



Company Report: IMAX China Holdings (01970 HK)

公司报告: IMAX 中国 (01970 HK)

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High-End Cinema Equipment Leader in China, 'Accumulate'

中国高端电影院装备领导者, “收集”

- **IMAX China Holdings is the largest cinema equipment provider in the world.** In 2016, the IMAX network of cinemas in Greater China may reach 420, up 36.8% yoy. We expect IMAX China's revenue to reach USD145.5 mn in 2016, up 31.6% yoy, and net profit to reach USD53.4 mn.
- **Key points: 1) A pioneer in the cinema equipment market.** IMAX's newest generation of laser system is the most advanced piece of cinema equipment in the world. Compared to its competitors, IMAX China has a large competitive edge in technology. **2) High profit margin business model.** IMAX China's high profit margin business model is sustainable. IMAX China will receive a valuation premium due to this business model. **3) Wanda Cinema is the largest customer of IMAX China.** Wanda Cinema orders accounted for around 60% of IMAX China's order backlog, and it has placed 150 new orders in 7M16. Wanda Cinema expected to expand from their current 330 cinemas in 7M16 to 1,000 cinemas in 2020. **4) Hollywood's film pipeline will become more favorable in 2017.**
- **Target Price is set at HKD50.00 and investment rating is 'Accumulate'.** Our FY16-FY18 adjusted net profit estimates reach USD61.2 mn, USD91.0 mn, and USD116.5 mn, up 41.1%, 48.8%, and 28.0%, respectively. Our TP is set at HKD50.00, representing 28.4x 2017E PE and 1.0x FY15-FY18E Adjusted PEG.
- **IMAX 中国是全球顶尖的影院设备供应商。** 2016 年底在大中华地区, IMAX 中国的网络将拓展到 420 个, 同比增长 36.8%。我们预期 IMAX 中国在 2016 财年的收入将达到 145.5 百万美元, 同比增长 31.6%, 净利润将达到 53.4 百万美元。
- **要点: 1) 在高端电影院设备市场的开拓者。** IMAX 中国的新一代镭射放映系统是全球最顶尖的影院放映系统。相对于竞争对手, IMAX 中国在技术上拥有很大竞争优势。**2) 高利润率的商业模式。** 公司的影院业务和电影业务都拥有高利润率特征, 并且是可以持续的。该模式将给 IMAX 中国带来估值溢价。**3) 万达院线是 IMAX 中国的最大客户。** 万达影院的订单占到 IMAX 中国 60% 左右。在 2016 年 7 月, 万达院线宣布增加 150 个新 IMAX 订单。万达院线预期将从 2016 年 7 月的 330 个电影院增长到 2020 年 1,000 个电影院。**4) 好莱坞的电影排片将在 2017 年变得更加有利。**
- **目标价为 50.00 港元, 投资评级为“收集”。** 我们 2016-2018 年的调整后的盈利预测为 61.2 百万美元、91.0 百万美元和 116.5 百万美元, 同比增长 41.1%、48.8%、和 28.0%。目标价 50.0 港元, 相当于 28.4 倍的 2017 年预测市盈率 and 1.0 倍的 2015-2018 年调整后的 PEG。

Rating:

Accumulate

Initial

评级:

收集 (首次覆盖)

6-18m TP 目标价:

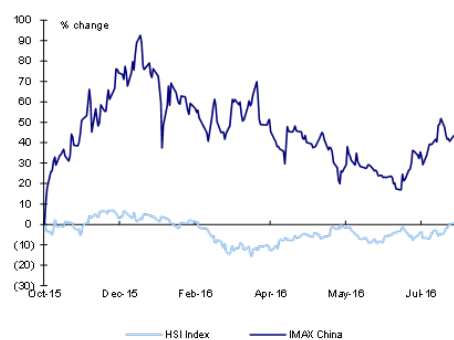
HK\$50.00

Share price 股价:

HK\$43.450

Stock performance

股价表现



Change in Stock Price 股价变动	1 M 1 个月	3 M 3 个月	1 Y 1 年
Abs. % 绝对变动 %	7.9	11.0	n.a.
Rel. % to HSI index 相对恒指变动 %	3.6	0.1	n.a.
Avg. Stock price(HKD) 平均股价 (港元)	44.2	41.0	45.3

Source: Bloomberg, Guotai Junan International.

Year End 年结 12/31	Turnover 收入 (USD m)	Net Profit 股东净利 (USD m)	EPS 每股净利 (USD)	EPS 每股净利变动 (Δ%)	PER 市盈率 (x)	BPS 每股净资产 (USD)	PBR 市净率 (x)	DPS 每股股息 (USD)	Yield 股息率 (%)	ROE 净资产收益率 (%)
2014A	78	23	0.090	n.a.	61.9	0.087	3,865.6	0.000	0.0	154.7
2015A	111	(182)	(0.620)	(788.9)	(9.0)	0.444	754.3	0.000	0.0	(197.7)
2016F	145	53	0.150	n.a.	37.3	0.588	569.1	0.000	0.0	29.0
2017F	197	82	0.227	51.7	24.6	0.808	414.1	0.000	0.0	32.5
2018F	244	106	0.291	28.3	19.2	1.090	307.0	0.000	0.0	30.6

Shares in issue (m) 总股数 (m)

355.3

Major shareholder 大股东

IMAX Corporation 68.5%

Market cap. (HK\$ m) 市值 (HK\$ m)

15,439.0

Free float (%) 自由流通比率 (%)

17.5

3 month average vol. 3 个月平均成交股数 ('000)

860.9

FY16 Net gearing FY16 净负债/股东资金 (%)

Net Cash

52 Weeks high/low (HK\$) 52 周高/低

60.000 / 32.300

FY15-18 PEG FY15-18 市盈率相对盈利增长比率

0.9

Source: the Company, Guotai Junan International.

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Company Profile

IMAX Corporation established IMAX China (the Company) with two strategic partners. In 2010, IMAX Corporation formed IMAX China to facilitate IMAX Corporation's expansion in China. In 2014, IMAX China had offices in Shanghai and Beijing and a total of 62 employees. On April 8, 2014, IMAX Corporation announced the investment in its Greater China business by CMC Capital Partners (CMC), an investment fund that focuses on media and entertainment, and Fountain Vest Partners. The IMAX China Investment provides for the sale and issuance of 20% of the shares of IMAX China to entities owned and controlled by CMC and Fountain Vest. In 2012, Wanda Group acquired AMC Entertainment Holdings (AMC). Prior to this transaction, AMC and Wanda were, respectively, IMAX Corporation's first and third largest customers. In 2015 in China, 31 films were converted through the IMAX DMR process and released to theatres in the IMAX network by film studios as compared to 31 films in 2015.

Table- 1: IMAX China's Milestones

Time	Event	Event details
1998	First IMAX business office	IMAX opened its first office in China.
2001	First IMAX screen in Shanghai	IMAX opened its first IMAX cinema in Shanghai Technology Museum. The first IMAX film in China was 'Back to the Cretaceous'.
2007	First deal with Wanda	Wanda gave a 10-IMAX cinema order to IMAX for the first time. By the end of 2014, Wanda had 104 IMAX screens.
2009	First sensational IMAX movie: 'Avatar'	IMAX film 'Avatar' created a sensational effect in China.
2010	IMAX established IMAX China	IMAX China Investment provides for the sale and issuance of 20% of the shares of IMAX China to entities owned and controlled by CMC and Fountain Vest.
2010	First domestic IMAX film with Huayi Brothers	IMAX cooperated with Huayi Brothers in 'Tangshan Earthquake', 'Tai Chi 1: from zero to start', 'Tai chi 2: the rise of Heroes', '1942', '12 Chinese Zodiac', 'Journey to the West: Conquering the Demons', 'Rise of the Sea Dragon', 'Dragon Blade', and so on.
2015	Listed in Hong Kong	IMAX China succeeded in listing in Hong Kong and financed USD71mn worth of investment.
2016	Established a film fund with CMC	IMAX China established a film fund with CMC to invest in 15 Chinese films.
2016	More orders from Wanda	Wanda placed 150 new orders to IMAX China.

Source: the Company, Guotai Junan International.

Business Model

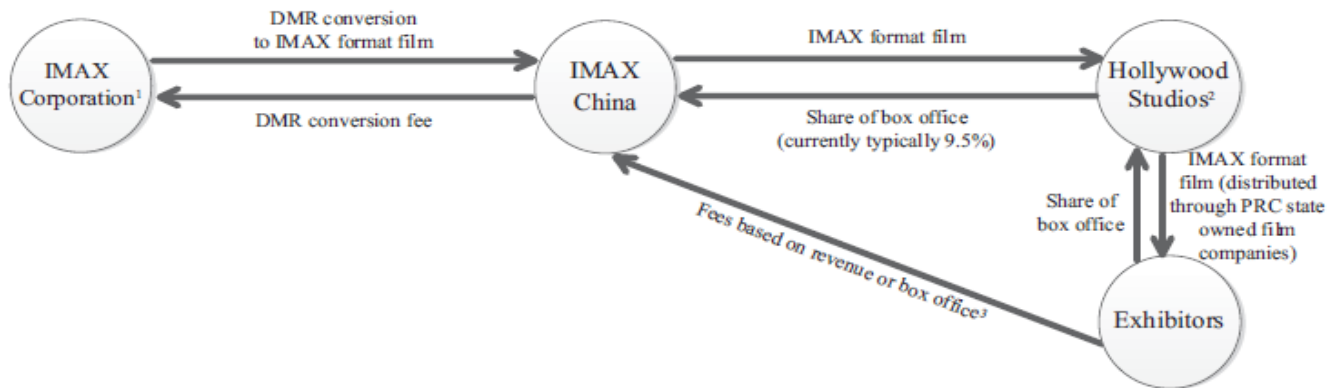
IMAX China has 2 kinds of business models: film business and theatre business. First, IMAX China benefits from turning Hollywood and domestic 35mm films into IMAX format. IMAX China's parent company- IMAX Corporation has close cooperation with Hollywood studios for decades. Secondly, IMAX China could build IMAX cinemas for Chinese customers, with large IMAX screen, specialized theatre design, and excellent digital audio systems. IMAX China has defined 1,000 target zones in China.

Film Business

IMAX Digital Media Remastering (DMR) technology has initiated a new era in cinema. IMAX's proprietary DMR technology digitally converts live-action digital films or 35mm to its large-format, while meeting the Company's high standards of image and sound quality. Before 2002, when the IMAX DMR technology came out, the film studios have to use IMAX cameras to shoot films. The number of films released on an annual basis that have been converted through the DMR process has increased significantly in recent years with the advent of digital technology that has reduced the DMR conversion time and with the strengthening of the Company's relationships with major Hollywood studios. Usually, it will take 16 weeks to turn a 35mm film (1K~2K definition) into IMAX format (4K~6K definition). Accordingly, 40 films converted through the IMAX DMR process were released in 2014, as compared to 6 in 2007. However, the maximum of IMAX DMR films in a year might reach around 40. In 2015, IMAX converted 31 films and in 2016 IMAX expected to convert around 35~40 films.

Stable revenue from IMAX shared box office films. IMAX China could get revenue from film makers in converting their films into IMAX format, by using IMAX DMR technology. Usually, IMAX China could get around 9.5% of China Box Office (BO) from Hollywood films and 12.5% of China BO from Chinese films. Moreover, the maximum number of IMAX films was up to around 40, as there are only 52 weeks a year. IMAX China has to reduce clash of time between two IMAX film schedules. Furthermore, IMAX China has to pay technology fees to IMAX Corporation in this business. For Hollywood films, IMAX China has to pay around USD0.15mn-0.20mn technology fees to IMAX Corporation. For domestic films, IMAX China has to pay around USD0.20mn-0.30mn technology fees to IMAX Corporation.

