**	$ 29,276
Accounts payable	**19,990**	23,455
Accrued and other liabilities (notes 6, 12, 13, 14(c), 19(b), 19(d), 20 and 22)	**93,208**	95,748
Deferred revenue	**90,266**	104,993
Total liabilities	**230,780**	253,472
Commitments and contingencies (notes 12 and 13)		
Non-controlling interests (note 21)	**4,980**	3,307
Shareholders' equity		
Capital stock (note 14) common shares — no par value. Authorized — unlimited number. 66,224,467 — issued and 66,159,902 — outstanding (December 31, 2015 — 69,673,244 — issued and outstanding)	**439,213**	448,310
Less: Treasury stock, 64,565 shares at cost (December 31, 2015 — nil)	**(1,939)**	—
Other equity	**177,304**	163,094
Accumulated (deficit) earnings	**(47,366)**	19,930
Accumulated other comprehensive loss	**(5,200)**	(7,443)
Total shareholders' equity attributable to common shareholders	**562,012**	623,891
Non-controlling interests (note 21)	**59,562**	49,959
Total shareholders' equity	**621,574**	673,850
Total liabilities and shareholders' equity	**$ 857,334**	$ 930,629

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

IMAX CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except per share amounts)

	Years Ended December 31, 2016	2015	2014
Revenues			
Equipment and product sales (note 15(c))	**$ 122,382**	$ 118,937	$ 78,705
Services (note 15(c))	**166,862**	161,964	142,607
Rentals (note 15(c))	**77,315**	83,651	60,705
Finance income	**9,500**	9,112	8,524
Other (note 15(a))	**1,275**	141	—
	377,334	373,805	290,541
Costs and expenses applicable to revenues (note 2(m))			
Equipment and product sales	**69,680**	63,635	36,997
Services (note 15(c))	**83,780**	70,855	62,228
Rentals	**21,086**	20,027	17,928
Other	**110**	—	—
	174,656	154,517	117,153
Gross margin	**202,678**	219,288	173,388
Selling, general and administrative expenses (note 15(b)) (including share-based compensation expense of $30.5 million, $21.9 million and $15.1 million for 2016, 2015 and 2014, respectively)	**124,745**	115,345	93,260
Research and development	**16,315**	12,730	16,096
Amortization of intangibles	**2,079**	1,860	1,724
Receivable provisions, net of recoveries (note 16)	**954**	752	918
Asset impairments (notes 7 and 19(e))	**417**	830	3,520
Income from operations	**58,168**	87,771	57,870
Interest income	**1,490**	968	405
Interest expense (note 9(g))	**(1,805)**	(1,661)	(924)
Income from operations before income taxes	**57,853**	87,078	57,351
Provision for income taxes	**(16,212)**	(20,052)	(14,466)
Loss from equity-accounted investments, net of tax	**(2,321)**	(2,402)	(1,071)
Income from continuing operations	**39,320**	64,624	41,814
Income from discontinued operations, net of tax	**—**	—	355
Net income	**39,320**	64,624	42,169
Less: net income attributable to non-controlling interests (note 21)	**(10,532)**	(8,780)	(2,433)
Net income attributable to common shareholders	**$ 28,788**	$ 55,844	$ 39,736
Net income per share attributable to common shareholders — basic and diluted: (note 14(d))			
Net income per share — basic:			
Net income per share from continuing operations	**$ 0.43**	$ 0.79	$ 0.57
Net income per share from discontinued operations	**—**	—	0.01
	$ 0.43	$ 0.79	$ 0.58
Net income per share — diluted:			
Net income per share from continuing operations	**$ 0.42**	$ 0.78	$ 0.56
Net income per share from discontinued operations	**—**	—	—
	$ 0.42	$ 0.78	$ 0.56

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

IMAX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of U.S. dollars)

