

Management Discussion and Analysis (Continued)

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.