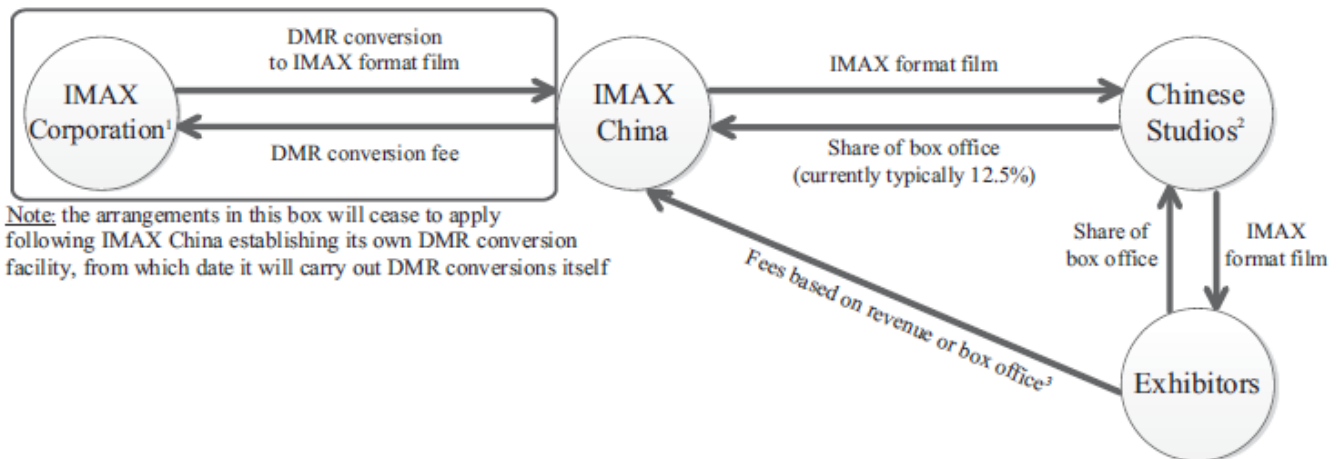
Figure - 1 : IMAX Corporation's share of box office with Hollywood Studios



Source: the Company, Guotai Junan International.

- Notes:
- 1) For existing studio contracts, which are only between IMAX Corporation and the studios, IMAX Corporation pays all amounts received from studios in respect of films exhibited in Greater China directly to IMAX China. This will also be the case from any future contracts that the Company is not able to join as a party.
 - 2) The studio will retain a portion of the box office for itself and remit part of the box office to other parties involved in the film production.
 - 3) Fees under revenue sharing arrangements or ongoing royalties under sales arrangements.

Figure - 2: IMAX Corporation's share of Box Office with Chinese Studios



Note: the arrangements in this box will cease to apply following IMAX China establishing its own DMR conversion facility, from which date it will carry out DMR conversions itself

Source: the Company, Guotai Junan International.

- Notes:
- 1) For existing studio contracts, which are only between IMAX Corporation and the studios, IMAX Corporation pays all amounts received from studios in respect of films exhibited in Greater China directly to IMAX China. This will also be the case for any future contracts that the Company is not able to join as a party.
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Theatre Business

IMAX Analog Projection System. Before 2008, IMAX has different type of IMAX systems by screen sizes: 1) IMAX GT system (25M X18.5M), 2) IMAX SR system (21.2M X15.8M), 3) IMAX MPX system (20M X11.6M). Usually, IMAX cinema has 400~1,000 seats, far more than conventional cinemas (200~300 seats). Prior to 2008, all of IMAX's large format projectors were film-based and required analog film prints. IMAX cinema usually has very special design. First, IMAX screen is much larger than usual 35mm film cinema (8M X4.5M). IMAX screen has larger radian and downtilt angle, along with high definition pictures and surround sound effects, which could make audience more immersed in the film, so called the IMAX experiences.

IMAX Digital Projection System. The Company has introduced its digital xenon projection system in 2008. At the beginning, the IMAX digital system was equipped with 2x 6kw xenon projections and a 17.5M²X10M² screen, which could project 4K definition motion pictures in the screen. The IMAX digital projection system was designed specifically for use by commercial multiplex operators and allows operators to reduce the capital and operating costs required to run an IMAX theatre without sacrificing the image and sound quality of the IMAX experience. By making the IMAX experience more accessible for commercial multiplex operators, the introduction of the IMAX digital projection system paved the way for a number of

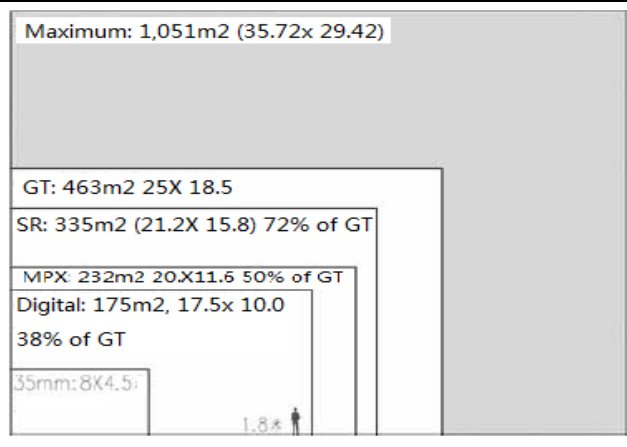
important joint revenue sharing arrangements, which has allowed the Company to rapidly expand its theatre network. Since announcing that the Company was developing digital projection technology, the vast majority of the Company's theatre system signings have been for digital systems. By 6M16, more than 900 IMAX digital xenon projection systems were in operation.

Figure- 3: IMAX Film Size



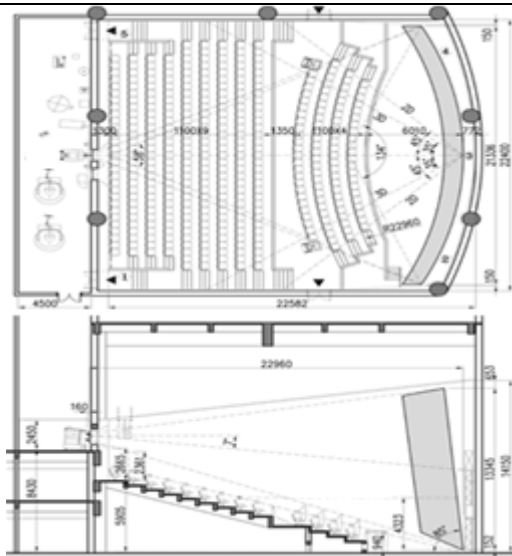
Source: the Company, Guotai Junan International.

Figure- 4: IMAX Screen Size



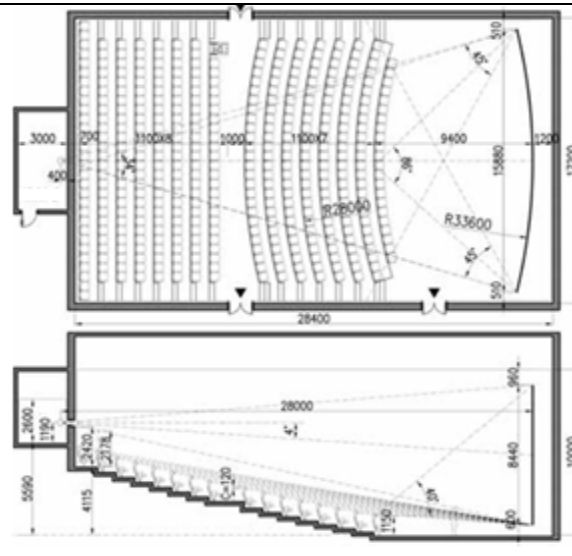
Source: the Company, Guotai Junan International.

Figure- 5: IMAX Cinema Design



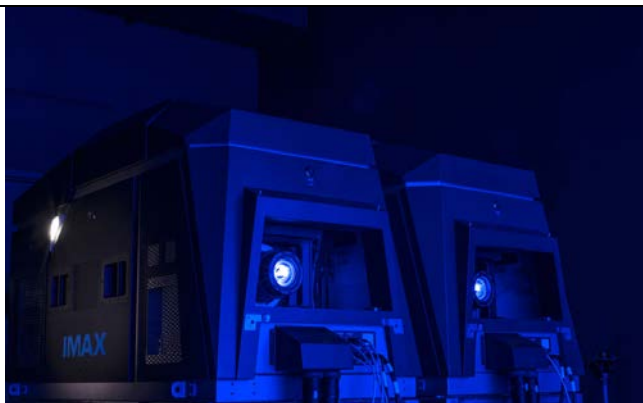
Source: the Company, Guotai Junan International.

Figure- 6: Conventional Cinema Design



Source: the Company, Guotai Junan International.

Figure- 7: IMAX Launched New Laser System



Source: the Company, Guotai Junan International.

Figure- 8: IMAX Launched New Laser System



Source: the Company, Guotai Junan International.

IMAX Digital: Laser Theatre Systems. One of the Company's key initiatives has been the development of a next-generation laser-based digital projection system, which it began rolling out at the end of 2014. The Company believes the IMAX laser projectors present greater brightness and clarity, higher contrast, a wider color gamut and deeper blacks, and consume less power and last longer than existing digital technology, capable of illuminating the largest screen in the IMAX theatre network.

IMAX officially launched a new IMAX Laser System in London in 10M15. At the Empire cinema in Leicester Square in London, IMAX unveiled Europe's first "IMAX with laser" digital projection system. As the name implies, the main difference is that laser-based IMAX uses a laser light source rather than a stupendously powerful (15kW) xenon arc lamp. This results in a brighter, sharper picture, along with a wider colour gamut and blacker blacks. The first films projected via lasers were James Bond film *Spectre* and *Star Wars: The Force Awakens*.

IMAX Laser Theatre System Comparative Advantages:

- **Much brighter screen.** IMAX with laser has "50 percent greater" brightness than the DCI spec (the main standard/ spec. that digital cinemas adhere to). Because the new system uses two 4K projectors side-by-side, to create 8K motion pictures. IMAX laser 3D film also looks very good and has "unparalleled" brightness, with the additional brightness overcoming some of the dimming caused by the 3D glasses.
- **Excellent contrast ratio.** The contrast ratio is "double" that of IMAX 15/70mm film projection and "higher" than the 2500:1 contrast ratio of IMAX's xenon lamp-based projection systems.
- **Larger colour space.** Colour-wise, the full 2020gamut/space is available.
- **New 12 channel surround sound system.** Usually, IMAX xenon projection system only have 6-channel surround sound. In addition to the new projection system, IMAX with laser theatres will also feature a new surround 12-channel sound system, adding two additional side speakers and four ceiling speakers into the mix. At the Empire cinema in Leicester Square, the new system sounded very good—treated to an incredibly visceral launch of the Space Shuttle *Discovery* in remixed 12-channel surround sound.

Revenue Type of Theatre Business

Arrangement of sales relationship and maintenance fees. The Company could provide IMAX China theatre systems to customers on sales basis. The ASP of each IMAX system reached USD1.3mn, with cost of goods sold (COGS) of USD0.45 mn. And the cinema has to pay annual maintenance fees of USD40,000. IMAX China will ensure that each cinema was operated at its standards. IMAX's group team could complete the installment in a month.