	Years Ended December 31,		
	2016	2015	2014
Net income	**$ 39,320**	$ 64,624	$ 42,169
Unrealized defined benefit plan actuarial gain (loss) (note 20(a))	**159**	180	(857)
Unrealized postretirement benefit plans actuarial gain (loss) (notes 20(c) and 20(d))	**184**	79	(574)
Amortization of postretirement benefit plan actuarial loss (gain) (note 20(c))	**69**	135	(32)
Unrealized net gain (loss) from cash flow hedging instruments (note 19(d))	**1,049**	(5,881)	(2,524)
Realization of cash flow hedging net loss upon settlement (note 19(d))	**3,078**	3,217	1,186
Foreign currency translation adjustments (note 2)	**(2,851)**	(2,121)	(259)
Other-than-temporary impairment of available-for-sale investment	**—**	—	350
Other comprehensive income (loss), before tax	**1,688**	(4,391)	(2,710)
Income tax (expense) benefit related to other comprehensive (loss) income (note 9(h))	**(1,180)**	511	750
Other comprehensive income (loss), net of tax	**508**	(3,880)	(1,960)
Comprehensive income	**39,828**	60,744	40,209
Less: Comprehensive income attributable to non-controlling interests	**(8,797)**	(9,196)	(2,491)
Comprehensive income attributable to common shareholders	**$ 31,031**	$ 51,548	$ 37,718

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

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

	Years Ended December 31,		
	2016	2015	2014
Cash provided by (used in):			
Operating Activities			
Net income	**$ 39,320**	$ 64,624	$ 42,169
Income from discontinued operations, net of tax	**—**	—	(355)
Adjustments to reconcile net income to cash from operations:			
Depreciation and amortization (notes 17(c) and 18(a))	**46,485**	42,803	33,756
Write-downs, net of recoveries (notes 17(d) and 18(a))	**5,940**	3,725	5,294
Change in deferred income taxes	**4,940**	(1,336)	627
Stock and other non-cash compensation	**31,586**	22,379	15,467
Unrealized foreign currency exchange loss	**462**	785	1,180
Loss from equity-accounted investments	**2,685**	3,838	1,774
Gain on non-cash contribution to equity-accounted investees	**(364)**	(1,436)	(703)
Investment in film assets	**(22,308)**	(15,119)	(19,233)
Changes in other non-cash operating assets and liabilities (note 17(a))	**(30,874)**	(36,058)	6,357
Net cash provided by operating activities from discontinued operations	**—**	—	572
Net cash provided by operating activities	**77,872**	84,205	86,905
Investing Activities			
Purchase of property, plant and equipment	**(15,278)**	(43,257)	(40,104)
Investment in joint revenue sharing equipment	**(42,910)**	(28,474)	(16,838)
Investment in new business ventures	**(1,911)**	(2,000)	(2,500)
Proceeds from sale of business venture	**—**	—	507
Acquisition of other intangible assets	**(4,787)**	(5,065)	(2,918)
Net cash used in investing activities	**(64,886)**	(78,796)	(61,853)
Financing Activities			
Increase in bank indebtedness (note 11)	**—**	25,290	4,710
Repayment of bank indebtedness (note 11)	**(2,000)**	(333)	—
Repurchase of common shares	**(116,518)**	(34,276)	(3,063)
Settlement of restricted share units and options	**(17,889)**	(10,000)	(790)
Exercise of stock options (note 14(b))	**13,113**	35,609	10,834
Taxes paid on secondary sales and repatriation dividend	**(2,443)**	—	—
Treasury stock repurchased for future settlement of restricted share units	**(1,996)**	—	—
Taxes withheld and paid on employee stock awards vested	**(528)**	(520)	(300)
Issuance of subsidiary shares to non-controlling interests — private offering	**2,479**	40,000	44,551
Share issuance costs from the issuance of subsidiary shares to non-controlling interests — private offering	**—**	(2,000)	(3,556)
Issuance of subsidiary shares to non-controlling interests — public offering	**—**	178,226	—
Share issuance expenses — public offering	**—**	(16,257)	—
Dividends paid to non-controlling interests	**—**	(9,511)	—
Credit facility amendment fees paid	**—**	(1,533)	(427)
Net cash (used in) provided by financing activities	**(125,782)**	204,695	51,959
Effects of exchange rate changes on cash	**106**	842	(54)
(Decrease) increase in cash and cash equivalents during year	**(112,690)**	210,946	76,957
Cash and cash equivalents, beginning of year	**317,449**	106,503	29,546
Cash and cash equivalents, end of year	**$ 204,759**	$ 317,449	$ 106,503