Revenue sharing arrangements have fuelled the company's growth. The introduction of joint revenue sharing arrangements has been an important factor in the expansion of the Company's commercial theatre network, which has grown by approximately 363% since the beginning of 2008. Joint revenue sharing arrangements allow commercial theatre exhibitors to install IMAX theatre systems without the significant initial capital investment required in a sale or sales-type lease arrangement. In China, customers under revenue sharing arrangements should share 15%~18% of their Box Office (BO) to IMAX China in next 12 years. And IMAX China has to recognize USD37,500 as COGS for each customer annually. IMAX BO per screen per year usually reaches USD1.2 mn to USD1.3 mn. If we use the revenue sharing ratio of 16%, IMAX could get revenue of USD2.3mn per IMAX screen in next 12 years in total, or a present value of USD1.63 mn with a discount rate of 7%. Obviously, the revenue sharing arrangements have delayed IMAX China's current revenue to next 12 years.

Hybrid revenue sharing arrangement is a combined arrangement of sales type and revenue sharing arrangements. In China, customers have to pay USD0.55 mn as initial payment and have to share 10%-12% of their BO to IMAX China in next 12 years. Moreover, under this arrangement, IMAX China has to recognize the COGS of USD0.45 mn for each customer immediately, which might lead to a low gross margin in the current year but almost 100% gross margin in the next 12 years.

Laser IMAX upgrades. Currently, IMAX has offered very favorable price in selling Laser IMAX system to existing customers with ASP of USD1.5mn for each set of system, with COGS of around USD1.2mn, leading to very low gross margin. Moreover, IMAX China has announced to develop cheaper laser system to customers in 2018.

Table- 2: IMAX China's Network Estimates

Network breakdown by revenue type	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E
Total network	128	173	234	307	420	523	621	720	818
Sales contract	74	88	107	130	160	187	213	240	266
Revenue sharing contract	51	75	102	131	196	255	312	368	425
Combined contract	3	10	25	46	64	80	96	112	127

Source: the Company, Guotai Junan International.

China Cinema Industry

China Box Office

China Box Office (BO) growth may slow down. 1) Cinema infrastructure grew fast. We think that China BO growth heavily relies on attendance growth, screen growth, and BO per screen growth. Attendance, or cinema traffic, would be the first and foremost driver behind BO growth. In 2015, cinema attendance reached 1,256 mn times, up 51.3% yoy, or almost 1 time per capita per year, lower than 3.7 times in US. In 2015, BO per screen reached RMB1.60mn, up 12.7% yoy, returning to the peak level of RMB1.69mn in 2011. Total screens reached 31,627 units, up 34.0% yoy, as more new 3D and IMAX screens were installed. **2) Seasonality impact.** China BO in 2Q16 might slow down significantly, as there were 3 amazingly high quality domestic films, *The Mermaid (美人鱼)*, *Mr. Six (老炮儿)*, and *The Ghoul (寻龙诀)* were released in 1Q16. As a result, it's very difficult for BO in 2Q16 and 3Q16 to surpass the level of BO in 1Q16. In 2016, we expect China BO might reach RMB56.0bn, up only 27.0% yoy, due to a high base in 2015.

Table- 3: China Box Office Glance

		2010	2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E
Total box office	bn RMB	10.2	13.2	17.1	21.8	29.6	44.1	56.0	70.0	84.0	99.1	113.9
	%	64.3%	28.9%	29.8%	27.5%	36.0%	48.9%	27.0%	25.0%	20.0%	18.0%	15.0%
Domestic film BO	bn RMB	5.7	7.0	8.3	12.8	16.2	27.4	30.8	38.5	46.2	54.5	62.7
growth yoy	%		22.7%	17.7%	54.3%	26.5%	69.6%	12.3%	25.0%	20.0%	18.0%	15.0%
as % of total BO	%	56.2%	53.5%	48.5%	58.6%	54.6%	62.2%	55.0%	55.0%	55.0%	55.0%	55.0%
Imported foreign film BO	bn RMB	4.5	6.1	8.8	9.0	13.4	16.7	25.2	31.5	37.8	44.6	51.3
growth yoy	%		36.9%	43.7%	2.3%	49.4%	24.0%	51.1%	25.0%	20.0%	18.0%	15.0%
Cinema	Unit	1,993	2,796	3,442	4,583	5,158	6,358	6,932	8,570	8,815	10,327	10,244
growth yoy	%		40.3%	23.1%	33.1%	12.5%	23.3%	9.0%	23.6%	2.9%	17.2%	-0.8%
Screen	Unit	6,256	9,286	13,118	18,195	23,600	31,627	35,171	44,350	46,532	55,603	56,259
growth yoy	%		48.4%	41.3%	38.7%	29.7%	34.0%	11.2%	26.1%	4.9%	19.5%	1.2%
BO per Screen	mn RMB	1.63	1.69	1.52	1.39	1.42	1.60	1.68	1.76	1.85	1.94	2.04
growth yoy	%		3.8%	-9.9%	-8.8%	1.9%	12.7%	5.0%	5.0%	5.0%	5.0%	5.0%
Attendance	mn Times	286	370	470	600	830	1,256	1,579	1,955	2,322	2,713	3,089
growth yoy	%		29.4%	27.0%	27.7%	38.3%	51.3%	25.7%	23.8%	18.8%	16.8%	13.9%
Screen per cinema	Unit	3.1	3.3	3.8	4.0	4.6	5.0	5.1	5.2	5.3	5.4	5.5
growth yoy	%		5.8%	14.8%	4.2%	15.2%	8.7%	5.0%	5.0%	5.0%	5.0%	5.0%
Attendance per screen	Times	45,716	47,613	41,957	38,323	39,718	45,485	47,286	49,159	51,106	53,130	55,234
growth yoy	%		4.1%	-11.9%	-8.7%	3.6%	14.5%	4.0%	4.0%	4.0%	4.0%	4.0%
Avg. film ticket price	RMB	35.7	35.5	36.3	36.3	35.7	35.1	35.4	35.8	36.1	36.5	36.9
growth yoy	%		-0.3%	2.2%	-0.1%	-1.7%	-1.6%	1.0%	1.0%	1.0%	1.0%	1.0%

Source: Research Report on Chinese Film Industry (中国电影产业研究报告), SARFT, Guotai Junan International.

Note: BO per Screen is calculated by the average number of screens in the respective year, and the previous year.

Geographic expansion is a key driver. China moviegoers' habits and cinema infrastructure differentiated very much in different provinces. **1) Cinemas expand fast in tier-3 and tier-5 cities.** Screen per million capita in Beijing and Shanghai reached 46 and 42, almost twice the level of national average of 23. In other words, there are lots of potential cinema demand in Central China and Western China. However, screen per million urban people in Beijing and Shanghai reached 53 and 47, slightly higher than the national average of 41. This indicator in Zhejiang and Fujian reached 67 and 65, respectively, showing a slight oversupply risk, but is still lower than 136 in US. **2) Screen utilization rate is expected to improve.** Attendance per screen in Beijing and Shanghai reached 73,705 times and 66,947 times, almost twice the level of national average of 41,563. It might take a longer time for people in lower tier cities to form a habit to watch movies. Attendance per urban residents in Beijing and Shanghai reached 3.9 times and 3.2 times, very close to the level of 3.7 times in US, more than twice the level of national average of 1.7 times. **3) Great potential hidden in China's rural population.** In China, BO statistics only include BO data from 50 city circuits, excluding any BO from rural areas as there's no cinema in rural areas. Moreover, the cinema attendance data only include the attendance of urban population. More and more people in rural areas are moving to cities, where they might just begin to watch more movies in cinemas.

Table- 4: China Box Office Breakdown by Province in 2015

Rank	Province	Box Office	Attendance	Cinema	Screen	Attendance per screen	BO per screen	Population	2015 Urbanization rate	BO per Capita	BO per urban citizen	Screen per mn capita	Screen per mn urban citizen	Attendance per urban citizen
		mn RMB	mn times	Unit	Unit	Times	mn RMB	mn	%	RMB	RMB	Unit	Unit	Times
1	Guangdong	6,241	166	676	3,490	47,678	1.79	106	69%	59	85	33	48	2.3
2	Jiangsu	4,171	128	455	2,588	49,315	1.61	79	64%	53	82	33	51	2.5

3	Zhejiang	3,490	97	387	2,361	41,054	1.48	55	64%	63	99	43	67	2.7
4	Beijing	3,151	72	158	972	73,705	3.24	21	88%	149	170	46	53	3.9
5	Shanghai	2,939	68	192	1,017	66,947	2.89	24	89%	122	136	42	47	3.2
6	Sichuan	2,334	69	289	1,557	44,456	1.50	81	46%	29	62	19	42	1.9
7	Hubei	2,099	66	243	1,289	51,457	1.63	58	56%	36	65	22	40	2.1
8	Shandong	1,709	55	347	1,807	30,379	0.95	97	52%	18	34	19	35	1.1
9	Liaoning	1,672	54	197	1,175	46,142	1.42	44	68%	38	56	27	40	1.8
10	Henan	1,508	49	266	1,234	39,583	1.22	94	44%	16	37	13	30	1.2
11	Fujian	1,488	40	192	917	44,029	1.62	23	62%	65	105	40	65	2.8
12	Anhui	1,268	42	240	1,226	34,482	1.03	38	62%	34	54	32	52	1.8
13	Chongqing	1,250	38	147	950	39,654	1.32	30	60%	42	71	32	54	2.1
14	Hunan	1,127	34	277	1,297	26,398	0.87	67	49%	17	34	19	39	1.0
15	Shaanxi	1,039	32	168	805	39,974	1.29	38	53%	28	53	21	41	1.6
16	Hebei	1,032	32	245	898	35,157	1.15	73	48%	14	29	12	26	0.9
17	Jiangxi	845	27	233	963	27,573	0.88	45	50%	19	37	21	43	1.2
18	Guangxi	775	23	137	631	36,755	1.23	47	46%	16	36	13	29	1.1
19	Heilongjiang	754	22	128	547	39,787	1.38	38	58%	20	34	14	25	1.0
20	Jilin	704	21	114	525	40,017	1.34	28	55%	26	46	19	34	1.4
21	Tianjing	680	19	63	408	46,185	1.67	15	79%	46	58	28	35	1.6
22	Yunnan	665	18	157	604	28,991	1.10	47	41%	14	35	13	32	0.9
23	Shanxi	591	15	138	579	26,028	1.02	36	54%	16	30	16	30	0.8
24	Inner Mongolia	505	12	122	493	24,827	1.02	25	60%	20	34	20	33	0.8
25	Guizhou	438	12	111	436	27,550	1.00	35	39%	12	32	12	32	0.9
26	Gansu	386	9	88	347	27,012	1.11	26	41%	15	36	13	33	0.9
27	Hainan	351	9	36	130	67,344	2.70	9	52%	39	75	15	28	1.9
28	Xinjiang	273	9	119	449	19,498	0.61	23	46%	12	26	20	43	0.8
29	Ningxia	172	5	40	164	29,480	1.05	7	52%	26	50	25	48	1.4
30	Qinghai	105	2	18	85	24,459	1.23	6	50%	18	36	15	30	0.7
31	Xizang	49	1	3	24	44,683	2.04	3	24%	16	67	8	33	1.5
	Average					41,563	1.46		55%	33	60	23	41	1.7

Source: Research Report on Chinese Film Industry (中国电影产业研究报告), SARFT, Guotai Junan International.

3D and IMAX BO will be a moderate driver. 1) 3D BO has been a key driver for China BO. As the new screens in China were almost 3D screens, more 3D BO might come from China consumption upgrade and blockbuster movies. In 2015, China 3D BO reached RMB25.6bn, up 67.1% yoy, 58.0% of total BO. The average movie ticket price of 3D BO was around RMB50~80 in China, higher than the average ticket price of RMB35. Obviously, 3D BO was a key driver to average ticket price. **2) IMAX China BO grew fast due to fast growing IMAX network.** Hollywood movies with sensational visual effects are a strong driver in IMAX BO in China. In 2015, IMAX BO in China has reached USD312mn, or RMB2.0bn, 4.5% of total China BO. We think the proportional of IMAX BO would increase due to fast growing IMAX network in China. **3) New 4D cinemas were built in China.** 4D film is a marketing term for an entertainment presentation system combining a 3D film with physical effects that occur in the theatre in synchronization with the film. Effects simulated in a 4D film may include rain, wind, strobe lights, and vibration.

Table- 5: China 3D Box Office and IMAX Box Office

		2010	2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E
3D BO	bn RMB	2.4	4.8	7.3	9.7	15.3	25.6	34.9	45.1	55.8	68.0	80.5
	growth yoy	%	100.0%	52.1%	32.9%	57.7%	67.1%	36.6%	29.2%	23.9%	21.7%	18.5%
	as % of total BO	%	36.5%	42.8%	44.6%	51.7%	58.0%	60.0%	62.0%	64.0%	66.0%	68.0%
IMAX BO	bn RMB			0.5	0.8	1.1	2.0	2.4	3.5	4.6	5.8	6.9
	growth yoy	%			60.4%	41.7%	76.1%	68.3%	42.6%	36.2%	32.6%	27.2%
	as % of total BO	%		2.9%	3.7%	3.8%	4.5%	4.3%	4.9%	5.5%	5.8%	6.1%

Source: Research Report on Chinese Film Industry (中国电影产业研究报告), SARFT, Guotai Junan International.

China Cinema Circuit

Market concentration is expected to increase. Usually, China circuits gave the rights to the cinemas to release films. China circuits have rights to determine what kinds of movies the cinemas should release in certain period, but they don't directly own the cinemas. **1) Top 5 circuits had 43.4% of total BO market in China in 2015.** In past 5 years, the top 5 circuits' market share was actually declining from the peak level of 46.9% to the current 43.4%, as too many small cinemas in medium regional circuits grew fast. However, we think this situation might change as the listed Wanda Circuits, Dadi Circuits and China Film Stellar Circuits could finance from financial markets and grew much faster than 2015 through acquisitions. **2) Most cinemas of the top 5 circuits are located in the tier-1 and tier-2 cities.** However, the top 5 cinema circuits only account for 30.7% of total attendance, 26.1% of cinemas and 26.6% of screens, respectively. In 2015, BO per screen of Wanda Circuit, China Film Stellar Circuit, Shanghai United Circuit, and Guangzhou Jinyi Zhujiang Circuit reached RMB2.8mn, RMB1.7mn,

RMB1.9mn, and RMB1.8mn, respectively, higher than national average of RMB1.4mn. However, as Dadi circuits expanded in 3rd-5th tier cities, its BO per screen only reached RMB1.2mn, up 20% yoy, lower than national average of RMB1.4mn.

Table- 6: China Cinema Circuits

China Cinema Circuit		2009	2010	2011	2012	2013	2014	2015	5Y CAGR Growth	3Y CAGR Growth
Wanda China Cinema Circuit										
Box office	mn RMB	835	1,403	1,785	2,456	3,161	4,212	6,012	33.8%	34.8%
Film played	mn	0.6	0.8	1.2	1.7	2.1	2.8	4.2	41.0%	35.8%
Attendance	mn times	27.9	36.3	40.9	58.4	77.8	102.0	146.5	32.2%	35.9%
Cinema	Unit	44	71	83	113	142	182	240	27.6%	28.5%
Screen	Unit	374	604	703	980	1,247	1,616	2,133	28.7%	29.6%
Seat	Unit					213,507	251,000	319,950		
BO per screen	mn RMB	2.2	2.3	2.5	2.5	2.5	2.6	2.8		
China Film Stellar Circuit										
Box office	mn RMB	794	1,213	1,377	1,620	1,838	2,447	3,760	25.4%	32.4%
Film played	mn	0.8	1.0	1.3	1.6	1.8	2.7	3.7	30.3%	34.0%
Attendance	mn times	24.2	33.4	38.4	43.9	52.2	67.6	106.5	26.1%	34.4%
Cinema	Unit	127	136	165	188	229	279	462	27.7%	34.9%
Screen	Unit	537	684	887	1,059	1,333	1,642	2,189	26.2%	27.4%
Seat	Unit					213,507	244,000	309,000		
BO per screen	mn RMB	1.5	1.8	1.6	1.5	1.4	1.5	1.7		
Dadi Cinema Circuit										
Box office	mn RMB	130	376	677	1,105	1,590	2,350	3,472	56.0%	46.5%
Film played	mn	0.2	0.4	0.9	1.9	2.8	3.5	5.2	67.7%	40.3%
Attendance	mn times	0.5	13.5	23.5	38.5	52.4	76.2	112.9	52.9%	43.1%
Cinema	Unit	51	108	214	289	381	479	596	40.7%	27.3%
Screen	Unit	181	399	888	1,319	1,796	2,323	3,003	49.7%	31.6%
Seat	Unit					250,180	313,000	394,000		
BO per screen	mn RMB	0.7	0.9	0.8	0.8	0.9	1.0	1.2		
Shanghai United Circuit										
Box office	mn RMB	650	1,070	1,303	1,650	1,840	2,221	3,031	23.1%	22.5%
Film played	mn			1.1	1.5	1.9	2.1	2.7		22.2%
Attendance	mn times			37.8	44.7	50.9	60.9	83.0		22.9%
Cinema	Unit			192	175	210	256	295		19.0%
Screen	Unit			934	849	1,006	1,246	1,622		24.1%
Seat	Unit					181,182	214,000	254,911		
BO per screen	mn RMB			1.4	1.9	1.8	1.8	1.9		
Guangzhou Jinyi Zhujiang Circuit										
Box office	mn RMB	440	691	850	1,180	1,541	2,088	2,849	32.8%	34.1%
Film played	mn	0.4	0.4	0.8	1.2	1.6	2.4	3.2	49.1%	37.4%
Attendance	mn times	13.5	17.8	23.4	30.9	41.2	54.8	82.8	36.1%	38.9%
Cinema	Unit	35	55	80	127	171	231	306	41.0%	34.1%
Screen	Unit	171	222	460	709	970	1,291	1,588	48.2%	30.8%
Seat	Unit	28,034	36,396	77,236	117,307	155,223	207,602	242,724	46.2%	27.4%
BO per screen	mn RMB	2.6	3.1	1.8	1.7	1.6	1.6	1.8		
Nationwide										
Box office	bn RMB	6.2	10.2	13.2	17.1	21.8	29.6	44.1	31.1%	37.2%
Attendance	mn	200	286	370	470	600	830	1,256	30.9%	38.8%
Cinema	Unit	1,687	1,993	2,796	3,442	4,583	5,158	6,358	22.6%	22.7%
Screen	Unit	4,723	6,256	9,286	13,118	18,195	23,600	31,627	36.5%	34.1%
BO per screen	mn RMB	1.3	1.6	1.4	1.3	1.2	1.3	1.4		
Top 5 Circuits Market Shares										
Box office	%	46.0%	46.6%	45.6%	46.9%	45.8%	45.0%	43.4%		
Attendance	%			33.3%	33.6%	32.8%	31.3%	30.7%		
Cinema	%			23.3%	22.6%	21.6%	24.1%	26.1%		
Screen	%			34.1%	30.0%	28.1%	27.5%	26.6%		
BO proportion										
Wanda China Cinema Circuit	%	13.5%	13.8%	13.6%	14.4%	14.5%	14.2%	13.6%		
China Film Stellar Theatres Circuit	%	12.8%	11.9%	10.5%	9.5%	8.4%	8.3%	8.5%		
Dadi Cinema Circuit	%	2.1%	3.7%	5.1%	6.5%	7.3%	7.9%	7.9%		
Shanghai United Circuit	%	10.5%	10.5%	9.9%	9.7%	8.5%	7.5%	6.9%		
Guangzhou Jinyi Zhujiang Circuit	%	7.1%	6.8%	6.5%	6.9%	7.1%	7.1%	6.5%		

Source: Research Report on Chinese Film Industry (中国电影产业研究报告), SARFT, the Companies, Guotai Junan International.

Cinema Management Companies

The market concentration of cinema management companies is expected to increase. The cinema management companies are the owners of cinemas. Beside BO revenue, the cinema management companies also have to create non BO revenue, such as food & beverage revenue and ad revenue. There are several features of the cinema management companies: **1) Top 5 cinema management companies had a combined market share of 30.6% in 2015, down 1.1ppt yoy.** Only Dadi Cinema, Stellar Cinema (SMI), and China Film Cinema Investment grew faster than that of China BO office. **2) SMI grew the fastest in 2015.** SMI Cinema BO (including business tax and film funds) reached RMB1,723mn, up 106.7% yoy, the fastest growth in the Top 10 cinema management companies. **3) Convenient financing channel is crucial.** We think Wanda Cinema, Dadi Cinema, and SMI, which could finance from financial markets, could grow faster than the industry average.

Table- 7: Top 10 Cinema Management Companies in China, 2015

Rank	Cinema	Box Office mn RMB	Growth yoy %	Attendance mn times	Cinema Unit	Screen Unit	Seats Unit	Attendance rate %	BO per screen mn RMB	Attendance per screen mn Times
1	Wanda China Cinema	6,012	44.0%	146	240	2,133	319,950	24%	2.8	68,669
2	Dadi Cinema	2,210	56.9%	71	282	1,405	196,620	18%	1.6	50,869
3	Jinyi Cinema	1,927	18.2%	52	125	822	130,821	18%	2.3	62,997
4	China Film Cinema Investment	1,723	49.2%	51	90	632	101,904	26%	2.7	80,338
5	Stellar Cinema (SMI)	1,637	106.7%	47	177	1,099	157,630	17%	1.5	42,891
6	Hengdian Cinema	1,446	43.6%	44	115	757	102,058	21%	1.9	58,441
7	CGV Cinema Investment	1,032	100.1%	27	53	417	73,326	19%	2.5	65,546
8	UME Cinema Investment	811	14.1%	19	24	284	34,080	25%	2.9	66,261
9	China United Cinema	783	-0.9%	18	39	252	39,093	24%	3.1	71,323
10	Golden Harvest	778	29.9%	22	64	458	68,328	16%	1.7	47,817
	Top 10 market share	41.6%		39.6%	19.0%	26.1%				
	Top 5 market share	30.6%		29.3%	14.4%	19.3%				

Source: China Film Newspaper (中国电影报), Guotai Junan International.

Competition

DMAX is the main competitor of IMAX in China. DMAX was developed by China Film Group and could deliver good movie watching experiences at cheap price. Compared to IMAX, DMAX has several features:

1) Cheap equipment prices and ticket prices. A set of DMAX only reach around RMB1.0m~3.0m, only around 1/5 of IMAX, with no copyright fees, affordable by most cinemas in China. Filmmakers only pay less than RMB1.0mn for each film in DMAX form. The DMAX film ticket price is only RMB10 higher than normal 2D or 3D movie ticket price.

2) Lighter screen than IMAX xenon system but darker than IMAX laser system. DMAX is using the metal screen, with luminance of 36,000LM, 20% higher than the IMAX xenon system. But IMAX laser system can create far more luminance than DMAX.