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

IMAX CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars)

	Common Shares Issued and Outstanding	Capital Stock	Other Equity	Accumulated (Deficit) Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Shareholders' Equity
Balance as at December 31, 2013	**67,841,233**	**$ 327,313**	**$ 36,452**	**$ (43,051)**	**$ (1,129)**	**$ —**	**$ 319,585**
Net income	—	—	—	42,169	—	—	42,169
Other comprehensive loss, net of tax	—	—	—	—	(1,960)	—	(1,960)
Other comprehensive loss attributable to a non-controlling interest (note 21(a))	—	—	—	—	(58)	—	(58)
Net income attributable to non-controlling interests	—	—	—	(2,433)	—	—	(2,433)
Paid-in capital for non-employee stock options granted (note 14(c))	—	—	149	—	—	—	149
Employee stock options exercised (note 14(b))	1,116,586	14,810	(4,260)	—	—	—	10,550
Non-employee stock options exercised	33,001	448	(165)	—	—	—	283
Paid-in capital for employee stock options granted (note 14(c))	—	—	9,275	—	—	—	9,275
Paid-in capital for restricted share units granted (note 14(c))	—	—	5,780	—	—	—	5,780
Restricted share units vested (net of shares withheld for tax) (note 14(c))	109,264	2,836	(3,148)	—	—	—	(312)
Restricted share units vested and issued to employees purchased on open market	—	—	(790)	—	—	—	(790)
Repurchase of common shares	(112,034)	(545)	—	(2,518)	—	—	(3,063)
Accretion charges associated with redeemable common stock	—	—	—	(426)	—	—	(426)
Utilization of windfall tax benefits from vested restricted share units and expensed stock options (note 9(f))	—	—	4,026	—	—	—	4,026
Balance as at December 31, 2014	**68,988,050**	**$ 344,862**	**$ 47,319**	**$ (6,259)**	**$ (3,147)**	**$ —**	**$ 382,775**
Net income	—	—	—	64,624	—	—	64,624
Other comprehensive loss, net of tax	—	—	—	—	(4,296)	416	(3,880)
Net income attributable to non-controlling interests	—	—	—	(8,780)	—	9,113	333
Paid-in capital for non-employee stock options granted (note 14(c))	—	—	81	—	—	—	81
Employee stock options exercised (note 14(b))	1,650,643	49,756	(14,278)	—	—	—	35,478
Non-employee stock options exercised	9,000	206	(75)	—	—	—	131
Paid-in capital for employee stock options granted (note 14(c))	—	—	12,225	—	—	—	12,225
Paid-in capital for restricted share units granted (note 14(c))	—	—	8,075	—	—	—	8,075
Restricted share units vested (net of shares withheld for tax) (note 14(c))	25,551	626	(1,151)	—	—	—	(525)
Restricted share units vested and issued to employees purchased on open market	—	—	(6,203)	—	—	—	(6,203)
Stock options exercises settled from treasury shares purchased on open market	—	—	(3,797)	—	—	—	(3,797)
Repurchase of common shares	(1,000,000)	(5,390)	—	(28,886)	—	—	(34,276)
Accretion charges associated with redeemable common stock	—	—	—	(769)	—	—	(769)
Utilization of windfall tax benefits from vested restricted share units and expensed stock options (note 9(f))	—	—	529	—	—	—	529
Issuance of subsidiary shares, initial public offering	—	71,291	106,935	—	—	—	178,226
Share issuance expenses, initial public offering	—	(13,041)	(3,216)	—	—	—	(16,257)
Dividends paid (note 21)	—	—	—	—	—	(9,511)	(9,511)
Tax impact of sale of subsidiary shares in initial public offering	—	—	(12,450)	—	—	—	(12,450)
Reduction in non-controlling interest value upon qualified initial public offering	—	—	29,100	—	—	(29,100)	—
Conversion of Class C Shares upon initial public offering	—	—	—	—	—	79,041	79,041
Balance as at December 31, 2015	**69,673,244**	**$ 448,310**	**$ 163,094**	**$ 19,930**	**$ (7,443)**	**$ 49,959**	**$ 673,850**
Retrospective adjustment related to forfeiture rates (note 3)	—	—	5,331	(4,431)	—	—	900
Net income	—	—	—	39,320	—	—	39,320
Other comprehensive income, net of tax	—	—	—	—	2,243	(1,735)	508
Net income attributable to non-controlling interests	—	—	—	(10,532)	—	11,338	806
Paid-in capital for non-employee stock options granted (note 14(c))	—	—	30	—	—	—	30
Employee stock options exercised (note 14(b))	347,814	11,431	(3,139)	—	—	—	8,292
Fair value of stock options exercised at the grant date	—	3,139	—	—	—	—	3,139
Paid-in capital for employee stock options granted (note 14(c))	—	—	13,766	—	—	—	13,766
Paid-in capital for restricted share units granted (note 14(c))	—	—	16,493	—	—	—	16,493
Restricted share units vested (net of shares withheld for tax) (note 14(c))	52,631	1,198	(14,731)	—	—	—	(13,533)
Stock options exercises settled from treasury shares purchased on open market	—	—	(5,224)	—	—	—	(5,224)
Cash received from the issuance of common shares in excess of par value	—	—	1,684	1,684			
Repurchase of common shares	(3,849,222)	(24,865)	—	(91,653)	—	—	(116,518)
Shares held in treasury	(64,565)	(1,939)					(1,939)
Balance as at December 31, 2016	**66,159,902**	**$ 437,274**	**$ 177,304**	**$ (47,366)**	**$ (5,200)**	**$ 59,562**	**$ 621,574**