3) Better sound effects than IMAX xenon system but similar to IMAX laser system. DMAX is usually cooperating with Dolby Lab in sound effects. IMAX xenon system usually provides 6.1 sound tracks (6 main sound tracks and 1 bass sound track). DMAX is using the latest Dolby Lab system with 11.1 sound tracks (11 main sound tracks and 1 bass sound track). However, the new IMAX laser system also uses the 11.1 sound tracks.

4) Inferior definition to IMAX system. DMAX is using the original 35mn film while IMAX turns the 35mn film into 70mn film. Usually, the definition of DMAX film only reaches 2K, while the definition of IMAX film could reach 4K~6K. The new IMAX laser system could deliver 8K definition film. Moreover, the moviegoers will see less 3D effects in watching DMAX film, compared to IMAX film.

IMAX China leaves plenty of room for other competitors. IMAX China has defined 1,000 zones for customers in China. If one customer has installed IMAX equipment in the zone, other cinema customers could not buy any IMAX system. As a result, other customers in the zone have to buy other systems, such as DMAX and 4DX. 4DX is a new type of cinema system with movable chair, wind, water and other special effects. The customers who have already bought IMAX could other install DMAX and 4DX in the cinemas, excluding Dolby Vision. Dolby Vision is a new type of high-end cinema systems, a direct competitor to IMAX China. IMAX China has signed exclusive contacts with customers forbidding them to cooperate with Dobby Vision. Currently, Dolby Vision has only several screens in China.

Financial Analysis

Revenue

3 Year CAGR of IMAX China revenue growth expected to reach 30.2% in 2015-2018. We think IMAX China's revenue growth depends IMAX network expansion and IMAX movies BO. IMAX revenue consists of theatre revenue and film revenue. We think the proportion of Chinese IMAX screens to total screens might stay at around 1.0% level, which means IMAX's network expansion speed should match with the total screen growth. We expect IMAX network in China in 2016 to 2018 to reach 420, 523, and 621, up 36.8%, 24.6%, and 18.8%, respectively. We expect its total revenue in 2016-2018 to reach USD145.5mn, USD196.6mn, and USD244.2mn, up 31.6%, 35.1%, and 24.2%, respectively.

Revenue sharing contracts and combined contracts might account for a higher percentage of its theatre revenue in the future. More and more cinema customers have chosen revenue sharing arrangement as they don't have to pay initial payments. In 2016, sales contract, revenue sharing contract, and combined contract are expected to reach 32 (2 IMAX laser upgrades), 65, 18, respectively accounting for 26.1%, 56.5%, and 15.7% of total completed contracts. Higher revenue sharing and combined arrangement might shift IMAX China's revenue from current fiscal year to next 12 fiscal years. By the end of 2016, sales contract, revenue sharing contract, and combined contract will account for 38.1%, 46.7%, and 15.4% of total IMAX China's network by revenue types. As a result, more and more revenue will be postponed to the future. According to our estimates, its theatre revenue in 2016-2018 was expected to reach USD108.6mn, USD144.9mn, and USD177.0mn, up 32.2%, 33.4%, and 22.2%, respectively.

Table 8: IMAX China's Network Breakdown by Revenue Type

Network breakdown by revenue type		2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E
Total	Unit	128	173	234	307	420	523	621	720	818
Sales contract	Unit	74	88	107	130	160	189	215	242	268
Revenue sharing contract	Unit	51	75	102	131	196	255	312	368	425
Combined contract	Unit	3	10	25	46	64	80	96	112	127
Percentage										
Sales contract	%	57.8%	50.9%	45.7%	42.3%	38.1%	35.8%	34.4%	33.3%	32.5%
Revenue sharing contract	%	39.8%	43.4%	43.6%	42.7%	46.7%	48.8%	50.2%	51.2%	51.9%
Combined contract	%	2.3%	5.8%	10.7%	15.0%	15.2%	15.4%	15.5%	15.5%	15.6%

Source: the Company, Guotai Junan International.

Strong IMAX BO growth in 2017 is expected. In 2015, film business revenue only accounted for 25.8% of total revenue and we expect this ratio to increase to around 27.6% in 2018. Although Chinese BO growth might slow down to around 27%, we expect the market might recover in 2017 due to strong film pipeline in Hollywood. According to the Hollywood film pipeline, there are lots of big films in 2017: Kong: Skull Island, Fast and Furious 7, Transformers 5, Star Wars, Spiderman 4, Thor 3, Pirates of the Caribbean 5, and perhaps Avatar 2. We expect the Chinese film market might boom again in 2017 as it did in 2015. We expect its film revenue in 2016-2018 to reach USD36.9mn, USD51.7mn, and USD67.1mn, up 29.6%, 40.1%, and 29.9%, respectively.

Table- 9: IMAX China's Order Backlog

IMAX China		2012	2013	2014	2015	2016E	2017E	2018E
Network	Unit	128	173	234	307	420	523	621
growth yoy	%		35.2%	35.3%	31.2%	36.8%	24.6%	18.8%
Order backlog	Unit	122	237	219	215	400	396	407
growth yoy	%		94.3%	-7.6%	-1.8%	86.0%	-1.0%	2.8%
New order estimates	Unit	56	160	43	69	83	99	109
growth yoy	%		185.7%	-73.1%	60.5%	20.0%	20.0%	10.0%
IMAX BO	Mn USD	81	129	183	312	369	517	671
growth yoy	%		60.4%	41.7%	70.6%	18.3%	40.1%	29.9%
as % of total BO	%	2.9%	3.7%	3.9%	4.5%	3.9%	4.4%	4.8%

Source: the Company, Guotai Junan International.

Table- 10: IMAX China's Revenue Breakdown

IMAX China		2012	2013	2014	2015	2016E	2017E	2018E
Total revenue	mn USD	46.6	55.9	78.2	110.6	145.5	196.6	244.2
Theatre revenue	%	80.0%	75.9%	76.2%	74.2%	74.6%	73.7%	72.5%
Film business revenue	%	20.0%	24.1%	23.8%	25.8%	25.4%	26.3%	27.5%
Theatre revenue	mn USD	37.3	42.5	59.6	82.1	108.6	144.9	177.0

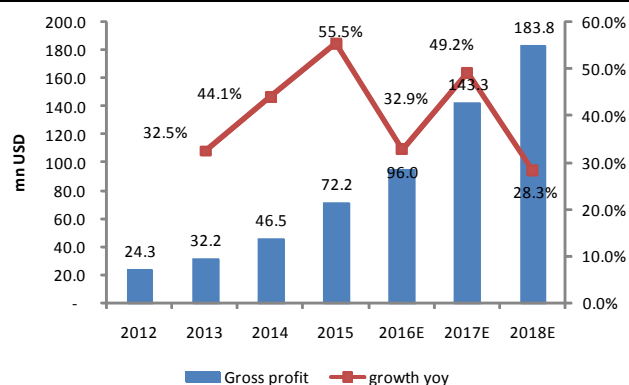
Sales arrangements	mn USD	25.3	21.4	28.7	37.0	42.0	35.6	33.9
Revenue sharing arrangements	mn USD	7.3	14.2	22.8	34.5	50.9	89.2	119.0
Maintenance	mn USD	4.3	6.0	7.2	9.3	14.5	18.9	22.9
Other	mn USD	0.4	0.9	1.0	1.2	1.2	1.2	1.2
growth%								
Theatre revenue	%		13.8%	40.4%	37.7%	32.3%	33.4%	22.2%
Sales arrangements	%		-15.6%	34.0%	29.2%	13.4%	-15.2%	-4.8%
Revenue sharing arrangements	%		94.1%	60.8%	51.6%	47.4%	75.5%	33.4%
Maintenance	%		39.1%	19.9%	29.6%	55.6%	29.7%	21.4%
Other	%		147.5%	10.5%	20.5%	0.0%	0.0%	0.0%
gross profit								
Sales arrangements	mn USD	16.3	14.1	19.5	25.6	26.1	23.3	22.2
Revenue sharing arrangements	mn USD	2.1	5.9	10.7	19.2	33.0	69.3	96.7
Maintenance	mn USD	2.1	3.5	4.0	5.4	8.3	10.9	13.2
Other	mn USD	0.1	0.5	0.4	0.4	0.4	0.4	0.4
gross margin								
Sales arrangements	%	55.2%	56.5%	58.0%	61.6%	62.5%	71.6%	74.8%
Revenue sharing arrangements	%	64.3%	65.8%	68.1%	69.0%	62.1%	65.4%	65.4%
Maintenance	%	28.1%	41.8%	46.8%	55.7%	64.9%	77.6%	81.2%
Other	%	48.5%	57.9%	55.0%	57.3%	57.4%	57.5%	57.6%
Other	%	40.4%	58.6%	41.2%	33.3%	33.4%	33.5%	33.6%
Film business revenue								
growth yoy	%	9.3	13.5	18.6	28.5	36.9	51.7	67.1
gross profit	mn USD	3.7	8.2	11.9	21.7	28.2	39.5	51.4
growth yoy	%		120.2%	44.3%	82.4%	29.8%	40.3%	30.0%
gross margin	%	40.2%	61.2%	63.9%	76.3%	76.4%	76.5%	76.6%

Source: the Company, Guotai Junan International.

Gross Profit

Gross profit expected to grow at a 3 Year CAGR of 36.5% in 2015-2018. We think IMAX China's gross margin can be maintained if IMAX maintains its current pricing policy. And gross margin might be improved due to larger economies of scale and revenue structure change. The sales business has the highest gross margin over 60% in its theatre segment, while the laser upgrade business has the lowest gross margin of around 13%, with ASP of around USD1.5mn and COGS of USD1.2mn. For combined contract, IMAX China has to recognize revenue of USD0.55mn and COGS of USD0.45mn at the first year, with gross margin of 18.2%. Moreover, apparently, the film business has higher gross margin than the theatre business. The total gross margin will be determined by its revenue structure. In 2015, the theatre business gross margin reached 61.6%, up 3.6 ppt yoy, while the film business growth margin reached 76.3%, up 13.6ppt yoy. In 2016-2018, our gross profit estimates reached USD96.0mn, USD143.3mn, and USD183.8mn, up 32.9%, 49.2%, and 28.3% yoy.

Figure- 9: IMAX China's Gross Profit Estimates



Source: the Company, Guotai Junan International.

Figure- 10: IMAX China's EBITDA Estimates

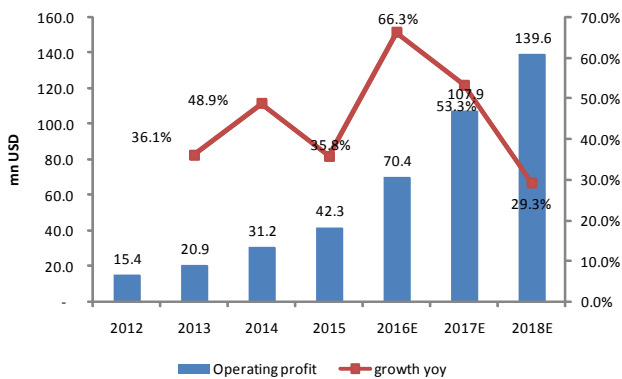


Source: the Company, Guotai Junan International.

Operating Profit

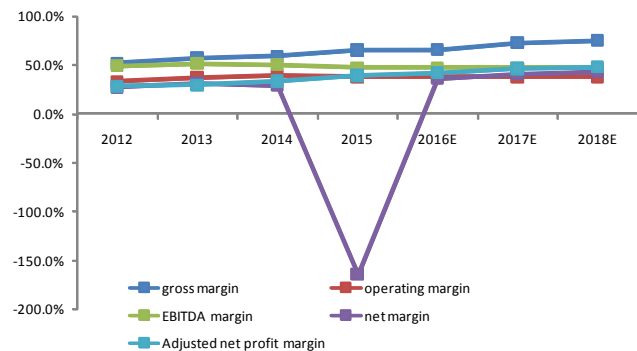
Operating profit expected to grow at a 3 Year CAGR of 48.8% in 2015-2018. In 2015, IMAX China's operating expenses reached USD23.9mn, 21.6% of total revenue, including IPO costs of USD9.2mn. If we exclude its IPO costs, its operating expense ratio only reached 13.3%, down 1.1ppt from 14.4% in 2014. We think IMAX China could improve its operating margin gradually due to economies of scale and gross margins in the future. As a result, we expect its operating expense ratio to maintain at around 14.0% in 2016-2018. It's possible that IMAX China might have a better cost control than we had expected. However, its operating margin was mainly determined by its gross margin due to the revenue structure. In 2016-2018, we expect its operating profit to reach USD70.4mn, USD107.9mn, and USD139.6mn, up 66.3%, 53.3%, and 29.3% yoy, respectively.

Figure- 11: IMAX China's Operating Profit Estimates



Source: the Company, Guotai Junan International.

Figure- 12: IMAX China's Margin Estimates

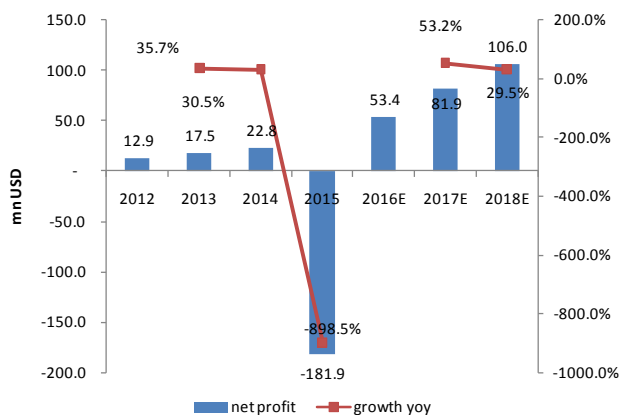


Source: the Company, Guotai Junan International.

Net Profit

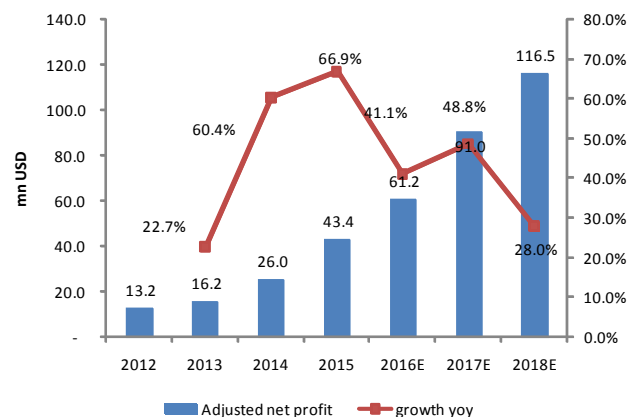
Adjusted net profit expected to grow at a 3 Year CAGR of 39.0% in 2015-2018. We think adjusted net profit would be a better measure than net profit. In 2015, IMAX China has recorded a non cash loss of fair value adjustment of conversion option of USD209.9mn. As a result, IMAX China has made a loss of USD181.9mn. In 2014-2015, IMAX China issued 0.675mn redeemable C shares to CMC and Fountain Vest with total consideration of USD80mn. In the IPO, IMAX China has turned these redeemable C shares into common shares, with a revaluation of net loss of USD210mn. This revaluation will not happen again in the future. If we exclude the non cash loss and expenses, its adjusted net profit reached USD43.4mn, up 39.2% yoy. We think net profit drivers will mainly come from increasing IMAX China networks and improving margins. In 2016-2018, we expect its adjusted net profit to reach USD61.2mn, USD91.0mn, and USD116.5mn, up 41.1%, 48.8%, and 28.0% yoy.

Figure- 13: IMAX China's Net Profit Estimates



Source: the Company, Guotai Junan International.

Figure- 14: IMAX China's Adjusted Net Profit Estimates



Source: the Company, Guotai Junan International.

Valuation

IMAX China has a strong connection with Wanda Cinema. 1) The Dolby Vision network was far smaller than the IMAX network. Dolby was a global audio system leader, with around 90% of its revenue from licensing. Its products include Dolby Digital, Dolby Atmos, and Dolby Vision. Dolby's valuation reached 19.0x FY17 PE and 9.4x FY17 EV/EBITDA. However, Dolby Vision has a very limited global network, far less than that of IMAX. As their revenue structure is totally different, we think that they are not comparable. **2) Peers with US cinemas.** However, large parts of IMAX China's revenue actually came from the BO, similar to its peers in the US and China. We think cinema peers might be a good valuation comparison. However, currently US cinema peers only trade at 7.8x FY17 EV/EBITDA and 6.5x FY18 EV/EBITDA, due to slow revenue growth. **3) Peers with cinemas in China.** From the valuation, we can tell that China cinemas listed as Shanghai A-share companies were trading at more than twice that of the valuation of China cinemas in Hong Kong. We estimate that around 60% of IMAX China's order backlog came from Wanda Cinema. Currently, Wanda Cinema (002739 CH) is trading at around 34.4x FY17E PE and 19.9x FY17 EV/EBITDA. Wanda Cinema is expected to extend its cinema network from 330 in 7M16 to 1,000 by 2020. A strong driver from Wanda Cinema could be a great catalyst for IMAX China. As a result, we think IMAX China should be trading at a premium to its peers due to strong new orders from Wanda Cinema in the future. According to our estimates, our TP at HKD50.00 represents 1.0x FY15-FY18E adjusted PEG, below the overall peers'weighted average PEG of 1.4x.

IMAX China has a much higher profit margin than its peers. In FY16, we expect IMAX's adjusted net margin to reach 46.4%, with ROE of 27.3%, much higher than its global peers. We think IMAX's technological competitive edge could help retain its high margin business model. Moreover, as IMAX Corporation has around 1,000 IMAX networks worldwide, IMAX Corporation has established a stable relation with Hollywood in transferring films into IMAX format. As a result, we think IMAX China should be trading at a premium to its peers.

Target Price is set at HKD50.00 and investment rating is 'Accumulate'. Although IMAX China is trading at a relatively expensive price, we think that its valuation premium from Wanda Cinema's new orders and high profit business margin business model can be sustained. Our FY16-FY18 adjusted net profit forecasts reach USD61.2mn, USD91.0mn, and USD116.5mn, up 41.1% yoy, 48.8% yoy, and 28.0% yoy, respectively. Our TP is set at HKD50.00, representing 28.4x 2017E PE, 25.7x 2017E adjusted PE, or 1.0x 2015-2018E PEG.

Table- 11: Peers Comparison

Company	Stock Code	Currency	Last price	Market Cap mn HKD	Adjusted PE			GAAP PE			EV/EBITDA			Adjusted PEG FY16-18	ROE FY16	Net margin FY16
					FY16F	FY17F	FY18F	FY16F	FY17F	FY18F	FY16F	FY17F	FY18F			
US Cinemas																
Amc Entertainment Hlds-CI A	AMC US	USD	30.99	23,419.4	31.2	22.5	18.6	189.3	141.1	110.7	9.0	7.7	6.8	0.8	6.9	7.6
Regal Entertainment Group-A	RGC US	USD	21.79	26,497.0	22.5	18.6	16.5	23.3	18.8	16.2	9.2	8.2	7.6	1.1	(17.4)	9.9
Cinemark Holdings Inc	CNK US	USD	38.90	35,062.7	19.8	17.1	15.4	19.7	17.2	15.5	8.5	7.8	6.9	1.3	19.5	15.2
Carmike Cinemas Inc	CKEC US	USD	32.32	6,113.3	81.2	43.8	25.3	167.7	47.5	25.0	9.0	7.7	6.4	0.6	3.1	7.7
National Cinemedia Inc	NCFI US	USD	15.18	7,343.8	38.1	32.0	26.8	41.2	32.8	27.3	9.3	8.3	n.a.	1.7	(5.8)	38.1
Simple Average					38.6	26.8	20.5	88.2	51.5	38.9	9.0	7.9	6.9	1.1	1.3	15.7
Weighted Average					28.4	21.6	17.9	71.8	50.2	39.8	8.9	7.9	6.5	1.1	3.7	13.2
US Cinema Equipment Provider																
Dolby Laboratories Inc-CI A	DLB US	USD	50.04	39,179.8	20.7	19.0	17.4	27.8	25.5	21.0	11.1	9.3	7.8	2.1	11.3	22.6
Imax Corp	IMAX US	USD	30.14	15,687.9	33.6	23.7	20.5	49.0	31.4	28.4	14.0	10.8	8.7	0.8	7.5	21.7
Simple Average					27.2	21.3	19.0	38.4	28.5	24.7	12.6	10.1	8.2	1.5	9.4	22.1
Weighted Average					24.4	20.3	18.3	33.9	27.2	23.1	11.9	9.8	8.0	1.7	10.2	22.3
China Cinemas in HK																
Smi Holdings Group Ltd	198 hk	HKD	0.69	9,355.4	15.7	11.0	6.8	93.2	61.0	45.6	8.6	6.6	5.3	n.a.	10.6	21.9
Nan Hai Corp Ltd	680 hk	HKD	0.21	14,278.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Poly Culture Group Corp-H	3636 hk	HKD	19.98	4,921.4	13.4	11.3	9.9	16.2	14.1	n.a.	5.0	3.7	2.9	0.7	7.8	18.5
Orange Sky Golden Harvest En	1132 hk	HKD	0.40	1,097.0	36.4	17.4	20.0	19.0	12.7	n.a.	12.4	9.0	13.5	0.5	2.0	(1.0)
Imax China Holding Inc	1970 HK	HKD	43.45	15,440.3	39.3	29.4	23.4	310.6	238.7	n.a.	24.7	18.3	14.2	1.0	27.3	46.7
Simple Average					26.2	17.3	15.0	109.8	81.6	45.6	12.7	9.4	9.0	0.7	11.9	21.5
Weighted Average					19.1	14.0	11.0	127.9	96.2	9.5	11.1	8.3	6.6	0.4	12.4	22.5
China Cinemas in Shanghai A share																
Wanda Cinema Line Co Ltd-A	002739 CH	CNY	71.69	97,988.4	46.8	34.6	26.1	47.0	34.1	26.0	27.3	20.0	15.2	1.0	17.4	19.5
Omnijoi Media Corp-A	300528 CH	CNY	45.91	16,592.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Simple Average					46.8	34.6	26.1	47.0	34.1	26.0	27.3	20.0	15.2	1.0	17.4	19.5
Weighted Average					46.8	34.6	26.1	47.0	34.1	26.0	27.3	20.0	15.2	1.0	17.4	19.5
Simple Average					33.2	23.4	18.9	83.7	56.3	35.1	12.3	9.8	8.7	1.0	7.5	19.0
Weighted Average					34.1	25.4	19.9	72.2	52.3	28.5	16.8	12.9	10.0	0.9	10.9	17.5

Source: Bloomberg (Sep 8 2016), Guotai Junan International.