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

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

9. Income Taxes

(a) Income (loss) from continuing operations before income taxes by tax jurisdiction are comprised of the following:

	Years Ended December 31, **2016**	2015	2014
Canada	**$ 21,002**	$ 41,099	$ 15,453
United States	**505**	4,504	10,350
China	**41,224**	45,818	26,327
Ireland	**(9,768)**	(10,581)	—
Other	**4,890**	6,238	5,221
	$ 57,853	$ 87,078	$ 57,351

(b) The provision for income taxes related to income from continuing operations is comprised of the following:

	Years Ended December 31, **2016**	2015	2014
Current:			
Canada	**$ (1,396)**	$ (10,862)	$ (3,495)
United States	**1,756**	985	(4,072)
China	**(10,131)**	(10,591)	(6,023)
Ireland	**(405)**	—	—
Other	**(1,093)**	(920)	(249)
	(11,269)	(21,388)	(13,839)
Deferred:[(1)]			
Canada	**(3,583)**	(518)	433
United States	**(4,359)**	147	(791)
China	**776**	(83)	(216)
Ireland	**2,352**	1,840	—
Other	**(129)**	(50)	(53)
	(4,943)	1,336	(627)
	$ (16,212)	$ (20,052)	$ (14,466)

(1) For the year ended December 31, 2016, the Company has decreased the valuation allowance by $0.1 million (2015 — less than $0.1 million increase) relating to the future utilization of deductible temporary differences, tax credits, and certain net operating loss carryforwards. Also included in the provision for income taxes is the deferred tax related to amounts recorded in and reclassified from other comprehensive income in the year of $1.2 million.

13. Contingencies and Guarantees

(a) In March 2013, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai**"), the Company's majority-owned subsidiary in China, received notice from the Shanghai office of the General Administration of Customs ("**Customs Authority**") that it had been selected for a customs audit (the "**Audit**"). A key issue raised by the Audit is the transfer pricing policy basis for the importation of IMAX theater systems by IMAX Shanghai into the People's Republic of China and the applicability of customs duties and taxes to the trademark and technology license fees paid by IMAX Shanghai to the Company. In December 2016, the Customs Authority conclusively determined that any trademark, technology and warranty fees paid by IMAX Shanghai on systems revenue directly related to imported theatre systems should be included as part of the tax cost base of these systems and subject to applicable duties and taxes. In connection with the conclusion, for the period beginning January 1, 2012 through October 31, 2016, IMAX Shanghai recorded $2.95 million in duties and taxes on the trademark, technology and warranty fees applicable to theater systems imported during that period and settled the payment in January 2017. In the course of the Audit, the Customs Authority discovered the underpayment by IMAX Shanghai of the freight and insurance portion of the customs duties and taxes applicable to the importation of certain IMAX theatre systems during the period from October 2011 through March 2013 of approximately $0.1 million. Though IMAX Shanghai's importation agent accepted responsibility for the error giving rise to the underpayment, the matter has been transferred to the Anti-Smuggling Bureau of the Customs Authority for further review. IMAX Shanghai is unable to assess the potential impact, if any, of this outstanding matter at this time.

14(c). Stock-Based Compensation

On June 11, 2013, the Company's shareholders approved the IMAX 2013 Long-Term Incentive Plan (the "**2013 IMAX LTIP**"). On June 6, 2016, the Company's shareholders approved the amendment and restatement of the 2013 IMAX LTIP at the Company's Annual and Special Meeting, such that the IMAX Corporation Amended and Restated Long-Term Incentive Plan (the "**IMAX LTIP**") is now the governing document, Awards to employees, directors and consultants under the IMAX LTIP may consist of stock options, RSUs and other awards.

The Company's Stock Option Plan ("**SOP**"), which shareholders approved in June 2008, permitted the grant of stock options to employees, directors and consultants. Following the implementation of the 2013 IMAX LTIP on June 11, 2013, stock options are no longer granted under the SOP.

A separate stock option plan, the China Long-Term Incentive Plan (the "**China LTIP**") was adopted by a subsidiary of the Company in October 2012.

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

The China LTIP was adopted by IMAX China Holding, Inc. ("**IMAX China**"), a subsidiary of the Company, in October 2012. Each stock option ("**China Option**"), RSU or cash settled share-based payment ("**CSSBP**") issued under the China LTIP represents an opportunity to participate economically in the future growth and value creation of IMAX China. Prior to the initial public offering of IMAX China on October 8, 2015 (the "**IMAX China IPO**"), the China Options and CSSBPs issued by IMAX China operated in tandem with options granted to certain employees of IMAX China under the Company's SOP and the IMAX LTIP ("**Tandem Options**").

During 2015, no Tandem Options were granted in conjunction with China Options or CSSBPs. Immediately prior to the IMAX China IPO, there were 186,446 outstanding and unvested Tandem Options issued under the Company's SOP and IMAX LTIP with a weighted average exercise price of $23.70 per share. The Tandem Options had a maximum contractual life of 7 years. The total fair value of the Tandem Options granted with respect to the China LTIP was $1.9 million. The Company was recognizing this expense over a 5-year period.

Pursuant to their terms, upon the occurrence of a qualified initial public offering, the 186,446 Tandem Options issued would forfeit immediately and the related charge would be reversed. As a result of the IMAX China IPO on October 8, 2015, the 186,446 Tandem Options with an average price of $23.70 per share were forfeited immediately. The Company recorded a recovery of $0.6 million in 2015 (2014 — $0.3 million expense) related to the forfeiture of Tandem Options issued under the Company's SOP and IMAX LTIP.

The Company subsequently recognized an immediate charge related to the vesting of China Options and certain CSSBPs for China employees. The total fair value of the China Options and CSSBP awards granted with respect to the China LTIP was $3.9 million and $2.1 million, respectively. During the fourth quarter of 2015, a charge of $2.1 million and $1.4 million was recorded relating to the China Options and CSSBPs, respectively. The remaining charge will be recognized over the related requisite period. The CSSBPs represent the right to receive cash payments in an amount equal to a certain percentage of the excess of the total equity value of IMAX China based on the per share price in the IMAX China IPO over the strike price of the CSSBPs. The CSSBPs were issued in conjunction with the China LTIP, with similar terms and conditions as the China Options. The CSSBP awards are accounted as liability awards, however the fair value of the liability is fixed at the time of the initial public offering. During the fourth quarter of 2016, a portion of the CSSBPs vested and were settled in cash for $0.5 million (2015 — $1.0 million).