Financial Statements

Income statement (Dec Year End mn USD)	2014	2015	2016E	2017E	2018E
Revenue	78.2	110.6	145.5	196.6	244.2
Cost of revenue	(31.8)	(38.3)	(49.5)	(53.3)	(60.3)
Gross profit	46.5	72.2	96.0	143.3	183.8
SG&A	(11.3)	(23.9)	(20.4)	(27.5)	(34.2)
Other expenses	(4.0)	(6.1)	(5.3)	(7.8)	(10.1)
Operating profit	31.2	42.3	70.4	107.9	139.6
Other loss	(2.3)	(213.7)	0.0	0.0	0.0
Interest income	0.2	0.4	0.8	1.2	1.8
Interest expenses	(0.0)	0.0	0.0	0.0	0.0
Profit before taxation	29.1	(170.9)	71.2	109.2	141.4
Income tax	(6.3)	(11.0)	(17.8)	(27.3)	(35.3)
Net profit	22.8	(181.9)	53.4	81.9	106.0
Adjusted net profit	26.0	43.4	61.2	91.0	116.5
Basic EPS	0.090	(0.620)	0.150	0.227	0.291
Diluted EPS	0.090	(0.620)	0.150	0.227	0.291
Share outstanding at year end	303.8	355.3	358.9	362.5	366.1
Adjusted EPS	0.086	0.122	0.171	0.251	0.318

Cash flow statements (Dec Year End mn USD)	2014	2015	2016E	2017E	2018E
Operating cash flow					
Net income	22.8	(181.9)	53.4	81.9	106.0
Amortization of film assets	4.7	5.5	6.6	7.9	9.5
Depreciation of PPE	3.9	4.8	5.8	6.7	7.5
Other non cash item	(12.0)	197.8	(21.9)	(29.6)	(35.4)
Working capital change	2.1	(13.9)	39.1	(36.1)	39.4
Tax paid	6.8	(12.3)	17.8	27.3	35.3
Operating cash flow	28.2	(0.2)	100.8	58.0	162.4
Investment cash flow					
PPE Capex	(0.2)	(0.6)	(0.7)	(0.8)	(0.9)
Investment in joint revenue sharing equipment	(10.6)	(13.5)	(16.2)	(19.4)	(23.3)
Payment for legally transferred contracts	(16.7)	0.0	0.0	0.0	0.0
Investing cash flow	(27.5)	(14.1)	(16.9)	(20.2)	(24.2)
Financing cash flow					
IPO	0.0	71.3	0.0	0.0	0.0
Proceeds from issue of Redeemable Class C Shares	40.0	40.0	0.0	0.0	0.0
Share Issuance costs	(2.6)	(2.0)	0.0	0.0	0.0
Others	0.0	(52.7)	0.0	0.0	0.0
Financing cash flow	37.4	56.6	0.0	0.0	0.0
Foreign exchange	(0.0)	(0.0)	0.0	0.0	0.0
Net cash change	38.1	42.4	83.9	37.8	138.2
Beginning balance of cash	10.2	48.3	90.7	174.6	212.4
Ending balance of cash	48.3	90.7	174.6	212.4	350.6

Balance sheet (Dec Year End mn USD)	2014	2015	2016E	2017E	2018E
Non current assets					
PPE	42.8	52.0	60.3	67.7	74.5
Other assets	4.0	4.4	5.2	6.3	7.5
Deferred income tax assets	0.8	1.3	1.6	1.9	2.3
Financing receivables	20.2	25.3	30.3	36.4	43.7
Total non current assets	67.9	82.9	97.4	112.3	128.0
Current assets					
Other assets	1.4	1.7	2.1	2.5	3.0
Film assets	0.1	0.0	0.0	0.1	0.1
Inventories	3.4	6.4	6.5	10.9	10.7
Prepayments	0.8	1.0	1.4	1.8	2.2
Financing receivables	3.9	3.8	6.3	7.3	9.7
Trade and other receivables	25.3	35.6	44.5	63.8	70.7
Cash and equivalents	48.3	90.7	174.6	212.4	350.6
Total current assets	83.3	139.2	235.5	298.8	447.0
Total Assets	151.2	222.2	332.9	411.1	574.9
Non current liabilities					
Others	12.9	0.0	0.0	0.0	0.0
Deferred revenue	22.5	29.1	35.0	42.0	50.3
Redeemable Class C shares	26.8	0.0	0.0	0.0	0.0
Total non current liabilities	62.2	29.1	35.0	42.0	50.3
Current liabilities					
Trade and other payables	39.9	12.2	56.4	36.3	78.7
Accruals and other liabilities	5.1	4.2	8.0	8.4	12.0
Tax payables	9.3	6.2	7.5	9.0	10.7
Deferred income	8.3	12.8	14.9	22.5	24.0
Total current liabilities	62.6	35.3	86.8	76.1	125.5
Total equity	26.3	157.7	211.1	293.0	399.0
BVPS	0.087	0.444	0.588	0.808	1.090
Key Indicators	2014	2015	2016E	2017E	2018E
Gross margin	59.4%	65.3%	66.0%	72.9%	75.3%
Operating margin	39.8%	38.3%	38.3%	38.3%	38.3%
EBITDA margin	50.8%	47.5%	47.5%	47.5%	47.5%
Net margin	29.1%	-164.5%	36.7%	41.6%	43.4%
Adjusted net margin	33.2%	39.2%	42.1%	46.3%	47.7%
Growth yoy					
Revenue	39.8%	41.3%	31.6%	35.1%	24.2%
Gross profit	44.1%	55.5%	32.9%	49.2%	28.3%
Operating profit	48.9%	35.8%	66.3%	53.3%	29.3%
EBITDA	37.2%	32.3%	57.4%	48.1%	27.8%
Net profit	30.5%	-898.5%	-129.4%	53.2%	29.5%
Adjusted net profit	60.4%	66.9%	41.1%	48.8%	28.0%

Source: the Company, Guotai Junan International.

Appendix - Parent Company- IMAX Corporation

IMAX Corporation was a global cinema equipment leader. IMAX Corporation is one of the world's leading entertainment technology companies specializing in motion picture technologies and presentations. IMAX offers a unique end-to-end cinematic solution combining proprietary software, theatre architecture and equipment to create the highest-quality, most immersive motion picture experience for which the IMAX® brand has become known globally. Top filmmakers and studios utilize IMAX theatres to connect with audiences in innovative ways, and as such, IMAX's theatre network is among the most important and successful theatrical distribution platforms for major event films around the world.

Table- 1: IMAX's Milestone

Year	Important Event	Milestone
1970	"Tiger Child"	Tiger Child, the first IMAX film, was demonstrated at Expo '70 in Osaka, Japan. The first permanent IMAX installation was built at the Cinesphere theatre at Ontario Place in Toronto. It debuted in May 1971, showing the film North of Superior. The installation is still in place, however, Ontario Place is on hiatus for redevelopment.
1973	IMAX Dome	The first permanent IMAX Dome installation, the Eugene Heikoff and Marilyn Jacobs Heikoff Dome Theatre at the Reuben H. Fleet Science Center, opened in San Diego's Balboa Park in 1973. It doubles as a planetarium.
1974	IMAX screen	During Expo '74 in Spokane, Washington, an IMAX screen that measured 27 m × 20 m (89 ft × 66 ft) was featured in the US Pavilion (the largest structure in the expo). About five million visitors viewed the screen, which covered the viewer's total visual field when looking directly forward. This created a sensation of motion in most viewers, and motion sickness in some. An IMAX 3D theatre also is in operation near the former Expo 67 site
2002	IMAX DMR	IMAX's proprietary DMR (Digital Media Remastering) process allows conventional films to be upconverted into IMAX format. This special digital intermediate technology allowed films shot on 35mm for conventional theatres to be shown in IMAX venues. In 2002, Star Wars: Episode II – Attack of the Clones and an IMAX-format re-release of the 1995 film Apollo 13, were the first official applications of the DMR process.
2003	"The Matrix Reloaded"	First DMR release for Warner Bros
2004.3	"Spider-Man 2"	First DMR release for Columbia Pictures
2004.6	"The Polar Express"	First 3D DMR film
2007.9	"Transformers"	Re-release with additional scenes. First DMR release for DreamWorks Pictures
2007.11	"Beowulf"	In 3D. First DMR release for Paramount Pictures
2008	Digital IMAX	In 2008, IMAX extended their brand into traditional theatres with the introduction of Digital IMAX, a lower-cost system that uses two 2K digital projectors to project on a 1.89:1 aspect ratio screen. This lower-cost option, which allowed for the conversion of existing multiplex theatre auditoriums, helped IMAX to grow from 299 screens worldwide at the end of 2007 to over 1,000 screens by the end of 2015.
2008	Digital IMAX projection	The Digital IMAX projection system, debuted in 2008, is designed to be used with shorter 1.89:1 aspect ratio screens. The system uses two 2K projectors that can present either 2D or 3D content in DCI or IMAX Digital Format (IDF). The two 2K images are projected superimposed on each other with a half-pixel offset, using super-resolution imaging to increase the perceived resolution to approximately 2.9K. For 3D presentations, one projector is used to display the image for each eye, while 2D presentations use the superimposed images to allow for a brighter 22-foot lambert image.
2008.5	"Speed Racer"	First DMR release in IMAX Digital
2008.7	The Dark Knight	First mainstream feature to be partially shot with IMAX cameras, with 28 minutes of footage. First DMR film to surpass 150 minutes.
2009.2	"Jonas Brothers: The 3D Concert Experience"	In 3D. Filmed with the Fusion Camera System. Limited engagement. First DMR release for Walt Disney Pictures. First IMAX Digital exclusive.
2011	4K 3D digital camera	In 2011, IMAX announced a 4K 3D digital camera with the similar wide resolution of regular IMAX film cameras. The camera was developed alongside Vision Research and AbelCine, integrating two Phantom 65 engines.
2011.6	The Founding of a Party	First China Film.
2012	Test Laser IMAX projection	In April 2012, IMAX began testing a new 4K laser projection system, based on patents licensed from Eastman Kodak. Like the 3D film and digital systems, it used two projectors, but it improved over the smaller digital screens by retaining the traditional IMAX aspect ratio and to allowed films to be shown on screens 36 m (118 ft) wide or more.
2012.3	"The Hunger Games"	Limited engagement. First DMR release for Lionsgate Films.
2013.4	"Oblivion"	Filmed in 4K resolution. Aspect ratio opened up to 1.90:1 for the entire film.
2015.9	IMAX officially launched Laser system in London	At the Empire cinema in Leicester Square this morning, IMAX unveiled Europe's first "IMAX with laser" digital projection system. As the name implies, the main difference is that laser-based IMAX uses a laser light source rather than a stupendously powerful (15kW) xenon arc lamp. This results in a brighter, sharper picture, along with a wider colour gamut and blacker blacks. The first films projected via lasers were Bond film Spectre and Star Wars: The Force Awakens.

Source: the Company, Guotai Junan International.

Greater China demand is the key driver. IMAX has a global cinema network, with 990 IMAX screens in commercial complexes, up 16.2% yoy. US and Greater China are IMAX's two largest markets. In 2015, IMAX had 344 IMAX screens in US, up 4.0% yoy, 36.3% of IMAX global network, and 37 in Canada, up 2.8% yoy, jointly accounting for 0.87% of screens in North America. In Greater China, there were 318 IMAX screens, up 41.3% yoy. Moreover, Hollywood motion picture companies have accepted IMAX's network to deliver far better movie watching experiences to moviegoers. However, IMAX's network has grown slowly except in Greater China. In US & Canada, IMAX might mainly benefit from the revenue sharing from the IMAX BO in the future. In Greater China, as IMAX might at least build up around 50 IMAX screens, IMAX might mainly rely on providing IMAX system to cinemas.