In connection with the IMAX China IPO and in accordance with the China LTIP, IMAX China adopted a post-IPO share option plan and a post-IPO restricted stock unit plan. Pursuant to these plans, IMAX China issued additional China Options and China LTIP Restricted Share Units ("**China RSUs**") during the year ended December 31, 2016.

In 2016, the Company recorded an expense related to the China Options, China RSUs and CSSBPs of $1.0 million, $0.5 million and $0.4 million, respectively. The liability recognized with respect to the CSSBPs as at December 31, 2016 was $0.3 million (December 31, 2015 — $0.4 million).

18. Segmented Information

(b) Geographic Information

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

	Years Ended December 31,		
	2016	2015	2014
Revenue			
United States	**$ 129,844**	$ 136,017	$ 107,830
Canada	**12,822**	11,665	10,309
Greater China	**118,532**	110,591	78,218
Western Europe	**36,286**	39,569	30,245
Asia (excluding Greater China)	**35,283**	38,143	26,276
Russia & the CIS	**14,908**	12,412	15,700
Latin America	**12,191**	10,179	12,672
Rest of the World	**17,468**	15,229	9,291
Total	**$ 377,334**	$ 373,805	$ 290,541

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

	As at December 31	
	2016	2015
Property, Plant and equipment		
United States	**$ 104,083**	$ 105,641
Canada	**39,467**	40,943
Greater China	**69,751**	51,990
Western Europe	**19,308**	8,359
Asia (excluding Greater China)	**8,460**	10,369
Rest of the World	**4,346**	965
Total	**$ 245,415**	$ 218,267

21. *Non-Controlling Interests*

(a) IMAX China Non-Controlling Interest

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

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

The following summarizes the movement of the non-controlling interest in temporary equity, in the Company's subsidiary for the year ended December 31, 2016:

Balance as at January 1, 2015	$	40,272
Issuance of subsidiary shares to a non-controlling interest		40,000
Share issuance costs from the issuance of subsidiary shares to a non-controlling interest		(2,000)
Net income prior to IMAX China IPO		5,401
Other comprehensive income prior to IMAX China IPO		164
Accretion charges associated with redeemable common stock		769
Redemption of redeemable common stock upon qualified IPO		(84,606)
Balance as at October 7, 2015	$	—

The following summarizes the movement of the non-controlling interest in shareholders' equity, in the Company's subsidiary for the year ended December 31, 2016:

Balance as at October 8, 2015	$	84,606
Net income after IMAX China IPO		3,712
Other comprehensive income after IMAX China IPO		252
Dividends paid to non-controlling shareholders		(9,511)
Reduction in value due to qualified initial public offering		(29,100)
Balance as at December 31, 2015	$	49,959
Net income		11,338
Other comprehensive loss, net of tax		(1,735)
Balance as at December 31, 2016	$	59,562"

(2) EARNINGS RELEASE EXTRACTS

"2016 was an impressive year for IMAX on several strategic fronts: our footprint grew 15%, we signed a record 319 new theatre agreements, and we further established IMAX as a leader in the entertainment industry through two key growth initiatives — original content and virtual reality," said IMAX CEO Richard L. Gelfond. "We're extremely optimistic on the theatrical side of the business, where demand for IMAX has hit record levels. With a global footprint of 1,215 theatres in 75 countries and a blockbuster-driven 2017 film slate that features more IMAX differentiation than any year in our history, we've never been better-positioned for future growth."

Full-Year 2016 Results

The full-year installations total grew to 182 theatre systems, of which 16 were upgrades, compared with 154 and 18, respectively, in the prior-year period. IMAX signed contracts for 319 theatres in 2016, across 28 countries, resulting in 498 theatre systems in backlog as of Dec. 31, 2016, compared to 372 theatre systems in backlog as of Dec. 31, 2015. The Company's top three markets for signings were China, the United States and France. For a breakdown of theatre system signings, installations, network and backlog by type, please see the end of this press release.

"In terms of new business opportunities, we formed a ground-breaking partnership with Marvel and ABC to exclusively launch the first two episodes of the television series Marvel's *The Inhumans* across the global IMAX network ahead of its premiere on ABC and in international markets later this year. This is an exciting new way to launch television content and we believe that doing so on a global scale should help facilitate quicker international syndication." Gelfond said.

"We've also taken a giant step forward in establishing location-based VR with the launch of our $50 million VR content fund and several new innovative technology and content partnerships," he continued. "Last month, we opened our flagship pilot IMAX VR Centre in Los Angeles, which has already had more than 7,000 unique, satisfied visitors. We also signed agreements to open five new VR pilot centres in China, the U.K. and the U.S. by year-end. While this venture is still in its pilot phase, we are extremely encouraged by the initial results and look forward to getting the additional locations up and running over the coming months."

OTHER INFORMATION

(in thousands of U.S. dollars)

Adjusted Net Income and Adjusted Diluted Per Share Calculations — Quarter Ended December 31, 2016 vs. 2015:

	Quarter Ended December 31, 2016 Net Income	2016 Diluted EPS	2015 Net Income	2015 Diluted EPS
Reported net income	**$ 12,076**	**$ 0.18**	$ 26,245	$ 0.37[1]
Adjustments:				
Stock-based compensation	**8,038**	**0.13**	6,949	0.10
Tax impact on items listed above	**(2,389)**	**(0.04)**	(1,453)	(0.02)
Adjusted net income	**17,725**	**0.27**	31,741	0.45(1)
Net income attributable to non-controlling interests	**(3,131)**	**(0.05)**	(3,752)	(0.05)
Stock-based compensation (net of tax of less than $0.1 million and $0.2 million, respectively) attributable to non-controlling interests	**(112)**	**—**	(703)	(0.01)
Adjusted net income attributable to common shareholders	**$ 14,482**	**$ 0.22**	$ 27,286	$ 0.39[1]
Weighted average diluted shares outstanding		**66,950**		70,764

(1) Includes impact of less than $0.1 million of accretion charges associated with redeemable Class C shares of IMAX China.

Non-GAAP Financial Measures:

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

DEFINITIONS USED IN THIS ANNOUNCEMENT

"Annual Report"	the annual report of IMAX Corporation dated 23 February 2017
"Board" or "Board of Directors"	the board of directors of the Company
"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
"connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder"	shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires
"CG Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
"Directors"	the directors of the Company and "**Director**" shall be construed accordingly as a director of the Company
"Earnings Call"	the earnings call by IMAX Corporation dated 23 February 2017
"Earnings Release"	the earnings release by IMAX Corporation dated 23 February 2017
"FY" or "financial year"	financial year ended or ending 31 December
"Global Offering"	the offering of the Shares on the Main Board of the Stock Exchange
"Greater China"	for the purposes of this document only, the PRC, Hong Kong, Macau and Taiwan
"Group", "we", "our" or "us"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	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
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"PRC" or "China"	the People's Republic of China, but for the purposes of this document only, except where the context requires, references in this announcement to PRC or China exclude Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated 24 September 2015
"Services Agreements"	the services agreements entered into by each of IMAX Shanghai Multimedia and IMAX Hong Kong with IMAX Corporation, details of which are set out in "Connected Transactions — Exempt Connected Transactions" in the Prospectus
"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