Table- 2: IMAX Global Network

Commercial Complex	2011	2012	2013	2014	2015	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
United States	269	290	319	329	342	319	320	324	325	329	330	333	333	342	344	346
Canada	26	34	34	36	37	34	35	35	35	36	36	37	37	37	37	37
Greater China	70	108	150	215	290	150	151	163	176	215	220	232	258	290	295	318
Asia (excluding Greater China)	36	42	61	68	81	61	62	66	66	68	69	73	76	81	81	86
Western Europe	35	46	49	56	69	49	49	51	52	56	58	62	65	69	70	73
Russia & the CIS	22	32	40	45	49	40	40	42	42	45	45	48	48	49	48	49
Latin America	15	19	25	31	35	25	26	28	29	31	33	33	34	35	37	38
Rest of the World	24	27	23	29	40	23	24	26	26	29	29	34	36	40	40	43
Total	497	598	701	809	943	701	707	735	751	809	820	852	887	943	952	990

Source: IMAX Corporation, Guotai Junan International.

Table- 3: IMAX Order Backlog

	2011	2012	2013	2014	2015	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
United States & Canada	42	55	55	57	44	55	53	53	63	57	55	52	51	44	37	60
Greater China	124	122	239	217	215	239	240	235	247	217	219	218	218	215	227	264
Asia (excluding Greater China)	25	33	39	38	36	39	42	38	39	38	38	36	32	36	44	39
Western Europe	6	5	13	19	13	13	23	21	18	19	21	20	16	13	13	13
Russia & the CIS	23	23	19	25	23	19	28	28	28	25	26	23	23	23	23	24
Latin America	38	35	32	27	20	32	31	29	28	27	25	22	22	20	20	19
Rest of the World	5	3	10	14	21	10	14	15	16	14	19	20	22	21	24	23
Worldwide Total	263	276	407	397	372	407	431	419	439	397	403	391	384	372	388	382

Source: IMAX Corporation, Guotai Junan International.

Over 300 IMAX DMR films. The first IMAX DMR film, Apollo 13: The IMAX Experience, produced in conjunction with Universal Pictures and Imagine Entertainment, was released in September 2002 to 48 IMAX theatres. One of the more recent IMAX DMR films, The Hobbit: The Battle of the Five Armies: An IMAX 3D Experience, was released in December 2014 to 592 IMAX theatres. Since the release of Apollo 13: The IMAX Experience, to December 31, 2014, an additional 196 IMAX DMR films have been released to the IMAX theatre network.

Table- 4: IMAX DMR Projects

Year	Number of films	Names of films
2002	2	Apollo 13/ Star Wars: Episode II – Attack of the Clones
2003	2	The Matrix Reloaded/ The Matrix Revolutions
2004	3	Harry Potter and the Prisoner of Azkaban/ Spider-Man 2 /The Polar Express
2005	4	Robots/ Batman Begins/ Charlie and the Chocolate Factory/ Harry Potter and the Goblet of Fire
2006	7	V for Vendetta/ Poseidon/ Superman Returns/ The Ant Bully/ Open Season /Happy Feet/ Night at the Museum
2007	6	300/ Spider-Man 3/ Harry Potter and the Order of the Phoenix/ Transformers/ Beowulf/ I Am Legend/
2008	9	U2 3D/ The Spiderwick Chronicles/ Shine a Light/ Speed Racer/ The Dark Knight/ Eagle Eye/ Madagascar: Escape 2 Africa/ The Day the Earth Stood Still/ The Day the Earth Stood Still
2009	11	Jonas Brothers: The 3D Concert Experience/ Watchmen/ Monsters vs. Aliens/ Star Trek/ Night at the Museum: Battle of the Smithsonian/ Transformers: Revenge of the Fallen/ Harry Potter and the Half-Blood Prince/ Cloudy with a Chance of Meatballs/ Where the Wild Things Are/ Michael Jackson's This Is It/ A Christmas Carol/ Avatar
2010	16	Alice in Wonderland/ How to Train Your Dragon/ Iron Man 2/ Shrek Forever After /Prince of Persia: The Sands of Time/ Toy Story 3/ The Twilight Saga: Eclipse/ Inception/ Aftershock/ Avatar: Special Edition/ Resident Evil: Afterlife/ Legend of the Guardians: The Owls of Ga'Hoole/ Paranormal Activity 2/ Megamind/Harry Potter and the Deathly Hallows – Part 1/ Tron: Legacy
2011	26	The Green Hornet/ Tangled/ Sanctum/ I Am Number Four/ Mars Needs Moms/ Mars Needs Moms/ Sucker Punch/ Fast Five/ Thor/ Pirates of the Caribbean: On Stranger Tides/ Pirates of the Caribbean: On Stranger Tides/ Kung Fu Panda 2/ The Founding of a Party/ Super 8/ Cars 2/ Transformers: Dark of the Moon/ Harry Potter and the Deathly Hallows – Part 2/ Sector 7/ Cowboys & Aliens/ Sector 7/ Final Destination 5/ Contagion/ Real Steel/ The Adventures of Tintin: The Secret of the Unicorn/ Puss in Boots/ Happy Feet Two/ Flying Swords of Dragon Gate/ Mission: Impossible – Ghost Protocol
2012	36	Underworld: Awakenin/ Journey 2: The Mysterious Island/ Dr. Seuss' The Lorax/ John Carter/ The Hunger Games/ HOUBA! On the Trail of the Marsupilami/ Wrath of the Titans/ Titanic/ Battleship/ The Avengers/ Dark Shadow/ Men in Black 3/ Prometheus/ Madagascar 3: Europe's Most Wanted/ Rock of Ages/The Amazing Spider-Man/ The Dark Knight Rises/ Total Recall/ Raiders of the Lost Ark/ Resident Evil: Retribution/ The Bourne Legacy/ Tai Chi 0/ Frankenweenie/ Paranormal Activity 4/ Tai Chi Hero/ Cloud Atlas/ Skyfall/ Cirque du Soleil: Worlds Away/ The Twilight Saga: Breaking Dawn – Part 2/ Life of Pi/ Rise of the Guardians/ Back to 1942/ CZ12/ The Hobbit: An Unexpected Journey/ Les Misérables/
2013	39	The Grandmaster/Hansel & Gretel: Witch Hunters/Top Gun /Journey to the West: Conquering the Demons/ A Good Day to Die Hard/ Jack the Giant Slayer/ Oz the Great and Powerful/ G.I. Joe: Retaliation/ Dragon Ball Z: Battle of Gods/ Jurassic Park/ Oblivion/ Iron Man 3/ Star Trek Into Darkness/ Fast & Furious 6/ After Earth/ Man of Steel/ Despicable Me 2/ World War Z/ White House Down/ Man of Tai Chi/ Pacific Rim/ Pacific Rim/ The Lone Ranger/ Elysium/ The Mortal Instruments: City of Bones/ Riddick/ The Wizard of Oz/ Metallica: Through the Never/ Young Detective Dee: Rise of the Sea Dragon/ Stalingrad/ Gravity/ Captain Phillips/ Ender's Game/ Thor: The Dark World/ The Hunger Games: Catching Fire/ The Hobbit: The Desolation of Smaug/ Dhoom 3/ Police Story 2013/
2014	43	Jack Ryan: Shadow Recruit/ I, Frankenstein/ The Monkey King/ Gravity/ Gravity/ RoboCop/ 300: Rise of an Empire/ Need for Speed/ Divergent/ Captain America: The Winter Soldier/ Noah/ Transcendence/ The Amazing Spider-Man 2/ Coming Home/ Godzilla/ Maleficent/ Edge of Tomorrow/ How to Train Your Dragon 2/ Transformers: Age of Extinction/ Hercules/ Lucy/ The White Haired Witch of Lunar Kingdom/ Guardians of the Galaxy/ Teenage Mutant Ninja Turtles/ Teenage Mutant Ninja Turtles/ The Expendables 3/Forrest Gump/ The Maze Runner/The Equalizer/ Breakup Buddies/ Bang Bang/ Dracula Untold/ Fury/ John Wick/ Interstellar/ Big Hero 6/ Big Hero 6/ Penguins of Madagascar/ The Crossing: Part 1/ Exodus: Gods and Kings/ The Hobbit: The Battle of the Five Armies/ Seventh Son/ Gone with the Bullets/ Night at the Museum: Secret of the Tomb



2015	46	<p>Taken 3/ American Sniper/ Kingsman: The Secret Service/ Game of Thrones/Jupiter Ascending/ Fifty Shades of Grey/ Dragon Blade/ Wolf Totem/ Focus/ Cinderella/ The Divergent Series: Insurgent/ Furious 7/ Dragon Ball Z: Resurrection 'F'/ The Water Diviner/ Avengers: Age of Ultron/ Mad Max: Fury Road/ Tomorrowland/ San Andreas/Jurassic World/ Inside Out/ Terminator Genisys/ Monk Comes Down the Mountain/ Minions/ Monster Hunt/ Ant-Man/ Pixels/ Mission: Impossible – Rogue Nation/ Attack on Titan/ To the Fore/ Go Away Mr. Tumor/ The Man from U.N.C.L.E./ The Transporter: Refueled/ Everest/ Attack on Titan: End of the World/ Crimson Peak/ The Martian/ Spectre/ The Hunger Games: Mockingjay - Part 2/ In the Heart of the Sea/ Star Wars: The Force Awakens/ Mojin: The Lost Legend</p>
2016	30	<p>The Revenant/ The Finest Hours/ Kung Fu Panda 3/ The Monkey King 2/ Deadpool/ Crouching Tiger, Hidden Dragon: Sword of Destiny/ Crouching Tiger, Hidden Dragon: Sword of Destiny/ Gods of Egypt/ Zootopia/ 10 Cloverfield Lane/ The Divergent Series: Allegiant/ Batman v Superman: Dawn of Justice/ The Huntsman: Winter's War/ The Jungle Book/ Flight Crew/ A Beautiful Planet/ Captain America: Civil War/ Alice Through the Looking Glass/ X-Men: Apocalypse/ Warcraft/ Finding Dory/ Independence Day: Resurgence/ The Legend of Tarzan/ Ghostbusters/ Star Trek Beyond/ Suicide Squad/ Duelist/ Deepwater Horizon/ Doctor Strange/ Fantastic Beasts and Where to Find Them/ Rogue One: A Star Wars Story</p>
2017	22	<p>Geostorm/ Maze Runner: The Death Cure/ Untitled The Wolverine Sequel/ Kong: Skull Island/ Fast 8/ Guardians of the Galaxy Vol. 2/ The Lego Batman Movie/ The Lego Batman Movie/ Pirates of the Caribbean: Dead Men Tell No Tales/ The Divergent Series: Ascendant/ Kingsman: The Secret Service 2/ Wonder Woman/ Untitled Spider Man film/ War for the Planet of the Apes/ Dunkirk/ Jumanji/ Alien: Covenant/ Jungle Book: Origins/ Thor: Ragnarok/ Justice League Part One/ Star Wars: Episode VIII/</p>
2018	14	<p>Black Panther/ The Flash/ Ready Player One/ Avengers: Infinity War - Part 1/ The Lego Movie Sequel/ Untitled Han Solo Star Wars Anthology film/ Godzilla 2/ Toy Story 4/ Untitled Jurassic World Sequel/ How to Train Your Dragon 3/ Ant-Man and the Wasp/ Aquaman/ Scooby-Doo/ Fantastic Beasts and Where to Find Them 2</p>
2019	7	<p>Captain Marvel/ Fast & Furious 9/Avengers: Infinity War - Part 2/ Star Wars: Episode IX/ Avengers: Infinity War - Part 2/ Justice League Part Two/ Indiana Jones 5/ Avatar 2</p>
2020	2	<p>Fantastic Beasts and Where to Find Them 3/ Avatar 3</p>

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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