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TCL-IMAX Entertainment"	TCL-IMAX Entertainment Co., Limited, a company incorporated in Hong Kong with limited liability on 3 January 2014, being the joint venture company jointly owned by IMAX Hong Kong Holding and Sino Leader (Hong Kong) Limited, which is wholly owned by TCL Multimedia Technology Holdings Limited
"Tier 1 Cities"	Beijing, Shanghai, Guangzhou and Shenzhen
"Tier 2 Cities"	Tianjin, Hangzhou, Suzhou, Chengdu, Ningbo, Qingdao, Nanjing, Wuhan, Wuxi, Changsha, Chongqing, Zhengzhou, Shenyang, Xi'an, Jinan
"Tier 3 Cities"	Shijiazhuang, Kunming, Dalian, Changchun, Hohhot, Taiyuan, Hefei, Fuzhou, Xiamen, Ha'erbin, Nanchang, Shantou, Zhuhai, Haikou, Sanya, Nanning, Guiyang, Lasa, Lanzhou, Xining, Yinchuan, Urumchi, Baoding, Jinhua, Yantai, Taizhou, Changzhou, Nantong, Shaoxing, Jiaxing, Quanzhou, Cangzhou, Zibo, Handan, Jining, Xuzhou, Langfang, Ordos, Zhongshan, Dongying, Yulin, Dezhou, Binzhou, Huzhou, Luoyang, Weihai, Xingtai, Dongguan, Foshan, Wenzhou, Weifang, Linyi, Tangshan and Baotou
"Tier 4 Cities"	all cities in the PRC at or above the prefecture-level other than Tier 1, Tier 2 and Tier 3 Cities
"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" or "US$" or "$"	U.S. dollars, the lawful currency of the United States of America

GLOSSARY

This glossary contains explanations of certain terms used in this announcement in connection with the Group and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

"3D"	three-dimensional
"backlog"	our backlog comprises the aggregate number of commitments for IMAX theatre installations pursuant to contracts we have entered into with exhibitors
"box office"	the gross aggregate proceeds from ticket sales received by the relevant exhibitor(s) in the relevant market(s) for the relevant type(s) of film. For example, the Greater China box office is the aggregate proceeds from ticket sales received by all exhibitors in Greater China, and the Greater China IMAX box office is the aggregate proceeds from ticket sales received by all the exhibitors in Greater China in respect of IMAX films and IMAX Original Films. We also use the concept of box office in our revenue sharing arrangements, where it refers to the aggregate proceeds from ticket sales received by exhibitors in respect of IMAX films with which we have entered into a revenue sharing arrangement
"box office revenue"	the portion of box office that is due to be paid to the Group under revenue sharing arrangements in our theatre systems business and/or arrangements with IMAX Corporation and studios in our films business, as applicable
"Chinese language 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
"commercial theatre"	a theatre owned or operated by an exhibitor, excluding theatres associated with museums, zoos, aquaria and other destination entertainment sites which do not play commercial films
"distributor"	an organisation that distributes films to exhibitors or, in the PRC, theatre circuits for exhibition at theatres
"exhibitor"	exhibitors are theatre investment management companies which own and operate theatres; exhibitors receive copies of films from the theatre circuits but retain control over the screening schedules

"full revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement, and no, or a relatively small, upfront payment
"Hollywood 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
"Hollywood studio"	a studio producing Hollywood films
"hybrid revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for an upfront fee that is typically half of the payment under a sales arrangement and a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement, that is typically half of that under a full revenue sharing arrangement
"IMAX DMR"	the proprietary digital re-mastering process or any other post-production process and/or technology used by IMAX Corporation in connection with the conversion of a conventional film into an IMAX film
"IMAX film"	a film converted from a conventional film using IMAX DMR technology
"IMAX Original Film"	any IMAX film invested in, produced or co-produced by IMAX Corporation and released to IMAX theatres, and/or for which IMAX Corporation owns and/or controls its theatrical distribution rights
"IMAX theatre"	any movie theatre in which an IMAX screen is installed
"multiplex"	a movie theatre with more than one screen for the exhibition of films
"revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for, among other things, a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement; our revenue sharing arrangements are either full revenue sharing arrangements or hybrid revenue sharing arrangements (See the separate glossary explanations for these terms)

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

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

Hong Kong, 23 February 2017

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

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

Non-Executive Directors:
Richard Gelfond
RuiGang Li
Greg Foster

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

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